展程控股有限公司

GOAL FORWARD HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1854

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Chi Ching *(Chairman)*
Ms. Wu Shuk Kwan *(Chief Executive Officer)*

Non-executive Director
Mr. Wong Chung Yeung

Independent non-executive Directors
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

BOARD COMMITTEES

Audit Committee
Mr. Ng Ki Man *(Chairman)*
Ms. Li On Lei
Mr. Lo Siu Kit

Nomination Committee
Mr. Liu Chi Ching *(Chairman)*
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

Remuneration Committee
Ms. Li On Lei *(Chairman)*
Mr. Ng Ki Man
Mr. Lo Siu Kit
Mr. Liu Chi Ching

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Liu Chi Ching
Ms. Yim Sau Ping

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Room Nos. 4101-04, 41/F, Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop No. A-B, 1/F
Sunking Factory Building
No. 1-7 Shing Chuen Road
Shatin
New Territories
Hong Kong

PRINCIPAL BANKS

OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited

STOCK CODE

1854

COMPANY'S WEBSITE

www.cyfood.com.hk

OVERVIEW

Dear Shareholders,

2018 was another busy yet exciting year for Goal Forward Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"). Since the listing on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") back in 2016, the Group has successfully achieved another new milestone. The shares of the Company were listed on the Main Board of the Stock Exchange by way of transfer of listing (the "**Transfer of Listing**") on 21 March 2019 with new stock code of 1854 in recognition of the abilities of the Company. I believe the Transfer of Listing will allow the Group to have a larger investor base and further promote the Company's corporate profile and recognition among public investors, it will definitely also strengthen the Group's position in the industry it operates and enhance the Group's competitiveness, which is beneficial to the future growth and development of the Group and creating long-term value to our shareholders.

RESULTS OF THE YEAR

While the macro environment of Hong Kong seems to have stabilized with the underlying inflation rate remained largely stable for 2018, the spending attitudes of customers for food and beverages remain conservative which directly impacts on the food service industry as a whole. Riding on the opportunities in supporting the food service operators to enhance the overall production efficiency and reduce their direct labour reliance, the Group was able to generate a total revenue of approximately HK$185.9 million for the year ended 31 March 2019 as compared to approximately HK$176.8 million for the year ended 31 March 2018, indicating a positive turnover growth of the Group. The Group's net profit was approximately HK$16.1 million for the year ended 31 March 2019 as compared to approximately HK$22.9 million for the year ended 31 March 2018. Setting aside the professional fees of approximately HK$4.5 million in relation to the Transfer of Listing, the adjusted net profit of the Group for the year ended 31 March 2019 would be approximately HK$20.6 million.

PROSPECT

The Group expects that the operating pressures for food service industry may likely to persist moving forward, together with a record of low unemployment rate in 2018 emphasizing the challenges for lower skilled staff recruitments in the industry, this indicates increasing demand for outsourcing of further processing services and may continue to bring opportunities to the Group. We are also pleased to announce that the Group has successfully completed the fitting-out and equipment installation works of the production factory in Kwai Chung (the "**Kwai Chung Factory**") and it has commenced full operation since January 2019. This new production facility aims to enhance food processing efficiency while preserving the freshness and increasing shelf-lives of the food ingredients. Stringent quality controls with accreditation of ISO 22000 and Hazard Analysis and Critical Control Points ("**HACCP**") standards are in place to ensure compliance with food safety standards for this Kwai Chung Factory. The additional capacity will allow the Group to further cope with the increasing processing demands of customers and explore greater opportunities with expanded service scope and product offerings, particularly the processed fruit unit, which will further strengthen the Group's position in the food service industry through market penetration and product development.

APPRECIATION

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I would like to take this opportunity to extend my sincere gratitude to all shareholders, investors and business partners for their continuous support to the Group. The growth of the business would not be attained without the efforts of the Group's management team and the unwavering commitment of our staff, as such, I would also like to express my appreciation to all Directors, management and staff for striving through the challenges and escalate the Company further. We shall continue to perform and take the company to the forefront of the industry and maximize values for our shareholders.

Liu Chi Ching
Chairman and Executive Director

Hong Kong, 28 June 2019

BUSINESS REVIEW

The Group is principally engaged in the sourcing, processing and supplying of food ingredients with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. It supplies food ingredients to over 700 customer outlets and offers more than 1,300 types of food ingredients to the customers.

For the year ended 31 March 2019, the Group recorded a net profit of approximately HK$16.1 million as compared to net profit of approximately HK$22.9 million for the same period in 2018. The Directors are of the view that the decrease in the Group's net profit during the year ended 31 March 2019 was mainly attributable to professional fees of approximately HK$4.5 million incurred in connection with Transfer of Listing in 2019. Setting aside the non-recurring listing expenses, the Group's adjusted net profit for the year ended 31 March 2019 would have been approximately HK$20.6 million. The adjusted net profit for the year ended 31 March 2019 represents a decrease of approximately 10.0% as compared to the net profit for the year ended 31 March 2018. The Directors are of the view that the decrease was mainly attributable to the (i) decrease in gross profit margin and (ii) increase in selling and administrative expenses.

OUTLOOK

The shares of the Company were listed on GEM of the Stock Exchange by way of placing (the "**Listing**") on 13 October 2016 (the "**Listing Date**") and have been listed on the Main Board of the Stock Exchange by way of transfer of listing since 21 March 2019. The Directors believe that the Listing could enhance the profile and recognition of the Group and its products and services and hence further strengthen the existing and potential customers' and suppliers' confidence in the Group. The Directors also believe the Transfer of Listing could broaden the investor base and enhance the corporate profile further. The Group could further expand and optimize its products and services, as well as creating long-term value to our shareholders.

The Group is in the course of negotiation with existing customers and potential new customers, including groups with sizeable operations, who have expressed their intention to invite us to expand the existing supply scope or to support the development of their new outlets. In addition, with the success of exploring new sources of vegetables and fruits supplies, as well as the commencement of operation of the Kwai Chung Factory, the Group shall sustain its competitiveness within the market and shall continue to strive to achieve the business objectives as stated in the prospectus of the Company dated 30 September 2016 (the "**Prospectus**").

Revenue

The Group's revenue for the year ended 31 March 2019 was approximately HK$185.9 million, representing an increase of approximately 5.1% from approximately HK$176.8 million for the year ended 31 March 2018, which was primarily attributable to the increase in supplies of food ingredients to broader customer base and greater sales in providing processing services.

Cost of sales

The Group's cost of sales for the year ended 31 March 2019 was approximately HK$142.0 million, representing an increase of approximately 7.3% from approximately HK$132.3 million for the year ended 31 March 2018, which was in tandem with the revenue growth over the same year.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2019 were approximately HK$44.0 million, representing a decrease of approximately 1.3% from approximately HK$44.6 million for the year ended 31 March 2018. The Group's gross profit margin for the year ended 31 March 2019 was approximately 23.7%, representing a decrease of approximately 1.5 percentage points as compared to approximately 25.2% for the year ended 31 March 2018. The decrease in gross profit margin was mainly due to the combined effect of (i) a higher proportion of fixed cost for the Kwai Chung Factory as it was at the start up stage; and (ii) a yield variances of processing ingredients.

Selling and administrative expenses

The Group's selling and administrative expenses for the year ended 31 March 2019 were approximately HK$23.6 million, representing an increase of approximately 38.0% from approximately HK$17.1 million for the year ended 31 March 2018, primarily due to the professional fees of approximately HK$4.5 million incurred in relation to the Transfer of Listing and the increase of staff costs to retain higher caliber employees.

Finance costs

Finance costs of the Group increased by approximately 22.3% from approximately HK$430,000 for the year ended 31 March 2018 to approximately HK$526,000 for the year ended 31 March 2019. The increase in finance costs was mainly attributable to increase in average bank borrowings balance during the year ended 31 March 2019.

Share of loss/profit of a joint venture

During the year ended 31 March 2019, the Group recorded a share of loss of a joint venture of approximately HK$2,000 as compared with profit of approximately HK$14,000 for the year ended 31 March 2018.

Profit attributable to equity holders of the Company

As a result of the foregoing, the Group's profit attributable to equity holders of the Company for the year ended 31 March 2019 amounted to approximately HK$16.1 million, representing a decrease of approximately 29.7% as compared with profit of approximately HK$22.9 million for the year ended 31 March 2018. Setting aside the professional fees of approximately HK$4.5 million in relation to the Transfer of Listing, the adjusted net profit of the Group for the year ended 31 March 2019 would be approximately HK$20.6 million. The adjusted net profit margin for the years ended 31 March 2019 and 2018 were approximately 11.1% and 13.0%, respectively.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 31 March 2019.

Business plan as set out in the Prospectus	Progress up to 31 March 2019
Acquisition of new processing base, facilities and equipment	
– Downpayment for acquiring additional industrial premises of approximately 9,000 to 10,000 sq.ft. in the industrial zone in New Territories as a new processing base of the Group	The Group has completed the acquisition of the new premises in Kwai Chung as a new processing base in January 2018
– Fitting out, renovation and installation of the new processing base	The Group has completed fitting out, renovation and equipment installation works at the new processing base and the Kwai Chung Factory has commenced full operation in January 2019
– Acquire additional facilities and machines, such as washing and drying machines, various cutting machines and chemical detection devices	The Group has acquired additional facilities and machines
– Evaluate the efficiency of new processing base and assess for the need for additional facilities and machines	Due to postponement in schedule of setting up of the new processing base which only commenced full operation in January 2019, the evaluation and assessment are deferred
Further strengthening the manpower	
– Recruit four additional sales personnel to expand the sales team	The Group has recruited additional sales personnel to expand the sales team
– Recruit approximately twenty-five additional operation staff to improve the processing capacity	The Group has recruited additional operation staff to improve the processing capacity
– Recruit two additional procurement personnel to further strengthen the sourcing network	Due to the shortage in right calibre employees, recruitment schedule is deferred
– Assess the sufficiency of the labour resources having to the business development	Labour resources remain adequate and manageable

Expansion of logistic team

– Acquire seven additional chilled 5.5 tonne trucks and two non-chilled 5.5 tonne trucks	Seven additional vehicles have been acquired to fulfill the needs of operations. Due to labour shortage, the acquisition schedule is deferred
– Recruit eighteen additional distribution staff responsible for driving and delivering	Due to distribution staff shortage, the recruitment schedule has been deferred
– Maintain the cost of additional trucks acquired and distribution staff recruited	A portion of proceeds were used to maintain the cost of additional trucks acquired and distributed staff recruited but not fully utilised due to delay in schedule as explained above

Enhancement of sales channels

– Enhance the sales channels such as upgrading of mobile sales application and developing an internet sales platform	Enhancing the sales channel requires modifications to the core of the existing application systems and such modifications required longer time than expected

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its Listing on 13 October 2016 through a placement of 320,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.225 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$47.8 million. Up to 31 March 2019, the net proceeds from the Listing had been applied as follows:

	Planned use of proceeds from Listing Date to 31 March 2019 HK$ million	Actual use of proceeds from Listing Date to 31 March 2019 HK$ million
Acquisition of new processing base, facilities and equipment	23.7	23.7
Further strengthening the manpower	9.1	9.1
Expansion of logistic team	9.7	6.5
Enhancement of sales channels	0.5	–
General working capital	4.8	4.8
Total	47.8	44.1

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

CAPITAL STRUCTURE

The Company successfully transferred the listing of its shares from GEM to the Main Board of the Stock Exchange on 21 March 2019. There has been no change in the capital structure of the Company since the Listing Date and up to date of this annual report. The capital of the Company only comprises of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and bank borrowings.

As at 31 March 2019, the Group had borrowings of approximately HK$26.7 million which was denominated in Hong Kong Dollars (31 March 2018: HK$17.9 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations and purchase of the existing premises, while the liability of the finance lease obligations was for the acquisition of motor vehicles to support its operations.

As at 31 March 2019, the Group had bank balance and cash of approximately HK$24.7 million (31 March 2018: HK$16.1 million). The Group had no bank overdraft as at 31 March 2019 (31 March 2018: Nil). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

As at 31 March 2019, the gearing ratio of the Group was approximately 24.2% (31 March 2018: 18.8%). The increase in gearing ratio was due to increase in bank borrowings. Gearing ratio is calculated as total debt divided by total equity.

CHARGE ON GROUP ASSETS

As at 31 March 2019, the Group has pledged its properties and motor vehicles with net book value amounted to approximately HK$54.4 million (31 March 2018: HK$18.5 million) and nil (31 March 2018: HK$93,000), respectively, to secure certain banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Save as disclosed in this annual report and the Prospectus, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2019. There is no other plan for material investments or capital assets as at 31 March 2019.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is a food ingredients supplier and most of its transactions are settled in Hong Kong Dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

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

COMMITMENTS

The contract commitments mainly involve rental payable by the Group in respect of the processing facilities and parking lots under non-cancellable operating leases. As at 31 March 2019, the Group's operating lease commitments were approximately HK$872,000 (31 March 2018: HK$1,341,000).

SEGMENT INFORMATION

The Group principally operates in one business segment, which is the sourcing, processing and supplying of food ingredients to food service operators in Hong Kong.

FINAL DIVIDENDS

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

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group had 98 employees working in Hong Kong (31 March 2018: 87). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the years ended 31 March 2018 and 2019 amounted to approximately HK$18.5 million and HK$22.3 million respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits.

Trade receivables are substantially from local food service operators with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks. The Group is subject to concentration of credit risk with respect to trade receivables as 56.2% of the total trade receivables were due from the largest five customers as at 31 March 2019 (31 March 2018: 55.3%). In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, the management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers. For the year ended 31 March 2019, the Group had no provision for impairment of trade receivables (31 March 2018: Nil), based on assessment of the credit history of the customers and the current market condition.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated in the statement of financial position. For details of credit risk, please refer to note 3.1(a) to the consolidated financial statements.

Liquidity risk

As at 31 March 2019, 100% (31 March 2018: 99.5%) of the Group's financial liabilities were due within the next 12 months or carried a repayment on demand clause from the end of each reporting period for the year ended 31 March 2019. Based on the agreed scheduled repayments set out in the loan agreements of bank borrowings with a repayment on demand clause, 66.7% of the Group's financial liabilities were matured at more than 1 year from the end of each reporting period for the year ended 31 March 2019 (31 March 2018: 52.3%). The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable the Group to meet its normal operating and capital commitments. For details of the liquidity risk, please refer to note 3.1(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the values in protecting the natural environment for the benefits of earth. The Group has implemented a wide variety of green measures, including responsible use of resources, energy saving program, waste management and carbon emissions reduction to alleviate the intensity of environmental impact to the community. To help conserve the environment, the Group implements green practices such as papers are reused and recycled, paper waste is separated from other waste for easier collection, recycle paper waste instead of direct disposal at landfill, reduce energy consumption by replaced majority of the lighting system of the processing factory with LED lights and switching off air conditioning and electrical appliances upon used. The Group's operations were in compliance all material respects with currently applicable environmental protection laws and regulations in Hong Kong during the year.

For details of environmental, social and governance performance of the Group, please refer to the "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied 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 or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 March 2019, there was no material or significant dispute between the Group and its suppliers, customers and/or stakeholders.

OVERVIEW

This Environmental, Social and Governance (the "**ESG**") Report (the "**Report**") of the Group for the year ended 31 March 2019 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Corporate governance is addressed separately in the Corporate Governance Report.

Reporting Scope

The Report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of the Group.

The content of the Report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, our performance, and key performance indicators ("**KPIs**"). The reporting period of this report shall cover the date from 1 April 2018 to 31 March 2019.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the Board on 28 June 2019.

About the Group

The Group operates in Hong Kong and is principally engaged in food processing and supply of vegetables, fruits and other food ingredients to over 700 customer outlets across Hong Kong. Particulars of the Group's principal entities are set out in note 27 to the consolidated financial statements for the year ended 31 March 2019.

Our Strategy

Environmental and social responsibilities are viewed as the Group's core commitment to environment, internal workplace external community and an integral part of the Group's practice to create value for stakeholders. We integrate environmental and social considerations into the Group's daily operations, as summarized below:

Environmental Objectives

- Include environmentally-friendly practices to the daily operation activities;
- Reduce greenhouse gas emissions;
- Utilise energy and resources efficiently; and
- Continuously improve waste management

Social objectives

- Respect rights of employees and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation

The Group executes its environmental and social strategy and achieves its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Disclose KPIs as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

Our environmental and social management system comprises of the following:

- Direction from the Board to fulfil the ESG responsibilities;
- Routine execution of environmental and social strategy and achieving its objectives by senior management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations;
- Review and monitoring of ESG risks management and internal control systems by the Board; and
- Reporting and disclosure of the Group's performance and KPIs

To measure the achievements of our environmental and social objectives, the following aspects are taken into consideration:

- Environmental policies;
- Social policies;
- Checklists for compliance with applicable environmental and social laws and regulations;
- Mandatory documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and reviewed regularly by Directors to keep track of the Group's ESG performance.

The Group has established a set of procedures for identification and mitigation of potential environmental impacts associated with its operations. As the first step, key environmental impacts are identified with the assistance of local authorities, local communities and conservation organizations. In case any of the identified environmental impacts cannot be avoided, the Group will work closely with relevant stakeholders and regulatory authorities to develop suitable mitigation measures and compensation where applicable.

Stakeholder Engagement and Materiality

Stakeholder engagement is a key success factor in the formulation of our environmental and social strategy. It helps us define our key objectives and establish relevant policies, as well as to identifying and assessing areas of materiality. Our key stakeholders include customers, suppliers, employees, and managerial personnel. Through the use of surveys and discussions, we communicate with stakeholders to understand their views, which enables us to provide effective responses to better suit their needs and expectations. Stakeholder inputs are consolidated and prioritised accordingly for us to continuously improve our performance and provide better value to our stakeholders, community and the public as a whole.

Stakeholders	Expectations and Concerns	Engagement Channels
Customers	• Quality of products and services	• After-sales services • Feedback channels
Employees	• Staff salary and benefits • Health and safety of working environment • Training and development	• Training • Performance review and interviews • Internal announcements and publications • Suggestion box
Suppliers	• Timely payment for supplied goods/services	• Site visit
Shareholders	• Corporate governance • Return on investment	• Annual general meetings • Annual and interim reports • Press releases and announcements
Community	• Community involvement • Environmental protection awareness	• Community activities • Subsidies and charitable donations

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please kindly send it to the Group through its communication channels published on the Company's website at www.cyfood.com.hk.

ENVIRONMENT

The Group recognises the values in protecting the natural environment for the benefit of earth. We are committed to develop and manage our business in an environmentally responsible way to limit any negative impacts to ecosystems.

Use of Resources

The Group acknowledges that efficient consumption of resources, including energy, water and other raw materials, is crucial for the protection of the environment. Resource consumption associated with various aspects on our operation, such as production, storage, transportation, buildings, and electronic equipment, are closely monitored to ensure effective use of resources.

Electricity and water consumption data presented in the following sections are referred to bills from utility providers. Minor discrepancies may exist between the billing cycles and the reporting period of this report which we believe does not constitute significant materiality to the results. To address the minor discrepancies, we have undertaken our best efforts to present an accurate estimate of our consumption during the reporting period by performing minor interpolation and extrapolation based on the raw data.

Electricity

The Group has established policies and procedures to reduce electricity consumption at the facility, including assessment of energy efficiency, increase in the use of clean energy, and where possible, set targets to monitor energy consumption.

Procurement of electrical appliances with high energy efficiency rating is recommended. The majority of the lighting systems in the processing factory were replaced with LED lights. Also, we promote the use of devices capable of performing multiple functions (such as one device handling all of printing, scanning, photocopying and fax) to reduce the quantity of electrical equipment and associated energy consumption at our facilities. Furthermore, it is ensured that power supply is turned off when electrical appliances are not in use.

During the reporting period, the Group has consumed 741,708 kWh of electricity.

Fossil Fuels

The Group believes green logistics provide benefits for both the nature and the Company, considering the simultaneous reduction of transportation costs, energy consumption and associate pollution. To achieve this, the Group requires the trucks are loaded to the optimal capacity for long-distance transportation. The Group also encourages optimising transportation routes and to fill our trucks at high capacity to reduce the overall travel distance. In addition, the Group’s vehicles are serviced regularly to ensure good working conditions, and annual emission tests are performed to confirm compliance against vehicle emission standards.

Employees are encouraged to maintain optimal tire pressures for vehicle, as well as avoid engine idling where possible, to limit fossil fuel consumptions and associated emissions. Filters, air vents and ducts are to be regularly cleaned to ensure good airflow and efficient fuel combustion. The Group also reminds employees to consider the environmental impacts in their daily commuting decisions to reduce air and greenhouse gas emissions.

During the reporting period, the Group has consumed 2,820 litres of petrol and 59,244 litres of diesel.

Water

Water consumption has a direct effect on the environmental footprint of the Group, as well as impacts on operational costs. Policies have been put in place to control the usage of water to limit wastage at the Group's facilities, including the food processing factory, logistics centre, warehouse, and offices.

For example, employees are encouraged to turn off water taps upon used, to check faucets and pipes for any potential leakage and to adopt the use of water saving appliances.

Apart from slicing, sorting and packaging of foods, our food processing procedures also involve a large amount of washing and peeling work. Water consumption in food processing is monitored closely so that objective of saving water can be achieved.

Also, during the planning stage of the Group's projects, water availability assessment is performed to assess water supply sustainability, including the likelihood of water scarcity at in the future. It is also of priority to ensure necessary engagements are arranged with stakeholders of local water resources.

During the reporting period, 6,120 cubic metres of water was consumed by the Group.

Packaging Materials

The disposal of products and packaging materials at the end of a consumption phase is a growing environmental challenge. The Group endeavours to adopt the lifecycle assessment approach to consider the environmental impact of products and packaging materials throughout their lifecycle, from covering material selection, acquisition, processing, consumption, disposal, and recycling. A "design for manufacturing" approach has also been adopted with the objective of optimizing project design to minimize resources needed during manufacturing and assembly processes. The Group encourages employees to use recycled or renewable material for packaging, and have an aim to design the packaging to be returnable, reusable, and renewable where possible.

During the reporting period, a total of 24 tonnes of packaging materials, consisting solely of paper, was used by the Group.

Greenhouse Gases and Air Emissions

Consumption of fossil fuels and purchased electricity results in the emission of various compounds into the atmosphere which are responsible for air pollution, including nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**"), particulate matter (PM). In addition, certain gases commonly released into the atmosphere have the ability to absorb and re-emit infrared radiation which intensifies the Greenhouse Effect. Such gases are commonly referred to as Greenhouse Gases, and examples of them include carbon dioxide, methane, nitrous oxide, chlorofluorocarbons (CFCs), hydrofluorocarbons (HCFCs), perfluorocarbons and sulphur hexafluoride. Greenhouse gas emissions, also referred to as carbon footprints, are commonly presented in the form of metric tons of equivalent carbon dioxide (CO_2e), which takes into account the aggregate contribution from the emissions of the various greenhouse gases.

We have estimated our greenhouse gas and air emissions based on our consumption from various energy sources, including petrol and electricity which were identified to be the most significant sources of emission). Based on the energy consumption data, emissions factors associated with each form of energy consumption, obtained from credible sources, were used to determine our overall carbon footprint during the reporting period. In addition, the amount of CO_2e corresponding to emissions of other greenhouse gases such as methane, nitrous oxides and refrigerants were considered and determined using Global Warming Potential (GWP) figures associated with the respective substances.

The emissions of various air pollutants and greenhouse gases by the Group's operations during the reporting period are summarized in the following sections of the report.

Direct Emissions from Fossil Fuel Consumption

In view of the Group's business nature, no significant direct emissions were generated during the production process. The majority of our direct emissions originate from transportation vehicles such as vans and trucks, which are used for the delivery of products to customers. During the reporting period, a total of 158 tonnes CO_2e of greenhouse gases was directly emitted from the Group's operations. In addition, 544 kg of nitrogen oxides (NO_x), 1 kg of sulphur oxides (SO_x) and 1.5 kg of particulate matter (PM).

Direct Greenhouse Gas Emissions from Fugitive Emissions of Refrigerants

During the reporting period, 52kg of refrigerant (R-404A) emissions was recorded by the Group. With the consideration of the Global Warming Potential (GWP) for the refrigerant (3,260), the equivalent greenhouse gas emission was determined to be about 170 tonnes CO_2e.

Indirect Emissions from Electricity Consumption

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various power-saving policies have been established to reduce the electricity consumption by the Group. The Group encourages staff members to switch off lights upon idle, maintain lamps conditions, install energy-efficient lighting, and make use of standby mode for all electrical appliances, including computers, photocopiers and printers to limit electricity consumption when they are not in use. Air conditioning is required to be set no lower than 25ºC in summer. The Group also requires windows and doors remain properly closed while air-conditioning is on, and the air-conditioners are to be switched off after office hours or after the usage of meeting rooms. Operating performance of office air conditioning systems are regularly inspected for leaks and operation efficiency.

The equivalent greenhouse gas emissions associated with the Group's electricity consumption during the reporting period is 467 tonnes of CO_2e.

Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills

In order to minimise indirect emissions relating to paper waste deposited at landfills, the Group encourages employees to apply the use of computer technology such as emails and data storage devices to reduce paper consumption. Unnecessary printing or copying on paper is to be avoided. In case printing is required, our employees are recommended to make use of efficient document formatting and duplex printing to optimise paper usage. Recycling boxes have been provided next to photocopiers for collection of paper for reuse/recycle. The Group consumed 2.1 tonnes of paper during the reporting period, which contributes to 10.2 tonnes of equivalent CO_2 emission.

Indirect Greenhouse Gas Emissions from Business Travel by Employees

The Group recognises the environmental impacts from indirect greenhouse gas emissions associated with business travel by employees, and encourages employees to utilise teleconference instead of overseas meetings and adopt rail travel rather than where feasible to reduce the carbon footprint of business travel. During the reporting period, no instances of business air travel was recorded as part of the Group's operations.

Waste Management

Our internal guidance encourages employees to handle generated waste in a proper and environmentally friendly manner.

Hazardous Waste

Hazardous wastes include substances which may pose substantial or potential treats to the public health and environment. Examples of such wastes include chemicals, heavy metals, medical waste and radioactive materials. As per waste disposal regulations in Hong Kong such as *Waste Disposal Ordinance (Cap. 354 of the laws of Hong Kong)*, it is required for hazardous wastes to be separated and recorded for collection by authorized hazardous waste collectors. Retirement of fluorescent lamps and electronic equipment such computers, printers and fax machines, which may contain traces on hazardous materials, is performed by recyclers registered under the Environmental Protection Department. The Group participates in official recycling programs for safe disposal of hazardous waste, including Computer Recycling Program, Waste Electrical and Electronic Equipment (WEEE) Recycling Program, Fluorescent Lamp Recycling Program, and Rechargeable Battery Recycling Program.

Due to the nature of the Group's food processing business, no significant quantity of hazardous waste was generated during the reporting period.

Non-hazardous Waste

Non-hazardous waste produced from operation includes food waste, domestic waste and packaging waste from the processing factory, logistics centre, warehouse and offices. The Group promotes waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with an option to be upgraded and with longer life-spans, and to have recyclers for collection of recyclables.

A number of policies are in place at our offices to reduce waste generation during day-to-day operations. For example, we provide our employees with in-house prepared meals, as part of fringe benefits, to reduce the amount of packaging waste, and stationaries (such as paper clips, folders and binders) are reused as much as possible to reduce wastage.

The Group donates vegetables and fruits with minor cosmetic defects or close to the end of their shelf life to local food rescue organizations. This initiative not only reduces unnecessary food waste, but it also provides food support to those in need.

Packaging waste, including plastic and paper waste, is separated for collection and recycled by recycling companies.

In total, the Group generated 30 tonnes of non-hazardous waste during the reporting period, of which about 7 tonnes were recycled.

Summary

The consolidated data on key performance indicators (KPIs) regarding emissions and resource consumption by the Group during the reporting period is summarized below:

Environmental KPIs			
Category	**Unit**	**2017-2018**	**2018-2019**
Energy Consumption			
Total Energy Consumption	GJ	3,499	5,059
Petrol Consumption	GJ (L)	1,454	98 (2,820)
Diesel Consumption	GJ (L)		2,292 (59,244)
Electricity Consumption	GJ (kWh)	2,045 (568,000)	2,670 (741,708)
Total Consumption Intensity	GJ/t of finished products	0.09	0.51
Greenhouse Gas Emissions			
Total Greenhouse Gas (GHG) Emissions	t CO_2e	436	808
Total Gas (GHG) Emission Intensity	t CO_2e/t of finished products	0.01	0.08
Scope 1 – Direct Emissions	t CO_2e	112	327
Carbon Dioxide (CO2) Emissions	t	105	147
Methane (CH4) Emissions	t	0.003	0.005
Nitrous Oxide (N2O) Emissions	t	0.020	0.033
Scope 2 – Energy Indirect Emissions	t CO_2e	290	467
Scope 3 – Other Indirect Emissions	t CO_2e	34.5	13.9
Paper Waste Disposed At Landfills	t CO_2e	29.8	10.2
Fresh Water Processing	t CO_2e	2.4	2.5
Sewage Processing	t CO_2e	1.2	1.2
Employee Business Travel	t CO_2e	1.1	0.0
Air Emissions			
Nitrogen Oxides (NO_x) Emissions	kg	394.5	544.0
Sulphur Oxides (SO_x) Emissions	kg	0.6	1.0
Particulate Matter Emissions	kg	21.7	1.5

Environmental KPIs			
Category	**Unit**	**2017-2018**	**2018-2019**
Waste Management			
Total Hazardous Waste Produced	t	0	0
Total Non-Hazardous Waste Produced	t	32	30
Sent to Landfill	t	24	23
Recycled	t	8	7
Total Non-Hazardous Waste Intensity	t/t of finished products	0.0008	0.0031
Use of Resources			
Water Consumption	m^3	5,976	6,120
Water Consumption Intensity	m^3/t of finished products	0.155	0.618
Total Packaging Material	t	27	24
Plastics	t	27	24
Paper	t	0	0
Total Packaging Consumption Intensity	t/t of finished products	0.0007	0.0024

SOCIAL

The Group strives to fulfil its social responsibilities as a corporate citizen of the communities. We strive to establish harmonious relationship with our employees, customers, suppliers, and communities.

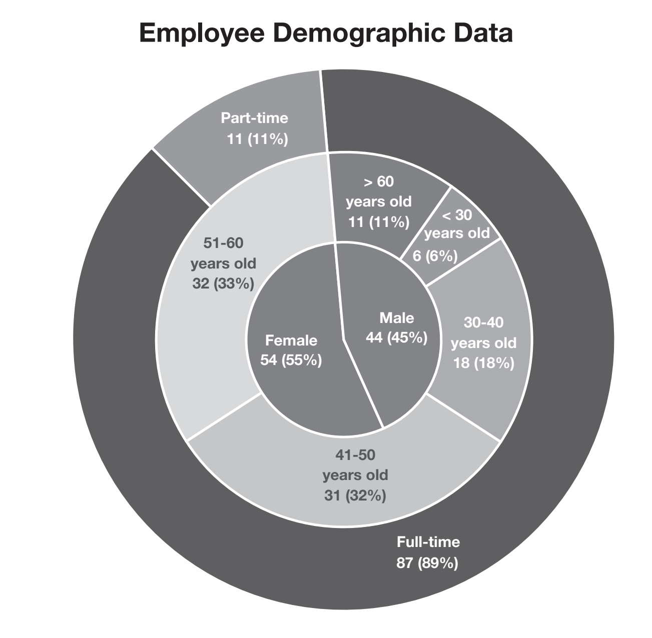
Employment

The Group has established thorough employment policies covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other benefits and welfare.

The Group attracts talent through a fair, flexible and transparent recruitment strategy. Promotion of our staff is based on an annual assessment of their performance and suitability for the roles of respective positions.

In case of employee dismissal, it is required for the dismissal process to comply with employment laws and regulations, follow internal policies and procedures. Dismissal based purely on employees' gender, marital status, pregnancy, disability, age or family status is strictly prohibited. For its retrenched employees, the Group provides counselling and assistance to help them locate alternative job opportunities and/or introduce them to public employment services provided by the Employment Services Division of the Labour Department.

As of 31 March 2019, the total number of staff members employed by the Group was 98. Demographic data for our staff, with breakdown by gender, age group and employment type is presented in below figure.



Remuneration

The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically and benchmarked against industry norms to ensure the consistency against the employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed.

Work-Life Balance and Other Employee Benefits

Employees' working hours, rest periods, benefits and welfare, including mandatory provident fund and employment compensation insurance, are required to be in compliance with employment or labour laws and regulations.

The Group encourages employees to enjoy leisure and sports activities outside of workplace, with the aim of enhancing work-life balance, personal development and sense of belonging among employees.

The Group participates in Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees employed.

Equal Opportunities, Diversity and Anti-Discrimination

The Group is an equal-opportunity employer and we make every effort to provide a fair workplace for our employees and we follow principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment. We believe that our staff should be provided with equal opportunity, regardless of gender, race, age, or other measures of diversity.

During the year, the Group complied with all relevant Hong Kong laws and regulations including but not limited to:

- The Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong);
- The Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong);
- The Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong); and
- The Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong).

Occupational Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses.

The Group requires its entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

Our workplaces are maintained to remain safe and hygienic by regularly monitoring the physical conditions of the processing factory, logistics centre, warehouse, and offices with regards to cleanliness, indoor air quality, pest controls, and security.

One of our strategies for protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group requires such training to be delivered to employees, especially those who operate equipment and tools.

The Group has established a Health, Safety and Environmental ("**HSE**") Committee whose duties include the advising and management on the formulation, implementation and auditing of HSE policies and associated programs.

Employee Development and Training

The Group is committed to providing adequate training to its employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses, provided internally or externally.

The Group requires employees to attend internal and external training courses, including new employee orientation and employee continuing education, to improve employees' knowledge and skills for their job positions. The costs of qualified training courses are being supported fully or partially by the Group.

Our in-house training programs are tailored to the needs of different job functions to strengthen the skills and abilities of the employees. All of the Group's directors participated in continuous professional development by attending training courses or in-house briefing, or reading materials on the topics related to corporate governance and regulation.

For our accounting team, we have provided a number of management training sessions featuring topics including inventory control, fixed assets, non-routine transactions and cash management. As for our operations team, training workshops mostly covered subjects concerning food safety, such as Good manufacturing Practice (GMP), food safety, health & safety and international food preparation standards such as ISO22000 and HACCP.

A mentorship program is also provided to new staff. In this program, senior employees would serve as mentors to provide guidance and to share their valuable industry experience and norms to enhance the growth and career development of the mentees.

Labour Standards

The Group prohibits child labour. The human resources department and user departments work together to identify and prevent the use of child labour in the workforce.

We are committed to protect human rights, to prohibit forced labours, and therefore to create a workplace with respect, fairness and free will for our employees.

The Group complied with all applicable labour standards related Hong Kong laws and regulations, including but not limited to the *Employment Ordinance (Cap. 57 of the Laws of Hong Kong)*.

Supply Chain Management and Product Quality Control

Supply chain management is a key area of the Group's business and we take great care to managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services that are up-to-standard in terms of quality, health and safety to ensure compliance with environmental laws and regulations as well as labour standards. The contracting for procurement of products and services is required consider an aggregate evaluation based on upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group requires maximisation of competition in the tendering process. It is considered essential to perform impartial selection of suppliers and negotiation of contract terms, at the same time preventing bribery or fraud in the tendering and procurement process in compliance with laws and regulations.

Food safety and quality are the top priorities throughout the supply chain management of the Group. Multiple layers of precautionary measures are undertaken to guarantee the safety and quality of food ingredients throughout the supply chain from the selection, sourcing, storage and delivery processes.

The Group is fully committed to sourcing food ingredients that meet safety and health requirements. Suppliers are selected after careful assessment, including on-site inspection where possible, and assurance of legal entity documentations. Food is procured and received from suppliers and stored under suitable temperature within proper time period. Performance of our suppliers are evaluated regularly and monitored by the management to ensure consistency of supplier quality.

Product Responsibility

Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

It is the Group's obligation to place strong emphasis on quality control, with stringent procedures implemented throughout the food processing operation. The Group has formed a food safety team to monitor the execution of food safety procedures and ensure that they are followed. Responsibilities of the food safety team include:

- Determining the business operations and safety assurance procedures and protocols;
- Formulating and reviewing HACCP plan;
- Monitoring the implementation of HACCP plan;
- Approving documents relating to ISO 22000 which addresses food safety management;
- Developing employees' training program;
- Verifying the operation of ISO 22000;
- Assessing the appropriateness and effectiveness of ISO 22000 regularly; and
- Reporting to the top management on the effectiveness of ISO 22000

The Group obtained HACCP certification and ISO 22000 certification for the food processing factory.

Health and Safety

The Group is fully responsible for the products sold to its consumers, with considerations of health and safety relating to the products. We pay close attention to aspects such as product design to ensure health and safety, and selection of food ingredients with health and safety considerations. Also, we employ strict quality control during processing, perform health and safety check for finished products, and provide proper delivery and after-sale services.

Advertising and Labelling of Products

The Group respects the customers' rights and is committed in providing accurate marketing information for customers in connection with their purchase decision or consumption decision. The Group requires careful review of advertising materials to protect the interests of our customers. Similarly, the Group insists that labelling of our products should be accurate, legitimate, clear, and not misleading. This is to affirm that information about our products are accurately understood by our customers to ensure safe consumption.

Methods of Redress

Although the Group assures the quality of the products, at the same time, the Group requires that products with quality, safety, or health issues should be compensated in accordance with terms of sales or service agreements. Our sales and marketing department in responsible for systematically logging and handling of customer feedback and perform internal investigation where required. Recall, return, or compensation of products is required to be offered to all customers who are affected, with consistent treatment and procedures.

Protection of Copyright and Consumers Privacy

The Group is committed to protect customer data and privacy information and maintain confidentiality of business information. Training is provided to our employees in this regard and proper information system security has been put in place to prevent unauthorized data access.

Anti-Corruption

The Group established anti-corruption policies to prohibit employees from receiving any benefits offered by customers, suppliers, colleagues, or other parties while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. Systematic fraud risk assessment is performed regularly on the Group's activities to identify room for potential improvement. The Group encourages employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, bribery, extortion, fraud and money laundering. Misconducts are to be reported to our audit committee for detailed, confidential investigation through our provided communication channels. The audit committee is required to report to the Board at least once a year, disclosing information pertaining to misconduct reports and the respective investigation findings if any.

COMMUNITY

The Group strives to support the communities in which we operate including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest. During the reporting period, we have made food donations to local food rescue organizations, totalling about 14 tonnes of fruits and vegetables, in support of their contribution to aid the elderly and low-income families. In the future, we will continue to seek opportunities to cooperate with other external organizations therefore to increase our community outreach and contributions.

EXECUTIVE DIRECTORS

Mr. Liu Chi Ching ("Mr. Liu"), aged 53, is the founder of the Group. Mr. Liu is responsible for the overall strategic management and development of the Group's business operations. Mr. Liu was appointed as Director on 6 April 2016 and re-designated as the chairman of the Company (the "**Chairman**") and executive Director on 27 May 2016. He is also a member of the remuneration committee (the "**Remuneration Committee**") and the chairman of the nomination committee (the "**Nomination Committee**").

Mr. Liu has over 20 years of experience in the food trading and processing industry. Mr. Liu worked as a chef at various restaurants of well-known clubs and hotels from 1983 to 1993, including The American Club Hong Kong and Hyatt Regency Hong Kong. Prior to the founding of the Group, Mr. Liu has been operating his business under the trade name C.Y. Trading Company since March 1993. He established CY Food Trading Limited in May 1998 and had worked as a director of CY Food Trading Limited from May 1998 to March 2001. Mr. Liu is a director of all subsidiaries of the Group.

Mr. Liu is the spouse of Ms. Wu Shuk Kwan.

Ms. Wu Shuk Kwan ("Ms. Wu"), aged 36, is the chief executive officer of the Company (the "**Chief Executive Officer**") and an executive Director. Ms. Wu is responsible for overseeing the Group's operations, business development, human resources, finance and administration. Ms. Wu was appointed as the Chief Executive Officer and executive Director on 27 May 2016.

Ms. Wu joined the Group as sales and marketing manager in April 2014. Ms. Wu obtained an Associate of Arts from The University of Hong Kong School of Professional and Continuing Education in September 2004. She also completed the Level 2 Book-keeping and Accounting course endorsed by LCCI International in February 2006. Before joining the Group, Ms. Wu worked in Brilliant Training Centre as a teacher from April 2005 to March 2006. From April 2006 to March 2010, she was a director of Tech Rich Trading Limited, a company principally engaged in wholesale of vegetables in Hong Kong, with the main responsibility of managing the business operation, human resources, finance and administration. She worked in Hong Kong Dragon Airlines Limited as a flight attendant from January 2007 to January 2012 and as a flight purser from January 2012 to March 2014.

Ms. Wu is the spouse of Mr. Liu.

NON-EXECUTIVE DIRECTOR

Mr. Wong Chung Yeung ("Mr. Wong"), aged 42, was appointed as the non-executive Director on 27 May 2016. Mr. Wong graduated from the Hong Kong University of Science and Technology in July 1999 with a Bachelor of Business Administration in Accounting and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has rich experience in the finance and accounting profession. Prior to joining the Group, Mr. Wong worked in Ernst & Young from June 2000 to December 2011 with his last position held as senior manager. Mr. Wong is the chief financial officer and company secretary of Tang Palace (China) Holdings Limited (stock code: 1181), a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li On Lei ("Ms. Li"), aged 41, was appointed as the independent non-executive Director, the chairman of the Remuneration Committee and a member of the audit committee (the "**Audit Committee**") and Nomination Committee on 26 September 2016.

Ms. Li is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group. Ms. Li is currently the financial controller of Gameone Holdings Limited (stock code: 8282) ("**Gameone**"), a company listed on GEM of the Stock Exchange. She is primarily responsible for the handling and overseeing financial reporting, financial planning, and reviewing internal control of Gameone. Prior to joining Gameone, she had worked in the Audit and Assurance Department of an international accounting firm from July 2004 to May 2015, and her last position was senior manager. She has accumulated more than 15 years of experience in auditing, accounting and financial management. Ms. Li is a fellow of the Association of Chartered Certified Accountants. She has been appointed as an independent non-executive director of Fullwealth Construction Holdings Company Limited (stock code: 1034), a company listed on the Main Board of the Stock Exchange, since October 2018.

Mr. Ng Ki Man ("Mr. Ng"), aged 33, was appointed as the independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Ng is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Ng holds a Bachelor of Business Administration (Honours) degree in Information Systems from the City University of Hong Kong. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Ng has more than 10 years of experience in auditing and accounting. He has also been appointed as an independent non-executive Director of Basetrophy Group Holdings Limited (stock code: 8460), a company listed on GEM of the Stock Exchange, since June 2017.

Mr. Lo Siu Kit, MH ("Mr. Lo"), aged 58, was appointed as the independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Lo is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Lo is a fellow member of The Professional Validation Centre of Hong Kong Business Sector. He has been a director of Olympic Management Company Limited since February 1991 and is currently a member of the Tsuen Wan District Council. Mr. Lo is also currently the chairman of the Traffic and Transport Committee, a member of the District Facilities Management Committee, Cultural, Recreation and Sports Committee, Community Building, Planning and Development Committee, Social Services and Community Information Committee, Coastal Affairs Committee and Environmental and Health Affairs Committee. Meanwhile, Mr. Lo is a member of the Transport and Housing Bureau Appeal Panel (Housing), Labour and Welfare Bureau, Rehabilitation Advisory Committee and District Fight Crime Committee (Tsuen Wan District).

SENIOR MANAGEMENT

Ms. Wu Hau Kam ("Ms. Wu HK"), aged 55, is the Director of Procurement of the Group. Ms. Wu HK is responsible for procurement of food ingredients and raw materials. Before joining the Group, Ms. Wu HK worked in Dongguan Liaobu Town Liangbian Management Area Knitwear Factory (東莞市寮步鎮良邊管理區毛織廠) as a worker from 1978 to 1985. She then worked as a purchasing officer in Shui Hing Long Fresh Vegetables and Fruits Company (瑞興隆時菜鮮果食品) from 1998 to December 2004. She worked as a purchasing officer in C.Y. Food Trading Company Limited from January 2005 to September 2005. Ms. Wu HK joined the Group as purchasing manager in September 2005 and was promoted to her current position in January 2010.

Mr. Cheng Lam Piu ("Mr. Cheng"), aged 62, is the Director of Quality Control of the Group. Mr. Cheng is responsible for overseeing quality control of the Group including leading the quality control department in conducting food safety analysis, identifying food safety control points, and establishing, performing and evaluating the food safety monitoring procedures for the Group. Mr. Cheng has over 10 years of experience in quality control and is a qualified Food Hygiene Manager recognised by the Food and Environmental Hygiene Department, with extensive food hygiene knowledge including how to identify key areas of risk in various food operations for early remedial actions and ensure compliance with the regulations and codes of practice relating to the food processing and supply industry. Prior to joining the Group, Mr. Cheng worked as a butcher in Ying Wa Company (英華雞鴨) from 1979 to 1997. He then worked as inventory manager in C.Y. Trading Company and CY Food Trading Limited from December 1997 to May 1998 and from May 1998 to March 2001, respectively. In March 2001, Mr. Cheng re-joined C.Y. Trading Company as inventory manager and left his position in November 2004. He then joined C.Y. Food Trading Company Limited as inventory manager from November 2004 to September 2005. Mr. Cheng joined the Group as inventory manager in September 2005 and was promoted to his current position in October 2005.

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Ms. Yim Sau Ping ("Ms. Yim"), aged 36, graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in 2007 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2010. She has accumulated more than 10 years of experience in accounting, auditing and financial management. Ms. Yim was appointed as company secretary and financial controller on 1 June 2016.

Prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (now known as "Boill Healthcare Holdings Limited") (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for JC Group Holdings Limited (now known as "Tonking New Energy Group Holdings Limited") (stock code: 8326), a company listed on GEM of the Stock Exchange, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She is currently the director of Blooming (HK) Business Limited, a company primarily provides corporate advisory and company secretarial services.

INTRODUCTION

Corporate governance is a collective responsibility of the members of the Board. The Board is committed to preserve high standards of corporate governance practices within the Company and devotes considerable effort to identify and enact best practices that align with Company's strategies. We believe good corporate governance is fundamental to the proper management of the Company in the interests of all stakeholders and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

We are committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to promote the interests of its shareholders of the Company.

Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Based on specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard of dealings set out in the Model Code and there was no event of non-compliance throughout the period.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

The Board determines and oversight the Company's strategies and direction as a whole, daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives to which they report periodically to the Board their work and business decisions.

Board Composition

The composition of the Board as at the date of this annual report is set out as follows:

Executive Directors

Mr. Liu Chi Ching *(Chairman)*
Ms. Wu Shuk Kwan *(Chief Executive Officer)*

Non-executive Director

Mr. Wong Chung Yeung

Independent non-executive Directors

Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 30 to 32 of this annual report.

The three independent non-executive Directors represent more than one-third of the Board, the proportion of which exceeds the required minimum under Rules 3.10(1) and 3.10A of the Listing Rules, and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. With the various experience of both the executive Directors, the non-executive Director and the independent non-executive Directors and given the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders of the Company are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company on 27 May 2016 and signed letters of appointment with each of the independent non-executive Directors. The service contracts with the executive Directors and the letter of appointment with the non-executive Director and each of the independent non-executive Directors are for an initial term of three years commencing from 13 October 2016. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association and the applicable Listing Rules.

According to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

Further, according to article 112 of the articles of association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this article shall not be taken into account in determining who are to retire by rotation at an annual general meeting.

Ms. Wu and Mr. Lo will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 20 August 2019 and, both being eligible, will offer themselves for re-election at the said meeting.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Ms. Wu as an executive Director and Mr. Lo as an independent non-executive Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not performed by the same individual in order to balance the distribution of power. Mr. Liu is the Chairman of the Board and Ms. Wu is the Chief Executive Officer of the Company.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

The initial term of office of each of the non-executive Directors (including independent non-executive Directors) is three years, subject to re-election.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors attended a formal directors training session conducted by CFN Lawyers during the year ended 31 March 2019. The training covered topics including the Listing Rules, the CG Code and the disclosure of inside information. The Group has also been provided reading materials including the CG Code, the Inside Information Provision (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to all Directors to develop and refresh the Director's knowledge and skills.

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that he/she is aware of his/her responsibilities and obligations as well as to maintain good corporate governance practices.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.cyfood.com.hk. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

Remuneration Committee

The Remuneration Committee was established on 26 September 2016. The chairman of the Remuneration Committee is Ms. Li, the independent non-executive Director, and other members includes Mr. Liu, the Chairman and executive Director, Mr. Ng and Mr. Lo, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2019. No Director nor any of his or her associates is involved in deciding his own remuneration.

Nomination Committee

The Nomination Committee was established on 26 September 2016. The chairman of the Nomination Committee is Mr. Liu, the Chairman and executive Director, and other members included Ms. Li, Mr. Ng and Mr. Lo, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

Nomination Policy

The Nomination Committee will reference to the Board nomination policy (the "**Nomination Policy**") adopted by the Group on 28 December 2018 for selecting and recommending candidates for directorships.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies should be limited to reasonable numbers, qualifications including accomplishment and experience in the relevant industries the Company's business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximize shareholders' value.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) By giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) To consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria;

(c) To adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) To make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees.

Audit Committee

The Audit Committee was established on 26 September 2016. The chairman of the Audit Committee is Mr. Ng, the independent non-executive Director, and other members included Ms. Li and Mr. Lo, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year, the Audit Committee held four meetings to review and comment on the Company's 2018 annual results, 2018 interim results and quarterly results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year, the Chairman held a meeting with the independent non-executive Directors without the executive Director present.

Details of all Directors' attendance at the Board meeting, Board committees' meeting held for the year ended 31 March 2019 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2018 Annual General Meeting
			Number of Meetings Attended/Held		
Executive Directors					
Mr. Liu Chi Ching	7/7		2/2	1/1	1/1
Ms. Wu Shuk Kwan	7/7				1/1
Non-executive Director					
Mr. Wong Chung Yeung	5/6				1/1
Independent non-executive Directors					
Ms. Li On Lei	6/6	4/4	2/2	1/1	1/1
Mr. Ng Ki Man	6/6	4/4	2/2	1/1	0/1
Mr. Lo Siu Kit	6/6	4/4	2/2	1/1	1/1

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy (the "**Diversity Policy**") on 28 December 2018.

In designing the Board's composition, Board diversity is considered from a number of perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

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

As at the date of this annual report, the Board comprises six Directors. Two Directors are female and three Directors are independent non-executive Directors, thereby promoting critical review and control of the management process.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:–

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each member of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Liu, executive Director of the Company is the primary contact person who Ms. Yim contacts.

For the year ended 31 March 2019, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographical details of Ms. Yim are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

INDEPENDENT AUDITORS' REMUNERATION

The Company has engaged PricewaterhouseCoopers as its external auditor for the year ended 31 March 2019 until the conclusion of the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The fee paid and payable to PricewaterhouseCoopers in respect of audit services and non-audit services amounted to HK$1,200,000 and HK$639,000, respectively for the year ended 31 March 2019.

Non-audit services include tax compliance services and professional fee in relation to Transfer of Listing.

SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interests and rights is to separate resolutions proposed at the shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management system. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, 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.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2019 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 March 2019 as required under code provision C.2.5 of the CG Code. The Audit Committee and Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with its shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website "www.hkexnews.hk" and the Company's website at "www.cyfood.com.hk";

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management;

(v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year, there was no change to the Company's memorandum and articles of association.

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

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability in the Cayman Islands. The principal activity of the Company is investment holding. The Group is principally engaged in food processing and supply of vegetables, fruits and other food ingredients in Hong Kong. It supplies food ingredients to over 700 customer outlets and offers more than 1,300 types of food ingredients to the customers. Details of the principal activities of its subsidiaries are set out in note 27 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 and the state of affairs of the Company and of the Group at 31 March 2019 are set out in the consolidated financial statement on pages 59 to 120 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Tuesday, 20 August 2019 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 15 August 2019 to Tuesday, 20 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 August 2019.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed, "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 3 to the consolidated financial statements. No important event affecting the Group that has occurred since the end of the financial year ended 31 March 2019 and up to the date of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for each of the five financial years is set out on page 53. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 March 2019 amounted to approximately HK$2,000 (31 March 2018: HK$24,000).

SHARE CAPITAL

Details of the Company's share capital is set out in note 20 to the consolidated financial statements.

SHARE OPTION SCHEME

The purpose of the share option scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the share option scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted a share option scheme on 26 September 2016. Further details of the share option scheme are set in the section headed "Statutory and General Information – D. Share option scheme" in Appendix V to the Prospectus.

For the year ended 31 March 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the share option scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2019.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 March 2019 are set out in note 26 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately HK$45.2 million.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for 9.1% (31 March 2018: 11.0%) of the Group's total revenue while the Group's five largest customers in aggregate accounted for 39.6% (31 March 2018: 41.4%) of the Group's total revenue for the year.

The Group's largest supplier accounted for 41.9% (31 March 2018: 49.2%) of the Group's total purchases while the Group's five largest suppliers accounted for 69.4% (31 March 2018: 65.2%) of the Group's total purchases for the year.

None of the Directors of the Company, or any of his close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Board during the year and up to the date of this annual report were as follows:

Executive Directors
Mr. Liu Chi Ching *(Chairman)*
Ms. Wu Shuk Kwan *(Chief Executive Officer)*

Non-executive Director
Mr. Wong Chung Yeung

Independent non-executive Directors
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

In accordance with the Company's memorandum and articles of association, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

PERMITTED INDEMNITY PROVISION

Every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the employing company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 30 to 32 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 8 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2019 falls within the following band:

Remuneration Band	**Number of Senior Management**
Up to HK$1,000,000	3

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 2.19(a) to the consolidated financial statements of this annual report.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 26 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

During the year ended 31 March 2019, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to be recorded in the register referred to therein or as otherwise the Model Code contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Mr. Liu (Note 1)	Interest of a controlled corporation	720,000,000	56.25%
Ms. Wu (Note 2)	Interest of spouse	720,000,000	56.25%

Note:

(1) Mr. Liu beneficially owns the entire issued share capital of Classic Line Holdings Limited ("**Classic Line**"). Therefore, Mr. Liu is deemed, or taken to be, interested in all the shares held by Classic Line for the purpose of the SFO. Mr. Liu is the sole director of Classic Line.

(2) Ms. Wu is the spouse of Mr. Liu. Therefore, Ms. Wu is deemed to be, or taken to be, interested in the same number of shares of the Company in which Mr. Liu is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as known to the Directors of the Company, as at 31 March 2019, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Classic Line	Beneficial owner	720,000,000	56.25%

Save as disclosed above, as at 31 March 2019, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPETITION AND CONFLICT OF INTERESTS

During the year ended 31 March 2019, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Liu and Classic Line (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition with the Company (for itself and for the benefit of each other member of the Group) on 26 September 2016 (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

During the year, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder in respect of him/her/it and his/her/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section on pages 33 to 44 of this annual report.

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 minimum public float under the Listing Rules during the year ended 31 March 2019 and up to the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by PricewaterhouseCoopers. A resolution will be proposed at the forthcoming AGM to reappoint PricewaterhouseCoopers as auditor of the Company. The Company has not changed its external auditor in any of the preceding three years.

ON BEHALF OF THE BOARD
Goal Forward Holdings Limited
Liu Chi Ching
Chairman and Executive Director
Hong Kong, 28 June 2019

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**185,939**	176,841	166,300	166,230	152,286
Gross Profit	**43,955**	44,590	35,074	25,765	20,404
Profit before income tax	**20,353**	27,523	6,696	13,709	10,431
Profit and total comprehensive income for the year	**16,059**	22,861	3,410	11,073	8,753
Total assets	**150,736**	130,688	112,911	72,687	67,371
Total liabilities	**39,675**	35,653	40,737	51,294	57,151
Total equity and liabilities	**150,736**	130,688	112,911	72,687	67,371

pwc 羅兵咸永道

To the Shareholders of Goal Forward Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Goal Forward Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 120, which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

BASIS FOR OPINION (Continued)

Independence

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.

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is the impairment assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to note 4 and note 17 to the consolidated financial statements As at 31 March 2019, the carrying amount of trade receivables of the Group was approximately HK$37,690,000, representing approximately 25% of the total assets. Management performed impairment assessment of trade receivables based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status and on-going trading relationship with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to management's impairment assessment of trade receivables as at 31 March 2019 focused on the following: • Understanding, evaluating and validating key controls that the Group has implemented to manage and monitor its credit risk, including the grant and revision of credit limit and credit period to the customers based on their risk profile; • Circulating confirmations to the Group's customers, on a sample basis, to obtain third party evidence over the amounts of trade receivables recorded as at the year-end date; • Testing, on a sample basis, subsequent settlement of trade receivables against corresponding cash receipts; • Assessing the appropriateness of the expected credit loss model applied in determining the loss allowance, and considering the reasonableness of the assumptions underlying the calculations of expected credit losses with reference to the relevant historical and forward-looking information; and

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Where settlement had not been received subsequent to the year end for those receivables beyond the credit period, we inquired management's assessment as to the recoverability of those receivables, corroborating management's explanations with evidence of past repayment history, on-going trading relationship and correspondence with the relevant customers to follow up the outstanding debts. Based on our procedures performed, we found management's assessment on the impairment of trade receivables to be supportable by available evidence.

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 DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

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

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

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

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

We communicate with 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 Leung Chi Hang, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	Year ended 31 March 2019 HK$'000	2018 HK$'000
Revenue	5	**185,939**	176,841
Cost of sales	7	**(141,984)**	(132,251)
Gross profit		**43,955**	44,590
Other income	6	**492**	279
Selling and administrative expenses	7	**(23,584)**	(17,061)
Operating profit		**20,863**	27,808
Finance income	9	**18**	131
Finance costs	9	**(526)**	(430)
Finance costs – net	9	**(508)**	(299)
Share of (loss)/profit of a joint venture	15	**(2)**	14
Profit before income tax		**20,353**	27,523
Income tax expense	10	**(4,294)**	(4,662)
Profit and total comprehensive income for the year attributable to equity holders of the Company		**16,059**	22,861
Basic and diluted earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	12	**1.25**	1.79

The notes on pages 64 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	As at 31 March 2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**83,181**	70,982
Deposits and prepayments	17	**27**	3,765
Interest in a joint venture	15	**865**	867
Total non-current assets		**84,073**	75,614
Current assets			
Inventories	18	**1,260**	663
Trade receivables	17	**37,690**	37,376
Prepayments, other receivables and deposits	17	**3,011**	902
Cash and cash equivalents	19	**24,702**	16,133
Total current assets		**66,663**	55,074
Total assets		**150,736**	130,688
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**12,800**	12,800
Share premium	20	**51,571**	51,571
Other reserve		**100**	100
Retained earnings		**46,590**	30,564
Total equity		**111,061**	95,035

	Note	As at 31 March 2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	–	93
Deferred tax liabilities	14	1,261	712
Total non-current liabilities		1,261	805
Current liabilities			
Trade payables	22	6,322	10,923
Accruals and other payables	22	5,318	4,732
Borrowings	21	26,650	17,806
Current income tax liabilities		124	1,387
Total current liabilities		38,414	34,848
Total liabilities		39,675	35,653
Total equity and liabilities		150,736	130,688

The consolidated financial statements on pages 59 to 120 were approved for issue by the board of directors (the "Board") on 28 June 2019 and were signed on its behalf.

Liu Chi Ching
Director

Wu Shuk Kwan
Director

The notes on pages 64 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to equity holders of the Company				
	Share capital (Note 20) HK$'000	**Share premium** (Note 20) HK$'000	**Other reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
Balance at 1 April 2017	12,800	51,571	100	7,703	72,174
Total comprehensive income					
Profit for the year	–	–	–	22,861	22,861
Balance at 31 March 2018	**12,800**	**51,571**	**100**	**30,564**	**95,035**
Adjustment on adoption of HKFRS 9 (Note 2.2)	**–**	**–**	**–**	**(33)**	**(33)**
Balance at 1 April 2018	**12,800**	**51,571**	**100**	**30,531**	**95,002**
Total comprehensive income					
Profit for the year	**–**	**–**	**–**	**16,059**	**16,059**
Balance at 31 March 2019	**12,800**	**51,571**	**100**	**46,590**	**111,061**

The notes on pages 64 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	Year ended 31 March	
		2019	2018
		HK$'000	HK$'000
Cash flows from operating activities			
Cash generated from operations	23(a)	**16,376**	7,948
Interest paid		**(526)**	(430)
Income tax paid		**(5,008)**	(3,342)
Net cash generated from operating activities		**10,842**	4,176
Cash flows from investing activities			
Purchases of property, plant and equipment		**(11,125)**	(43,770)
Acquisition of subsidiaries		**–**	(8,800)
Prepayment for property, plant and equipment		**–**	(3,762)
Proceeds from disposal of property, plant and equipment	23(b)	**83**	100
Interest received		**18**	131
Net cash used in investing activities		**(11,024)**	(56,101)
Cash flows from financing activities	23(c)		
Proceeds from bank borrowings		**10,000**	–
Repayments of bank borrowings		**(1,161)**	(781)
Repayment of finance lease		**(88)**	(85)
Net cash generated from/(used in) financing activities		**8,751**	(866)
Net increase/(decrease) in cash and cash equivalents		**8,569**	(52,791)
Cash and cash equivalents at beginning of the year		**16,133**	68,924
Cash and cash equivalents at end of the year	19	**24,702**	16,133

The notes on pages 64 to 120 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Goal Forward Holdings Limited (the "Company") was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") is principally engaged in the sourcing, processing and supplying of food ingredients. The ultimate holding company of the Company is Classic Line Holdings Limited, a company incorporated in the British Virgin Islands. Mr. Liu Chi Ching ("Mr. Liu") is regarded as the ultimate controlling party.

The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 October 2016 and were transferred to be listed on the Main Board of the Stock Exchange on 21 March 2019 (the "Transfer of Listing").

The financial statements is presented in thousands of Hong Kong dollars ("HK$000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standards, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 April 2018:

Standards	Subject of amendment
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 1	First-time Adoption of HKFRS
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
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except for the impact for HKFRS 9 and HKFRS 15 which have been disclosed in Note 2.2, the adoption of the above new standards, interpretation and amendments to standards did not have any significant financial impact on these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards and interpretations which are not yet effective

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 March 2019 reporting period and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 12	Income Taxes	1 January 2019
Amendments to HKAS 19	Plan Amendments, Curtailments or Settlements	1 January 2019
Amendments to HKAS 23	Borrowing Costs	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 3	Business Combinations	1 January 2019
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 11	Joint Arrangements	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group will apply the above new standards, interpretations and amendments to standards when they become effective. The Group's assessment of the impact of these new standards, interpretations and amendments to standards is set out below.

Except for HKFRS 16, none of the rest of the new standards, interpretation and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards and interpretations which are not yet effective (Continued)

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$872,000 (Note 24). Of these lease commitments, approximately HK$795,000 relate to short-term leases. The Group estimates those related to payments for short-term and low value leases will be recognised on straight-line basis as expense in profit or loss. The remaining lease commitments are not material and hence the Group does not expect any significant impact on the financial statements.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 April 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position on 1 April 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 March 2018 As originally presented**	**Effects of adoption of HKFRS 9**	**1 April 2018 Restated**
	HK$'000	HK$'000	HK$'000
Current assets			
Trade receivables	37,376	(33)	37,343
Equity attributable to equity holders of the Company			
Retained earnings	30,564	(33)	30,531

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(a) 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 adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 April 2018 is as follows:

	Note	HK$'000
Opening retained earnings as at 31 March 2018 – HKAS 39		30,564
Increase in allowance for impairment of trade receivables	(ii)	(33)
Opening retained earnings as at 1 April 2018 – HKFRS 9		30,531

(i) Classification and measurements

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 “Financial Instruments” (Continued)

(ii) Impairment of financial assets

The Group has two types of financial assets as at 1 April 2018 that are subject to HKFRS 9’s new expected credit loss model:

- trade receivables
- other receivables and deposits

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group’s retained earnings and equity is disclosed in the table in Note 2.2(a).

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s history, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. By using the expected credit losses model, an additional provision for trade receivables of HK$33,000 was recognised as at 1 April 2018. Note 3.1(a)(2) provides for details about the calculation of the allowance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables and deposits

Other receivables and deposits at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. The resulted increase of loss allowance for other receivables and deposits on 1 April 2018 was immaterial. The loss allowance for other receivables and deposits have not further increased during the current reporting period.

(b) HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented.

The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the year ended 31 March 2019. There is also no material impact to the Group's retained earnings as at 1 April 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

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

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Separate financial statements

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

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements is presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other income".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Leasehold improvements are depreciated over the shorter of their useful lives or unexpired period of the lease while depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land held under finance lease	Over the lease term of 29-35 years
Buildings	29-35 years
Leasehold improvements	Shorter of lease term or 20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3-4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other income" in the consolidated statement of comprehensive income.

2.7 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Joint arrangements (Continued)

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.8 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

From 1 April 2018, the Group classifies all its financial assets as financial assets at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income where material.

2.9.4 Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(a) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.5 Accounting policies applied until 31 March 2018

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

Until 31 March 2018, the Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, other receivables and deposits and cash and cash equivalents (Notes 2.12 and 2.13) in the consolidated statement of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.5 Accounting policies applied until 31 March 2018 (Continued)

(c) Impairment

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Trade payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and a joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for a joint venture. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's undistributed profits is not recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences (Continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and the joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Retirement benefit obligations

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholder after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Sale of goods

The Group is principally engaged in sourcing, processing and supplying food ingredients to food service operators in Hong Kong. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales are recorded based on the price specified in the sales contracts.

No element of financing is deemed present as the sales are made with a credit term within 120 days, which is consistent with market practice.

Receivable is recognised when the goods are delivered at the point in time that the consideration is unconditional, which only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

Accounting policies applied until 31 March 2018

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discount and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods is recognised when products have been delivered to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

2.22 Service income

Service income is recognised when services are rendered according to the terms of the respective contracts.

2.23 Interest income

Interest income is recognised using the effective interest method.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.25 Dividend distribution

Dividend distribution to the equity holders of the subsidiaries now comprising the Group is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the Board. Finance department of the Group identifies, evaluates and hedge financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Credit risk

(1) Risk Management

Credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, other receivables and deposits. The carrying amount of these balances in the financial statements represents the Group's maximum exposure to credit risk in relation to its financial assets.

In respect of trade receivables, the credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(1) Risk Management (Continued)

As at 31 March 2019, the Group had a concentration of credit risk given that the top five debtors accounted for 56% of the Group's total trade receivables at the year end (2018: 55%). The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers.

The Group performs periodic credit evaluations of its customers. For the trade receivables that are individually proved to be impaired, management has provided sufficient provision on those balances.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 March 2019.

The credit quality of other receivables and deposits excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables and deposits is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables and deposits excluding prepayments is assessed to be close to zero and no provision was made as of 31 March 2019.

(2) Impairment of financial assets

Trade receivables

The trade receivables of the Group are subject to the expected credit loss model.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses, the Group categorises its trade receivables based on shared credit risk characteristics and the days past due.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

Trade receivables (Continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2019 or 1 April 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 March 2019 and 1 April 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables.

31 March 2019	Current	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Expected loss rate	**0.021%**	**0.16%**	**0.55%**	**1.53%**	**4.1%**	
Gross carrying amount (HK$'000)	**25,978**	**6,005**	**2,498**	**2,571**	**736**	**37,788**
Loss allowance (HK$'000)	**(5)**	**(10)**	**(14)**	**(39)**	**(30)**	**(98)**

1 April 2018	Current	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Expected loss rate	0.02%	0.15%	0.5%	1.5%	4%	
Gross carrying amount (HK$'000)	31,441	4,476	528	795	136	37,376
Loss allowance (HK$'000)	(6)	(7)	(3)	(12)	(5)	(33)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

Trade receivables (Continued)

The closing loss allowances for trade receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

	Trade receivables HK$'000
Loss allowance at 31 March 2018 — HKAS 39	–
Loss allowance adjusted through opening retained earnings	33
Opening loss allowance as at 1 April 2018 – calculated under HKFRS 9	33
Increase in loss allowance recognised in profit and loss during the year	95
Receivables written off during the year as uncollectible	(30)
Loss allowance at 31 March 2019	98

For trade receivables relating to accounts in which objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

<u>Previous accounting policy for impairment of trade receivables</u>

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

Previous accounting policy for impairment of trade receivables (Continued)

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other financial assets at amortised cost

For other financial assets at amortised cost, including other receivables and deposits, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

Impairment losses on other financial assets at amortised cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by obtaining additional funding from the loan facilities and monitoring cash flow forecast to maintain its going concern.

Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group can be required to pay, except for long term bank borrowings subject to a repayment on demand clause.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The undiscounted cash flow does not include interest payments computed using contractual rates if the lender does not invoke their unconditional rights. The maturity analysis for other bank borrowings and finance lease liabilities is prepared based on the scheduled repayment dates.

	On demand	Within 1 year	More than 1 year but less than 2 years	Total undiscounted cash outflows
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2019				
Long term bank borrowings subject to a repayment on demand clause	**26,557**	**–**	**–**	**26,557**
Other bank borrowings	**–**	**95**	**–**	**95**
Trade and other payables	**–**	**10,600**	**–**	**10,600**
	26,557	**10,695**	**–**	**37,252**
At 31 March 2018				
Long term bank borrowings subject to a repayment on demand clause	17,718	–	–	17,718
Other bank borrowings	–	95	95	190
Trade and other payables	–	14,477	–	14,477
	17,718	14,572	95	32,385

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments		
	Within 1 year	**More than 1 year but less than 5 years**	**Total**
	HK$'000	HK$'000	HK$'000
At 31 March 2019	**2,350**	**29,259**	**31,609**
At 31 March 2018	1,199	20,476	21,675

(c) Interest rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. As at 31 March 2019, the Group's borrowings at variable rate were denominated in the HK$ (2018: Same).

At 31 March 2019, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis point higher/lower with all other variables held constant, post-tax profit for the year would have been HK$111,000 (2018: HK$78,000) lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as 'equity' as shown in the financial statements.

The Group's gearing ratios were as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Total debt	**26,650**	17,899
Total equity	**111,061**	95,035
Gearing ratio	**24%**	19%

3.3 Fair value estimation

As at 31 March 2019, the Group did not have any financial assets or financial liabilities that are measured at fair value (2018: same).

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of trade and other receivables

The Group's management determines the loss allowances for financial assets based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(a)(2).

(b) Useful lives on property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5 SEGMENT INFORMATION

The Group operates in a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The Group is principally engaged in the sourcing, processing and supplying of food ingredients, which are carried out in Hong Kong.

Total revenue recognised during the year are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Sales of goods and services, recognised at a point in time	**185,939**	176,841

The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the financial statements.

There is no single external customer contributed to more than 10% of the revenue of the Group for the year ended 31 March 2019.

6 OTHER INCOME

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Sundry income	**409**	179
Gain on disposal of property, plant and equipment	**83**	100
	492	279

7 EXPENSES BY NATURE

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Cost of inventories (Note 18)	**105,382**	98,812
Employee benefit expenses (Note 8)	**22,295**	18,516
Commission	**922**	826
Auditor's remuneration		
– Audit related services	**1,200**	1,150
– Non-audit services	**39**	39
Depreciation of property, plant and equipment (Note 13)	**2,325**	1,238
Operating leases	**1,126**	1,005
Transportation expenses	**17,894**	17,496
Provision for impairment of trade receivables	**95**	–
Professional and consulting fees	**2,170**	2,171
Professional fees in relation to Transfer of Listing		
– Paid or payable to auditor	**600**	–
– Paid or payable to other professional parties	**3,985**	–
Other expenses	**7,535**	8,059
	165,568	149,312

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the year are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Wages, salaries and allowances	**19,538**	16,025
Retirement benefit costs – defined contribution plans	**1,564**	1,309
Others	**1,193**	1,182
	22,295	18,516

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments

The remuneration of each director during the year are set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Other benefits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2019					
Executive directors					
Mr. Liu Chi Ching (Chairman)	**–**	**1,200**	**18**	**610**	**1,828**
Ms. Wu Shuk Kwan (Chief executive officer)	**–**	**600**	**18**	**264**	**882**
Non-executive director					
Mr. Wong Chung Yeung	**72**	**–**	**–**	**–**	**72**
Independent non-executive directors					
Ms. Li On Lei	**144**	**–**	**–**	**–**	**144**
Mr. Ng Ki Man	**144**	**–**	**–**	**–**	**144**
Mr. Lo Siu Kit	**144**	**–**	**–**	**–**	**144**
	504	**1,800**	**36**	**874**	**3,214**
For the year ended 31 March 2018					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	1,200	18	609	1,827
Ms. Wu Shuk Kwan (Chief executive officer)	–	600	18	264	882
Non-executive director					
Mr. Wong Chung Yeung	72	–	–	–	72
Independent non-executive directors					
Ms. Li On Lei	144	–	–	–	144
Mr. Ng Ki Man	144	–	–	–	144
Mr. Lo Siu Kit	144	–	–	–	144
	504	1,800	36	873	3,213

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

For the year ended 31 March 2019, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: same).

(i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the year ended 31 March 2019 (2018: same).

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment for the year ended 31 March 2019 (2018: same).

(iii) Consideration provided to third parties for making available directors' services

No payment was made to any third parties for making available the services of them as a director of the Company for the year ended 31 March 2019 (2018: same).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors for the year ended 31 March 2019 (2018: same).

(v) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in these consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year ended 31 March 2019 (2018: same).

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors for the year ended 31 March 2019 (2018: 2 directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals for the year ended 31 March 2019 (2018: 3 individuals) are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Wages, salaries and allowances	**1,409**	1,344
Retirement benefit costs-defined contribution plans	**46**	46
	1,455	1,390

The emoluments of above individuals are within the following band:

	Number of individuals Year ended 31 March	
	2019	2018
Emoluments band		
Nil-HK$1,000,000	**3**	3

9 FINANCE COSTS – NET

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Interest expense on bank borrowings	**519**	418
Interest expense on finance leases	**7**	12
Finance costs	**526**	430
Interest income from bank deposits	**(18)**	(131)
Finance costs – net	**508**	299

10 INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2019 (2018: 16.5%).

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Current income tax		
– Current year	**3,745**	4,436
Deferred income tax (Note 14)	**549**	226
Income tax expense	**4,294**	4,662

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Profit before income tax	**20,353**	27,523
Calculated at a tax rate of 16.5% (2018: 16.5%)	**3,358**	4,541
Expenses not deductible for tax purposes	**1,138**	238
Non-taxable income	**(17)**	(51)
Utilisation of tax loss previously not recognised	**–**	(66)
Tax relief of 8.25% on first HK$2 million assessable profit	**(165)**	–
One off tax deduction	**(20)**	–
Income tax expense	**4,294**	4,662

Note: Expense not deductible for tax purposes for the year ended 31 March 2019 mainly comprised the tax effect of non-deductible professional fees in relation to Transfer of Listing.

11 DIVIDEND

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

12 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR – BASIC AND DILUTED

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**16,059**	22,861
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (in thousand)	**1,280,000**	1,280,000
Earnings per share (expressed in HK cents per share)	**1.25**	1.79

The Group does not have any potential dilutive option or other instruments relating to ordinary shares.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2017					
Cost	19,198	737	2,845	1,135	23,915
Accumulated depreciation	(2,741)	(737)	(2,545)	(873)	(6,896)
Net book amount	16,457	–	300	262	17,019
Year ended 31 March 2018					
Opening net book amount	16,457	–	300	262	17,019
Additions	52,872	–	463	1,866	55,201
Depreciation	(588)	–	(143)	(507)	(1,238)
Disposal	–	–	–	–	–
Closing net book amount	68,741	–	620	1,621	70,982
At 31 March 2018					
Cost	72,070	737	3,308	2,771	78,886
Accumulated depreciation	(3,329)	(737)	(2,688)	(1,150)	(7,904)
Net book amount	68,741	–	620	1,621	70,982
Year ended 31 March 2019					
Opening net book amount	**68,741**	**–**	**620**	**1,621**	**70,982**
Additions	**–**	**9,853**	**3,950**	**721**	**14,524**
Depreciation	**(1,057)**	**(123)**	**(380)**	**(765)**	**(2,325)**
Disposal	**–**	**–**	**–**	**–**	**–**
Closing net book amount	**67,684**	**9,730**	**4,190**	**1,577**	**83,181**
At 31 March 2019					
Cost	**72,070**	**10,590**	**7,258**	**3,000**	**92,918**
Accumulated depreciation	**(4,386)**	**(860)**	**(3,068)**	**(1,423)**	**(9,737)**
Net book amount	**67,684**	**9,730**	**4,190**	**1,577**	**83,181**

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of HK$1,165,000 (2018: HK$529,000) and HK$1,160,000 (2018: HK$709,000) has been charged to cost of sales and selling and administrative expenses, respectively, for the year ended 31 March 2019.

As at 31 March 2019, all of the Group's interests in leasehold land are classified as finance lease and are located in Hong Kong with leases between 10 to 50 years (2018: same).

As at 31 March 2019, bank borrowing of HK$26,557,000 (2018: HK$17,718,000) is secured by land and buildings for the value of HK$54,441,000 (2018: HK$18,500,000).

As at 31 March 2019, finance lease of HK$93,000 (2018: HK$181,000) is secured by a motor vehicle amounted to nil (2018: HK$93,000).

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Cost – capitalised finance lease	**413**	413
Accumulated depreciation	**(413)**	(320)
	–	93

14 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**–**	–
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(1,261)**	(712)

14 DEFERRED INCOME TAX (Continued)

The gross movements in the deferred income tax account are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the year	**(712)**	(486)
Charged to consolidated statement of comprehensive income (Note 10)	**(549)**	(226)
At end of the year	**(1,261)**	(712)

The movements in deferred income tax during the year are as follows:

Deferred income tax assets:

	Decelerated tax depreciation HK$'000
At 1 April 2017	90
Recognised in the consolidated statement of comprehensive income	(90)
At 31 March 2018, 1 April 2018 and 31 March 2019	–

Deferred income tax liabilities:

	Accelerated tax depreciation HK$'000
At 1 April 2017	(576)
Recognised in the consolidated statement of comprehensive income	(136)
At 31 March 2018	(712)
At 1 April 2018	(712)
Recognised in the consolidated statement of comprehensive income	(549)
At 31 March 2019	(1,261)

15 INTEREST IN A JOINT VENTURE

	As at 31 March 2019 HK$'000	2018 HK$'000
Investment in a joint venture	867	853
Share of (loss)/profit for the year	(2)	14
	865	867

Movement in the investment in a joint venture is as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	867	853
Share of (loss)/profit for the year	(2)	14
At 31 March	865	867

The following are the details of the investment in a joint venture as at 31 March 2019:

Name of company	Place of incorporation and operation	% of ownership interest	Principal activities	Measurement method
China Bright International Investment Limited	Hong Kong, Hong Kong	50%	Manufacturing of bakery products	Equity

China Bright International Investment Limited is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investments in a joint venture, and there are no contingent liabilities of the joint venture itself as at 31 March 2018 and 2019.

Summarised financial information for a joint venture

Set out below are the summarised financial information for China Bright International Investment Limited which is accounted for using the equity method.

15 INTEREST IN A JOINT VENTURE (Continued)

Summarised statement of financial position

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**1,126**	1,106
Other current assets (excluding cash and cash equivalents)	**242**	172
Total current assets	**1,368**	1,278
Other current liabilities	**–**	–
Non-current		
Other non-current assets	**361**	455
Net assets	**1,729**	1,733
Interest in the joint venture @50%	**865**	867

Summarised statement of comprehensive income

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Revenue	**953**	1,098
(Loss)/profit for the year	**(4)**	28
Share of (loss)/profit in the joint venture @50%	**(2)**	14

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Financial assets at amortised cost		
– Trade receivables	**37,690**	37,376
– Other receivables and deposits	**356**	237
– Cash and cash equivalents	**24,702**	16,133
Total	**62,748**	53,746
Financial liabilities		
– Trade payables	**6,322**	10,923
– Other payables (excluding non-financial liabilities)	**4,278**	3,554
– Borrowings (excluding finance lease obligation)	**26,557**	17,718
– Finance lease obligation	**93**	181
Total	**37,250**	32,376

17 TRADE RECEIVABLES, PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Trade receivables (Note a)		
– Related parties (Note 26(b))	**64**	128
– Third parties	**37,626**	37,248
	37,690	37,376
Prepayment for property, plant and equipment	**–**	3,399
Other prepayments	**2,682**	1,031
Other receivables and deposits	**356**	237
	3,038	4,667
Less: non-current portion of prepayments and deposits	**(27)**	(3,765)
Deposits and prepayments included in current assets	**3,011**	902

17 TRADE RECEIVABLES, PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS (Continued)

(a) Trade receivables

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Trade receivables	**37,788**	37,376
Less: loss allowance	**(98)**	–
	37,690	37,376

The carrying amounts of trade receivables approximate their fair values and are denominated in HK$.

The Group normally grants credit terms to its customers ranging from 0 to 120 days (2018: 0 to 120 days). The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
1 to 30 days	**15,912**	18,264
31 to 60 days	**8,193**	11,823
61 to 90 days	**3,907**	4,006
91 to 120 days	**3,207**	2,463
Over 120 days	**6,569**	820
Total	**37,788**	37,376

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing. See Note 3.1(a) for further information about expected credit loss provision.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

18 INVENTORIES

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Raw materials	**1,260**	663
Less: Provision for obsolete inventories	**–**	–
Inventories, net	**1,260**	663

The cost of inventories included in cost of sales during the year amounted to approximately HK$98,812,000 and HK$105,382,000 for the years ended 31 March 2018 and 2019, respectively.

19 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Cash at bank	**24,680**	16,042
Cash on hand	**22**	91
	24,702	16,133

Notes:

(a) The amounts represent cash and cash equivalents in the consolidated statement of cash flows.

(b) The Group's cash and bank balances are denominated in the following currencies:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
HK$	**24,640**	16,074
United States dollars	**32**	12
Japanese yen	**25**	47
Australian dollars	**5**	–
	24,702	16,133

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary share (in thousand)	Nominal value of ordinary share HK$'000	Share premium HK$'000
Authorised share capital			
Ordinary shares of HK$0.01 each			
As at 31 March 2018, 1 April 2018 and 31 March 2019	2,000,000	20,000	–
Issued and fully paid			
Ordinary shares of HK$0.01 each			
As at 31 March 2018, 1 April 2018 and 31 March 2019	1,280,000	12,800	51,571

21 BORROWINGS

	As at 31 March	
	2019 **HK$'000**	2018 HK$'000
Non-current, secured		
Finance lease obligation (non-current portion)	**–**	93
Current, secured		
Bank borrowings due for repayment within 1 year which contain a repayment on demand clause	**1,704**	799
Bank borrowings due for repayment after 1 year which contain a repayment on demand clause	**24,853**	16,919
Finance lease obligation (current portion)	**93**	88
	26,650	17,806
Total borrowings	**26,650**	17,899

21 BORROWINGS (Continued)

All borrowings, including the bank loans which contain repayment on demand clause, are carried at amortised cost.

The carrying amounts of the borrowings approximate their fair values and are denominated in HK$. The weighted average interest rate is 2.5% as at 31 March 2018 and 31 March 2019, respectively.

(a) Bank borrowings

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Bank borrowings due for repayment within 1 year which contain a repayment on demand clause (Note)	**1,704**	799
Bank borrowings due for repayment after 1 year which contain a repayment on demand clause (Note)	**24,853**	16,919
	26,557	17,718

Note:

As at 31 March 2018, total bank borrowings of HK$17,718,000 was secured/guaranteed by:

(i) corporate guarantee provided by the Company; and

(ii) properties held by the Group.

As at 31 March 2019, total bank borrowings of HK$26,557,000 was secured/guaranteed by:

(i) corporate guarantee provided by the Company; and

(ii) properties held by the Group.

21 BORROWINGS (Continued)

(b) Finance lease obligation

The Group's finance lease was repayable as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Gross finance lease liabilities-minimum lease payments		
No later than 1 year	**95**	95
Later than 1 year and no later than 5 years	**–**	95
	95	190
Future finance charges on finance leases	**(2)**	(9)
Present value of finance lease liabilities	**93**	181
The present value of finance lease liabilities is as follows:		
No later than 1 year	**93**	88
Later than 1 year and no later than 5 years	**–**	93
	93	181

Note: The amounts due are based on the scheduled repayment dates set out in the finance lease agreement.

The carrying amounts of the finance lease are denominated in HK$.

The finance lease as at 31 March 2018 was secured/guaranteed by:

(i) a motor vehicle with net book value of HK$93,000 as at 31 March 2018; and

(ii) a personal guaranteed executed by Mr. Liu Chi Ching, a director of the Company.

The finance lease as at 31 March 2019 was secured/guaranteed by:

(i) a motor vehicle with net book value of nil as at 31 March 2019; and

(ii) a personal guaranteed executed by Mr. Liu Chi Ching, a director of the Company.

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

22 TRADE AND OTHER PAYABLES

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Trade payables (Note (a))		
– Related parties (Note 26(b))	**10**	24
– Third parties	**6,312**	10,899
	6,322	10,923
Other payables and accruals		
– Accruals for staff costs	**3,370**	2,748
– Commission payables	**45**	43
– Other accruals and other payables	**1,903**	1,941
	5,318	4,732
	11,640	15,655

(a) Trade payables

As at 31 March 2018 and 31 March 2019, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
0 to 30 days	**4,622**	8,756
31 to 60 days	**1,116**	1,581
61 to 90 days	**584**	586
	6,322	10,923

The carrying amounts of the Group's trade payables approximate their fair values.

23 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of cash generated from operations

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Profit before income tax	**20,353**	27,523
Adjustments for:		
Finance income	**(18)**	(131)
Finance costs	**526**	430
Depreciation of property, plant and equipment (Note 7)	**2,325**	1,238
Gain on disposal of property, plant and equipment (Note 23(b))	**(83)**	(100)
Net impairment losses on financial assets	**95**	–
Share of loss/(profit) of a joint venture	**2**	(14)
Operating profit before working capital changes	**23,200**	28,946
Changes in working capital		
Increase in inventories	**(597)**	(56)
Increase in trade receivables	**(442)**	(15,234)
Increase in prepayments, other receivables and deposits	**(1,770)**	(260)
Decrease in trade payables	**(4,601)**	(5,626)
Increase in accruals and other payables	**586**	178
Cash generated from operations	**16,376**	7,948

(b) Net proceeds from disposal of property, plant and equipment comprise:

	2019	2018
	HK$'000	HK$'000
Net book amount of property, plant and equipment	**–**	–
Gain on disposal of property, plant and equipment (Note 6, Note 23 (a))	**83**	100
Net proceeds from disposal of property, plant and equipment	**83**	100

23 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Net debt reconciliation

Liabilities from financing activities:

	Finance lease obligation HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 April 2018	181	17,718	17,899
Cash flows – financing activities, net	(88)	8,839	8,751
At 31 March 2019	93	26,557	26,650

24 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of production facilities, parking lots and director quarter are as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
– No later than 1 year	**795**	686
– Later than 1 year and no later than 5 years	**77**	655
	872	1,341

24 COMMITMENTS (Continued)

(b) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Property, plant and equipment	**–**	1,949

Save as disclosed above, the Group has no other material commitments as at 31 March 2018 and 31 March 2019.

25 CONTINGENCIES

As at 31 March 2019, there are no material contingent liabilities relating to the Group (2018: same).

26 RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following company and entity were related parties that had material transactions or balances with the Group during the years ended 31 March 2018 and 2019:

Name of the related party	Relationship with the Group
Winning Tender Limited	The director, Liu Chi Ching has beneficial interest in the company
Au Kit Ying	The owners of this partnership business are related persons to Liu Chi Ching, the shareholder and the director of the Company

In addition to the related party information disclosed above, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and balances arising from related party transactions as at year end.

26 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Continuing related parties' transactions		
Sales of goods to a related company		
– Winning Tender Limited	**763**	705
Purchase of goods from a related party		
– Au Kit Ying	**70**	89

(b) Balances with related parties

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Amount due from Winning Tender Limited	**64**	128
Amount due to Au Kit Ying	**10**	24

The carrying amounts of balances with related parties approximate their fair values and are denominated in HK$.

(c) Key management compensation

Key management includes executive directors of the Group. The compensation paid or payable to key management for employee services is disclosed Note 8(b).

27 PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries at 31 March 2019:

Company name	Country/place of incorporation/ establishment	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent	Proportion of ordinary shares held by the Group
Eminent Ace Group Limited	British Virgin Islands	US$1	Investment holding/Hong Kong	100%	–
C.Y. Food Trading (HK) Company Limited	Hong Kong	HK$1	Processing and distribution of vegetables and other food/ Hong Kong	–	100%
Lion Metro Limited	British Virgin Islands	US$100	Investment holding/Hong Kong	–	100%
Healthy Cheer International Limited	Hong Kong	HK$100,000	Property holding and investment/Hong Kong	–	100%
Profit Star Holdings Limited	Seychelles	US$1	Investment holding/Hong Kong	100%	–
Eastway Logistic Company Limited	Hong Kong	HK$1	Logistic services/Hong Kong	–	100%
Better Joy Limited	Samoa	US$100	Investment holding/Hong Kong	100%	–
Jade Royal Limited	Hong Kong	HK$1	Property holding and investment/Hong Kong	–	100%
Wise Sino Limited	Hong Kong	HK$1	Property holding and investment/Hong Kong	–	100%

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 March 2019 HK$'000	 2018 HK$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		16,095	16,095
Total non-current asset		16,095	16,095
Current asset			
Amount due from a subsidiary		48,188	53,527
Total current asset		48,188	53,527
Total assets		64,283	69,622
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		12,800	12,800
Share premium	28 (a)	51,571	51,571
Other reserve	28 (a)	6,295	6,295
Accumulated losses	28 (a)	(6,383)	(1,144)
Total equity		64,283	69,522
LIABILITY			
Current liabilities			
Accruals and other payables		–	100
Total liabilities		–	100
Total equity and liabilities		64,283	69,622

The statement of financial position of the Company was approved for issue by the Board on 28 June 2019 and were signed on its behalf.

Liu Chi Ching	**Wu Shuk Kwan**
Director	Director

28 STATEMENTS OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000
At 1 April 2017	51,571	6,295	(305)
Loss for the year	–	–	(839)
At 31 March 2018 and 1 April 2018	51,571	6,295	(1,144)
Loss for the year	–	–	(5,239)
At 31 March 2019	51,571	6,295	(6,383)