

SEASON
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Season Pacific Holdings Limited
雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1709



2018/2019

ANNUAL REPORT

** For identification purpose only*

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CORPORATE INFORMATION

As at 28 June 2019

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, AIA Financial Centre
112 King Fuk Street
San Po Kong
Kowloon
Hong Kong

COMPANY'S WEBSITE

www.seasonpacific.com

EXECUTIVE DIRECTORS

Mr. Cheung Lui (*Chairman and Chief Executive Officer*)
Ms. Jiang Xinrong (*Appointed with effect from 18 June 2019*)
Mr. Yu Xiu Yang (*Appointed with effect from 16 May 2018*)

NON-EXECUTIVE DIRECTORS

Ms. Chin Ying Ying (*Appointed with effect from 16 May 2018*)
Mr. Li Ren (*Appointed with effect from 17 April 2019*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Eric Jackson (*Appointed with effect from 25 May 2018*)
Mr. Choi Sheung Jeffrey
Ms. Luk Huen Ling Claire

COMPANY SECRETARY

Mr. Chak Ka Wai, CPA

AUTHORISED REPRESENTATIVES

Mr. Cheung Lui
Mr. Chak Ka Wai

COMPLIANCE OFFICER

Mr. Cheung Lui

AUDIT COMMITTEE

Mr. Chang Eric Jackson (*Chairman*)
(*Appointed with effect from 25 May 2018*)
Mr. Choi Sheung Jeffrey
Ms. Luk Huen Ling Claire

REMUNERATION COMMITTEE

Ms. Luk Huen Ling Claire (*Chairlady*)
Mr. Chang Eric Jackson (*Appointed with effect from 25 May 2018*)
Mr. Cheung Lui
Ms. Chin Ying Ying (*Appointed with effect from 16 May 2018*)
Mr. Choi Sheung Jeffrey

NOMINATION COMMITTEE

Mr. Choi Sheung Jeffrey (*Chairman*)
Mr. Chang Eric Jackson (*Appointed with effect from 25 May 2018*)
Mr. Cheung Lui
Ms. Chin Ying Ying (*Appointed with effect from 16 May 2018*)
Ms. Luk Huen Ling Claire

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

AUDITOR

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

STOCK CODE

1709

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

The shares of the Company (the "Share(s)") were listed on GEM by way of placing on 7 October 2015 (the "Listing Date") and have been transferred to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 September 2017. The transfer of listing to the Main Board of the Stock Exchange represents a substantial milestone for the Group. Not only does it provide the Company a platform to gain access to one of the world's significant capital markets, but also enhances the Group's reputation and strengthens its corporate governance.

FINANCIAL PERFORMANCE

This Year has been very challenging. The Group has been hit by the substantial challenges in the industry and has seen declines in revenue and gross profit. Our financial performance has been affected by the challenging operating environment by a rise in production costs coupled with uncertainty in relation to trade tariffs from America and Brexit. Our expansion strategies in terms of growing market share and expanding the European and Asian markets also put pressure on our gross profit margins. Nevertheless, we believe that with our Group's management and staff's experience, we are well positioned to tackle these difficulties which are expected to be more demanding in the uncertain times ahead. The Group's industry expertise and value added service has been a key factor in achieving the continued growth this year in business with one of the world's largest fashion retailers headquartered in Spain with more than 7,000 retail stores worldwide (the "Spain Customer") despite the significant industry challenges and we hope to continue to build on this momentum.

PROSPECTS

The Group's comprehensive and excellent range of supply chain management total solutions which include market trend analysis, design and product development, sourcing, production management, quality control and logistics services faces an increasingly uncertain future. Despite the Group's extensive network and immense experience in the apparel industry worldwide resulting in growth in business with the Spain Customer, the general prospects for the industry remains very challenging and has resulted in the Group facing sales pressures particularly in tough markets such as the Americas and the Middle East. The Group's range of supply chain management total solutions also faces an increasingly uncertain future. The macro economic uncertainties arising from headwinds in global trade from increases in US trade tariffs, as well as an increasing interest rate environment and volatile global stock markets create a very difficult trading environment and the general prospects for the apparel industry remains very challenging. The retail industry in the Americas and Middle East have proven to be increasingly difficult with several well-known and established retailers as well as other independent retailers closing down operations in the US in 2018.

Given the challenges in the global economic outlook, the Group will continue to diversify its business into different geographic regions across America, Europe and Middle East to mitigate the risks of any shortcoming in any single region. In addition, in view of the on-going uncertainties due to China-US trade war, Brexit and the significant market challenges in the apparel industry in the short to medium term, the Group considers to diversify the Group's business through pursuing suitable acquisition and equity investment opportunities which will allow the Group to diversify its sources of income, explore new markets with growth potential and capture new business opportunities which may create substantial value to the Shareholders. The Company has announced the proposed acquisition of a corporation licensed by the Securities and Futures Commission of Hong Kong (the "SFC") to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the "SFO") and a corporation holding a money lender's licence on 6 March 2019.

The future prospect may prove to be more difficult given the great uncertainty with international trade. The Group expects pressure on its revenue, gross profit and net income margin amid the challenging business environment. Nevertheless, the Group will seek to overcome difficulties and press on utilising its leading total supply chain management solutions, partnering and providing its customers with the best solutions as well as diversifying its business and sources of income.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to the Group's management and staff for their commitment and dedication during the Year of great challenge. I would also like to express my deep gratitude to all the business partners, customers, suppliers of the Group and the Shareholders for their continuous support.

Season Pacific Holdings Limited

Cheung Lui

Chairman, Chief Executive Officer & Executive Director

Hong Kong, 28 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group engages in sales of apparel products with the provision of supply chain management total solutions to customers.

For the year ended 31 March 2019, the Group recorded decreases in revenue of approximately 33.2% and gross profit of approximately 61.7% and recorded an increase in profit and total comprehensive income attributable to owners of the Company of approximately 19.1% as compared with that for the year ended 31 March 2018. Despite the significant continued challenges in the global business environment, the Group, through one of the subsidiaries of the Company, was able to significantly grow its sales contracts with the Spain Customer. Having continued to build its business relationship with this customer, the Group demonstrated its ability to grow its business with customers such as international top fashion chain. The Group recorded other gains of approximately HK\$37.8 million for the year ended 31 March 2019. This was due to positive returns from investments on securities.

On 7 October 2015, the Shares were listed on GEM by placing (the “Placing”). After deducting all the relevant commission and expenses borne by the Company, there were approximately HK\$5.1 million of net proceeds from the Placing. During the period from the Listing Date to 31 March 2019, approximately HK\$5.1 million was utilised in accordance with the business strategies as set out in the Company’s prospectus dated 29 September 2015 in relation to the Placing (the “Prospectus”). Further details are set out in the paragraph headed “USE OF PROCEEDS AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS” in this annual report.

On 27 September 2017, the Shares were listed on the Main Board of the Stock Exchange by way of transfer of listing from GEM to the Main Board of the Stock Exchange (the “Transfer of Listing”). The Transfer of Listing did not involve the issue of any new Shares. The Board believes that the Transfer of Listing will improve the liquidity of the Shares and enhance the profile of the Group. The Board considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility.

FINANCIAL REVIEW

Revenue

Under the very challenging market conditions, the Group’s revenue decreased to approximately HK\$186.5 million for the year ended 31 March 2019 from approximately HK\$279.4 million for the year ended 31 March 2018, representing a decrease of approximately 33.2%. Although the Group recorded a decrease of revenue in all markets during the year ended 31 March 2019, it was able to make a significant growth in sales to the Spain Customer. The Group’s sales to its top four customers (each contributing more than 10% of the total revenue of the Group) accounted for approximately 64.9% of the total revenue for the year ended 31 March 2019, with the Group’s sales to its largest customer accounting for approximately 22.9% of the total revenue for the year ended 31 March 2019.

As noted above, there was a significant increase in sales to one of the world’s largest fashion retailers headquartered in Spain. The Group has continued to solidify its reputation for high quality products and demonstrated its strong abilities to solicit customers such as international top fashion chain.

Cost of sales

The Group’s cost of sales primarily consists of cost of goods sold, employee benefit expenses and other direct costs. The cost of sales decreased to approximately HK\$165.6 million for the year ended 31 March 2019 from approximately HK\$224.8 million for the year ended 31 March 2018, representing a decrease of approximately 26.3%. The decrease of the Group’s cost of sales was in line with the decrease in revenue in a very challenging environment.

Gross profit and gross profit margin

The Group’s gross profit decreased to approximately HK\$20.9 million for the year ended 31 March 2019 from approximately HK\$54.6 million for the year ended 31 March 2018, representing a decrease of approximately 61.7%. The Group’s gross profit margin decreased to approximately 11.2% for the year ended 31 March 2019 from approximately 19.5% for the year ended 31 March 2018. The Group offered competitive pricing for greater portion of its sales which resulted in a lower overall gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

Selling expenses mainly consist of sales commission paid to external sales representatives and staff costs of in-house staff whose roles are mainly focusing on sourcing new customers. Selling expenses increased to approximately HK\$7.6 million for the year ended 31 March 2019 from approximately HK\$7.4 million for the year ended 31 March 2018, representing a slight increase of approximately 2.7%.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, operating lease rentals mainly for office, entertainment and travelling expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous general and administrative expenses. General and administrative expenses increased to approximately HK\$32.3 million for the year ended 31 March 2019 from approximately HK\$26.5 million for the year ended 31 March 2018, representing an increase of approximately 21.9%. Such increase was mainly due to share-based payment expenses arisen from the grant of share options pursuant to the share option scheme of the Company during the year ended 31 March 2019.

Finance costs

For the year ended 31 March 2019, the Group had bank borrowings with average interest rate per annum at 2.93%, while the Group had bank borrowings with average interest rate per annum ranging from 2.29% to 2.74% for the year ended 31 March 2018.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased to approximately HK\$18.7 million for the year ended 31 March 2019 from approximately HK\$15.7 million for the year ended 31 March 2018, representing an increase of approximately 19.1%. Such increase was mainly attributable to the other gains on the positive returns from the investments on securities, set off by the decrease in gross profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 March 2019, the Group mainly financed its operations with its own working capital and the net proceeds from the Placing. As at 31 March 2019 and 2018, the Group had net current assets of approximately HK\$110.5 million and HK\$77.8 million respectively, including cash and bank balances of approximately HK\$52.3 million and HK\$42.4 million respectively. The Group's current ratio slightly increased from approximately 3.4 as at 31 March 2018 to approximately 12.8 as at 31 March 2019. Such increase was mainly because of the decrease in current liabilities mainly in the decrease in trade, bills and other payables during the year ended 31 March 2019.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. The Group's gearing ratio decreased from approximately 0.40 times as at 31 March 2018 to approximately 0.06 times as at 31 March 2019.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of its customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

COMMITMENTS

The Group's contractual commitments primarily related to the leases of its office premises, staff quarter and warehouse. The Group's operating lease commitments amounted to approximately HK\$7.6 million and HK\$10.5 million as at 31 March 2019 and 2018 respectively. As at 31 March 2019, the Group did not have any significant capital commitments (31 March 2018: nil).

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in note 20 to the consolidated financial statements in this annual report.

The capital structure of the Group and major fund raising activities during the year ended 31 March 2019 are summarised as below:

MANAGEMENT DISCUSSION AND ANALYSIS

Issue of securities

Reference is made to the announcements of the Company dated 16 May 2018, 23 May 2018 and 1 June 2018. The Company and Fulbright Securities Limited (the "Placing Agent") entered into a placing agreement on 16 May 2018 (as amended by a supplemental agreement dated 23 May 2018 and entered into by the same parties) in respect of the placement of up to 123,800,000 ordinary shares of HK\$0.01 each ("Placing Shares") at a placing price of HK\$0.485 per Placing Share to not less than six placees. The placing price of HK\$0.485 represented a discount of approximately 19.17% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 23 May 2018, being the date of the supplemental agreement. For further details of the terms and conditions of the placing agreement and the supplemental agreement, please refer to the aforementioned announcements.

On 1 June 2018, the placing was completed and a total of 123,800,000 Placing Shares were issued under the general mandate of the Company. Accordingly, the aggregate nominal value of the Placing Shares was HK\$1,238,000.

The Placing Shares were placed by the Placing Agent to not less than six placees (being individual(s), professional, institutional and/or corporate investors).

The net proceeds from the Placing were approximately HK\$58.6 million. Accordingly, the net price of each Placing Share was approximately HK\$0.47 per Placing Share.

Reference is made to the announcement of the Company dated 6 March 2019 regarding the change of intended use of unutilised Net Proceeds from the Placing in the amount of HK\$50 million for suitable acquisition and equity investment opportunities, including but not limited to the investment in the Target Companies as well as general working capital of the Group.

Up to 31 March 2019, the Net Proceeds had been applied as follows:

Intended use of the Net Proceeds	Original allocation <i>(HK\$ million)</i>	Revised allocation <i>(HK\$ million)</i>	Utilised Net Proceeds as at 31 March 2019 <i>(HK\$ million)</i>	Unutilised Net Proceeds as at 31 March 2019 <i>(HK\$ million)</i>
Sourcing and developing the Group's own brand or acquisition of brand(s) for garment and related products	25	–	–	–
Enhancement of supply chain management efficiency and capacity, and expansion of sales network	25	–	–	–
General working capital (Note)	8.6	16.1	10.1	6.0
Pursuing suitable acquisition and equity investment opportunities	–	42.5	42.5	–
Total	58.6	58.6	52.6	6.0

Note: The Company currently expects that the net proceeds allocated will be used by September 2019.

SIGNIFICANT INVESTMENTS

As at 31 March 2019, the Group's financial assets at fair value through profit or loss ("FVTPL"), with market value as at 31 March 2019 was approximately HK\$74.8 million (2018: nil). The Board considers that the investments with market value as at 31 March 2019 accounting for more than 5% of the Group's total assets as at 31 March 2019 as significant investments.

For the year ended 31 March 2019, the Group recognized net unrealised gain on financial assets at FVTPL of approximately HK\$26.2 million (2018: nil) and realised gain on financial assets at FVTPL of approximately HK\$11.5 million (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Details of the significant financial assets at FVTPL as at 31 March 2019 were set out as follows:

Name of securities	As at 31 March 2019				For the year ended 31 March 2019		
	Investment cost HK\$'000	Percentage of shareholding interest	Fair value HK\$'000	Approximate percentage to the total assets of the Group	Percentage to the total financial assets at FVTPL	Unrealised gain/(loss) HK\$'000	Realised gain HK\$'000
Takbo Group Holdings Limited ("TGH") (Note)	19,940	2.75%	42,130	23.4%	56.3%	27,640	11,529
Evergrande Health Industry Group Limited ("EHIG")	9,300	0.01%	9,190	5.1%	12.3%	(110)	–

Note: The Group has disposed all shares of TGH subsequent to the year end 31 March 2019 (the "Subsequent Sales") for approximately HK\$9.2 million, resulting in a loss of HK\$32.9 million, which will be recognised in the year ending 31 March 2020.

TGH is a company listed in Hong Kong in which it and its subsidiaries are principally engaged in the provision of (i) the design, development, manufacture and sale of beauty products, and (ii) the design, development and sale of beauty bags. EHIG is a company listed in Hong Kong in which it and its subsidiaries are principally engaged in "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-ageing in the People's Republic of China, as well as the investment in high technology new energy vehicle manufacture.

For the year ended 31 March 2019, no dividend has been received from TGH and EHIG.

The Group adopts prudent and pragmatic investment strategies over its significant investment to generate investment return with a view to better utilise the capital and funds of the Group. Factors including but not limited to the investee's financial performance, prospect, dividend policy and associated risk of the investment were considered for investment decisions. Looking forward, the Board believes that the future performance of the listed investments held by the Group will be volatile and substantially affected by overall environment, equity market conditions, investor sentiment and the business performance and development of the investee companies.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2019, save for the proposed acquisition as set out in the paragraph headed "Future plans for material investments and capital assets" in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Reference is made to the Company's announcements dated 6 March 2019, 27 March 2019, 30 April 2019 and 30 May 2019 regarding the proposed acquisition (the "Acquisition") of a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO; and a corporation holding a money lender's licence, at the consideration of HK\$42 million. The Acquisition constitutes a discloseable transaction and connected transaction of the Company and is subject to the reporting, announcement and (in respect of the requirements of connected transaction only) independent Shareholder's approval requirements under Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As at the date of this report, the Acquisition has not been completed.

Save as those disclosed in Prospectus and above, the Group currently has no other plan for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2019 and 2018.

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency risk primarily related to Hong Kong Dollars ("HK\$"), Renminbi ("RMB") and Euro dollars ("EUR"). As at 31 March 2019 and 2018, foreign exchange risk on financial assets and liabilities denominated in EUR and RMB was insignificant to the Group. Although the Group's revenue and major expenses are mainly in United States Dollars ("US\$"), which is the functional currency of the Group, as HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. The Group does not undertake any foreign currency hedging currently.

PLEDGE OF ASSETS

As at 31 March 2019, the Group did not pledge any of its assets (31 March 2018: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019 and 2018, the Group employed a total of 26 and 33 full-time employees respectively. The Group's employee benefit expenses mainly include salaries, wages, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2019 and 2018, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$17.3 million and HK\$19.2 million respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to employees in accordance with their performance.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly carries out its businesses in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong during the year ended 31 March 2019.

ENVIRONMENTAL POLICY

The Group aims to protect the environment by minimising environmental adverse impacts in its daily operations, such as energy saving and recycling of office resources. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organisation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment during the year ended 31 March 2019.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises its employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws and regulations in Hong Kong and regularly reviews the existing staff benefits for improvement during the year ended 31 March 2019. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, etc.

The Group provides good quality services to the customers and maintains a good relationship with them. The Group keeps a database for direct communications with recurring customers for developing long-term business relationships.

The Group also maintains effective communication and develops a long-term trust relationship with its suppliers. During the year ended 31 March 2019, there was no material dispute or disagreement between the Group and its suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The Shares have been listed on GEM on 7 October 2015. The actual net proceeds from the Placing, after deducting commission and expenses borne by the Company in connection with the Placing, were approximately HK\$5.1 million (the "Actual Net Proceeds"), which were less than the estimated one stated in the Prospectus and the allotment results announcement of the Company dated 6 October 2015 (the "Allotment Results Announcement"). The difference between the Actual Net Proceeds and the estimated proceeds stated in the Allotment Results Announcement was due to listing fees which were recognised in the combined statement of comprehensive income for the year ended 31 March 2015 and unexpected higher amount of professional fees relating to the GEM listing (such as auditors, lawyers and financial printer fees). Despite the difference in the Actual Net Proceeds compared to the estimated net proceeds, the Company has not altered its initial expansion or development plans but instead plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period (the "Period") from 1 October 2015 to 30 June 2018 but with monetary adjustments to each business strategic plan on a pro rata basis. As the Placing completed after 30 September 2015, the estimated use of proceeds for the period ended 30 September 2015 as stated in the Prospectus would be foregone. The table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds for the period up to 31 March 2019.

Business strategies and business objectives as set out in the Prospectus	Adjusted	Actual use of
	allocation of the Actual Net Proceeds	the Actual Net Proceeds
	For the period up to 31 March 2019	
	HK\$'000	HK\$'000
Expand the geographical coverage of the Group's customers (Note)	1,746	1,746
Expand the geographical base of the Group's third-party manufacturers	802	802
Further develop the Group's design and development capabilities	1,233	1,233
Expand the Group's product types to further cater to customers' needs	964	964
General working capital	330	330
Total	5,075	5,075

Note: The Actual Net Proceeds would only be utilised for, among others, salary of the team head for the new merchandising team subsequent to the Placing.

SUBSEQUENT EVENTS

Please refer to the paragraph headed "Significant investments" and "Future plans for material investments and capital assets" in this annual report for subsequent events after 31 March 2019.

PROSPECTS

The Group continues to provide excellent supply chain management total solutions to its customers. The Group's professional and experienced teams, with the ability to be flexible and sensitive to the needs of customers, have established a firm position with one of the world's largest fashion retailers headquartered in Spain and achieved significant growth this year and despite the significant challenges, continues to expect growth in sales contracts with the Spain Customer. The Group expects the business with the Spain Customer and the relationship to continue to open the door to many other opportunities with this customer with over 7,000 stores throughout the world.

MANAGEMENT DISCUSSION AND ANALYSIS

Given the challenging economic outlook, the continuing rise in costs associated with geo-political pressures uncertainties due to China-US trade war and Brexit, maintaining the Group's margins will be challenging in the short to medium term. Therefore, pursuing suitable acquisition and equity investment opportunities will allow the Group to diversify its sources of income particularly from a geographic perspective. Suitable opportunities that show good prospects, particularly in strong markets and industries which are showing significant growth potential include opportunities in the Hong Kong financial industry. The Group looks forward to the completion of the Acquisition.

Overall, the Group expects the global business environment to remain challenging in the coming year due to economic and political uncertainty which will create certain pressure to the Group's sales and gross profit margins. Nevertheless, with the new diversification strategy, the Group should have the financial and operational capability to handle these challenges going forward.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheung Lui (張雷) (“Mr. Cheung”), aged 47, founded the Group in February 2013. He was appointed as the Company’s chairman, chief executive officer and re-designated as an executive Director on 5 June 2015 and is primarily responsible for the overall corporate strategies and management of the Group. Mr. Cheung graduated from The University of Hong Kong with a bachelor’s degree in economics in November 1995. Mr. Cheung spent approximately 10 years in the banking sector and over 10 years in the garment industry where he gained extensive experience in management skills and knowledge of garment business.

Mr. Cheung has a wealth of experience in banking from his previous role as relationship manager in the commercial banking division at The Hongkong and Shanghai Banking Corporation Limited where his experiences and responsibilities included overseeing credit and trade finance facility arrangements to corporate clients.

Following his role at The Hongkong and Shanghai Banking Corporation Limited, Mr. Cheung moved into the garment industry and joined HTP Group Limited as chief financial officer and was responsible for overseeing the finance, accounting and human resources of the company. In January 2006, his employment was subsequently transferred to a related company, HTP Sourcing Limited (currently known as OSG Sourcing Limited). In January 2010, he was further promoted to vice president, responsible for managing merchandising, design and operation team as well as business development of the company. Subsequent to the acquisition of the business of HTP Sourcing Limited in June 2010 by one of Hong Kong’s largest sourcing group in Hong Kong, (the “Sourcing Group”) principally engaged in trading, logistic and distribution of consumer products, Mr. Cheung was transferred to a subsidiary of the Sourcing Group serving as divisional merchandise manager until June 2013 before joining the Group.

Please refer to the paragraph headed “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” in the “Report of the Directors” in this annual report for Mr. Cheung’s interest in the Shares as at 31 March 2019 which would fall to be disclosed to the Company under provisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Chak Ka Wai (翟家偉) (“Mr. Chak”), aged 47, was appointed as an executive Director on 1 June 2015 and resigned with effect from 26 April 2019. He joined the Group in June 2013 as financial controller and was promoted to chief financial officer on 1 August 2015. He is primarily responsible for the overall financial accounting and reporting, corporate finance and company secretarial matters of the Group. Mr. Chak obtained a bachelor’s degree in finance from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in December 1994. He was subsequently awarded a postgraduate diploma in professional accounting and a master’s degree in professional accounting and information systems in November 1998 and November 2005 respectively. In July 2003, he became a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chak continued to pursue education by completing various short-term courses, including “中國最新涉外稅法與實務” in March 2006, “中國財務會計核算制度與操作實務” in July 2006, and “中國最新勞工法例與人力資源管理” in July 2013 from the School of Professional Education and Executive Development of The Hong Kong Polytechnic University and a continuing education diploma in advanced taxation and tax planning a course offered by the School of Continuing and Professional Education, the City University of Hong Kong in collaboration with The Taxation Institute of Hong Kong in August 2008. Mr. Chak has over 22 years of accounting experience. He started working as a management trainee in the accounts department of Logic Office Supplies Ltd in July 1994 and was promoted to analyst in April 1995, responsible for management reporting. He was further promoted to MIS officer of the MIS Department, responsible for sales reporting until he left in May 1997. He then joined the finance department of Mattel Asia Pacific Sourcing Limited in May 1997 as assistant management accountant and was subsequently promoted to accountant in October 2000 until he left in March 2001. From March 2001, Mr. Chak worked for J. V. Fitness Limited initially as assistant accountant and was promoted to accountant in March 2003 and then to financial analyst in January 2005 for the regions, including Hong Kong, Taiwan, Singapore and Malaysia until October 2006. Since then, Mr. Chak worked for several garment-related companies, including HTP Sourcing Limited as senior accountant from October 2006 to September 2007 and Burberry Asia Limited as assistant accounting manager from September 2007 to February 2008. Immediately before joining the Group in June 2013, Mr. Chak worked for Z Brand International Limited as finance manager from February 2008 and was promoted to financial controller in June 2009. His employment was transferred to the Sourcing Group Subsidiary, in July 2010 as manager (operations).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Jiang Xinrong (江欣榮) (“Ms. Jiang”), aged 36, has been appointed as an executive Director with effect from 18 June 2019. Ms. Jiang, obtained a Bachelor Degree of Arts in Communication, International Journalism and English Broadcasting from the Communication University of China in June 2005 and a Master Degree in Media Management and Social Science from the Hong Kong Baptist University in November 2008. Ms. Jiang has years of experience in the financial services industry and media industry. In 2012, Ms. Jiang founded DL Family Office (HK) Limited (“DL Family Office”), which is currently a corporation licensed by the Securities and Futures Commission to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). DL Family Office is to provide a total financial solution for high net worth individuals and their families as a multi-family office. Ms. Jiang was a responsible officer of DL Family Office from July 2015 until her resignation in June 2019. Prior to founding DL Family Office, Ms. Jiang was a Senior Vice President at J.P. Morgan Private Bank’s Hong Kong Team from April 2011 to July 2012. Ms. Jiang was a Senior Vice President of Standard Chartered Private Bank’s China Team from July 2010 to April 2011 and an Associate of HSBC Private Bank’s China Team from May 2008 to July 2010. From November 2003 to February 2008, Ms. Jiang was a television host in Phoenix Television. Ms. Jiang was also the champion of the 2003 Miss Chinese Cosmo Pageant.

Mr. Yu Xiu Yang (于秀陽) (“Mr. Yu”), aged 64, was appointed as an executive Director with effect from 16 May 2018. Mr. Yu is a lawyer in the People’s Republic of China with a bachelor degree. Mr. Yu graduated from the Faculty of Law at Shanghai University in 1988, and worked as the member of the Legal Publicity Division of Shanghai Bureau of Justice, the head of the research department of the Shanghai Law Society and the associate editor of Shanghai Journal of Legal Studies in 1997. In 2003, Mr. Yu founded Sunglow Elite Law Firm and serves as the Head of the firm. Mr. Yu was elected as executive director of Glorious Property Holdings Limited (Stock Code: 845), a company listed on the Main Board of the Stock Exchange from May 2011 until his retirement in 2014. He is currently serving as the Head of Sunglow Elite Law Firm. Mr. Yu also serves as an independent non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (Stock Code: 8301), a company listed on the GEM of the Stock Exchange, since September 2015.

NON-EXECUTIVE DIRECTORS

Ms. Chin Ying Ying (錢盈盈) (“Ms. Chin”), aged 31, was appointed as a non-executive Director with effect from 16 May 2018. Ms. Chin is a member of the Hong Kong Institute of Certified Public Accountants. She has more than 8 years experiences in accounting and audit related experience and is currently an internal auditor of Roma Group Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8072) since 2017. Ms. Chin has been appointed as an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) since 14 May 2019. Ms. Chin graduated from The Hong Kong Polytechnic University in 2009 with a BBA (Hons) in Accountancy with First-class honours.

Mr. Li Ren (李韜) (“Mr. Li”), aged 54, was appointed as a non-executive Director with effect from 17 April 2019. Mr. Li obtained a bachelor degree in optical instruments in June 1987 in Zhejiang University and Master of Business Administration in China Europe International Business School in September 2012. Mr. Li is currently the chairman of the board of directors of Letright Industrial Corp. Ltd., which was founded by Mr. Li in May 1999 and formerly known as “杭州中藝經貿有限公司 (Hangzhou Zhongyi Trading Ltd.*)” and principally engages in the business of research and development, design, manufacture of outdoor furniture. From July 1987 to July 1988, Mr. Li worked in 杭州光學儀器廠 (Hangzhou Optical Instrument Factory*) in which he was responsible for engineering work. From 1988 to 1995, Mr. Li worked in 杭州輕工工藝紡織品進出口公司 (Hangzhou Light Industry Crafts Textile Import and Export Corporation*) in which he was responsible for foreign trading. From May 1995 to May 1999, he worked in the sales department of 中藝國際廣告展覽公司 (Zhongyi International Advertising Exhibition Company*).

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Sheung Jeffrey (蔡湘) (“Mr. Choi”), aged 48, was appointed as an independent non-executive Director on 22 September 2015. Mr. Choi obtained a bachelor’s degree in business administration from the National University of Singapore in June 1993. He was qualified as a chartered financial analyst with the Association for Investment Management and Research in September 2002. In December 2005, he further attained a master’s degree in business administration from The Chinese University of Hong Kong. Mr. Choi has approximately 21 years of experience in business development and financial controlling. He joined Siemens Limited as business administrator in August 1996, responsible for setting up the Hong Kong office as the regional headquarter for Siemens Nixdorf division and was promoted to assistant controller in December 1996, responsible for planning, budgeting, reporting and forecasting for Siemens Nixdorf division in Asia Pacific region and was further promoted to senior commercial officer in June 1998, responsible for project budgeting, planning, controlling and joint ventures of Siemens Nixdorf operations in China until he left the company in January 2000. From January 2000 to August 2003, he worked at BEA Systems (HK) Limited as a controller of North Asia, responsible for all financial, accounting, treasury, tax, compliance and facilities related matters in the region and to set up Hong Kong office as the regional head office and shared accounting service centre for the region. From August 2003 to March 2004, Mr. Choi worked at Borland Singapore Pte Limited as finance director of Asia Pacific. His employment was transferred to the Hong Kong office under Borland (Hong Kong) Ltd. in April 2004 until he left the company in April 2006. From May 2006 to October 2006, he worked at NVIDIA (Singapore) Limited as business operation director of Asia Pacific, responsible for leading sales administration teams in Greater China and Korea as well as enhancing operational efficiency of the teams, resource management, forecasting, order status tracking and expediting, resolution of invoicing disputes and sales reporting. From October 2006 to December 2007, he worked at Experian (Hong Kong) Limited as regional head of finance of Asia Pacific, responsible for meeting business targets, reviewing and presenting investment opportunities to the investment committee and the board of directors, deal structuring and execution of mergers and acquisitions (“M&As”) opportunities and post-acquisition integration. From April 2008 to March 2018, Mr. Choi had been the chief financial officer of Sinogold Holdings Limited, responsible for all accounting, finance, treasury, tax and M&As related matters. Since December 2018, Mr. Choi has founded BHC Global Limited in Hong Kong to engage in beauty and healthcare businesses.

Ms. Luk Huen Ling Claire (陸萱凌) (formerly known as: Luk Yung Yung Claire) (“Ms. Luk”), aged 41, was appointed as an independent non-executive Director on 22 September 2015. She obtained a bachelor’s degree in fine arts from the Hong Kong Academy for Performing Arts in July 2003 and a master’s degree of business in marketing from the University of Technology, Sydney, Australia in March 2010. Ms. Luk has over 11 years of experience in corporate communications and marketing. She worked as head of communications, Asia at Aedas Limited between March 2010 and December 2010. From November 2006 to May 2008 she worked as a wardrobe manager at the Ocean Park, one of the largest theme parks in Hong Kong where she was responsible for sections strategic planning, administration and management of all wardrobe staff. In addition, Ms. Luk also gained experiences in marketing, business development and investor relation activities in previous engagements. She joined Roma Group Limited (Stock Code: 8072) as a senior consultant in December 2008 and became marketing director of the group in February 2011. In November 2014, Ms. Luk founded ST8GE Group Limited, a company specialising in corporate training and team building. Ms. Luk has been appointed as an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) since 14 May 2019. Ms. Luk was appointed as an independent non-executive director of China Bio Cassava Holdings Limited (currently known as “Cloud Investment Holdings Limited”) (Stock Code: 8129) in February 2017 and resigned on April 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chang Eric Jackson (張世澤) (“Mr. Chang”), aged 39, was appointed as an independent non-executive Director with effect from 25 May 2018. Mr. Chang received his bachelor of commerce degree from the University of British Columbia in May 2002. Mr. Chang worked at PricewaterhouseCoopers Ltd. during the period from September 2002 to September 2013 and his last position there was senior manager. During the period from October 2013 to July 2015, Mr. Chang was the chief financial officer of a property development company. Mr. Chang is a member of the Hong Kong Institute of Certified Public Accountants and also a registered member of the American Institute of Certified Public Accountants. Mr. Chang is (i) an independent non-executive director of Transmit Entertainment Limited (Stock Code: 1326), the issued shares of which are listed on the Main Board of the Stock Exchange; and (ii) the company secretary and chief financial officer of China Tangshang Holdings Limited (Stock Code: 674), the issued shares of which are listed on the Main Board of the Stock Exchange. On 10 May 2019, Mr. Chang was appointed as the company secretary of Pa Shun International Holdings Limited (Stock Code: 574), the issued shares of which are listed on the Main Board of the Stock Exchange. Mr. Chang was a non-executive director of Sino Vision Worldwide Holdings Limited (Stock Code: 8086), the issued shares of which are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), between 5 May 2017 and 19 July 2018. During the period from July 2015 to March 2017, Mr. Chang served various roles in ZH International Holdings Limited (Stock Code: 185), the issued shares of which are listed on the Main Board of the Stock Exchange. Such roles included executive director, the joint company secretary and the chief financial officer of ZH International Holdings Limited.

SENIOR MANAGEMENT

Ms. Mang Ngai (孟毅) (“Ms. Mang”), aged 56, has numerous years of work experience in the garment industry including design, product development, sourcing and manufacturing of garment products. Ms. Mang had set up and worked in several garment related companies since 1992, such as HTP Group Limited, HTP Sourcing Limited and the Sourcing Group. Ms. Mang’s extensive experience spans the entire vertical of the supply chain industry including licensing and managing various well-known international brands. Ms. Mang joined the Group in June 2015 as chief operating officer and is primarily responsible for the sales and marketing activities of the Group and continue to be responsible for offering advice on industry trends and assisting the Group in expanding its customer base.

Mr. David Reali (“Mr. Reali”), aged 48, joined the Group in June 2014 as chief designer. He obtained a diploma in art from Leon Battista Alberti, an art school in Florence, Italy in July 2002. Mr. Reali started working as a teen and has numerous years of work experience in the garment industry in Italy. From June 1987 to June 1991, he worked at Nuova Fotoincisione Pratese S.r.l. as textile designer, responsible for graphics for fabric printing, from sketches to colour decomposition and construction of printing facilities. From January 1991 to January 2001, he worked at Roto Tex S.r.l. as head designer and product manager, responsible for the development of graphics for continuous fabric printing from sketch to technical production of prints. Since January 2001 and until September 2006, he worked in the same company as a freelancer. Mr. Reali had gained extensive experience from freelancing between 2001 and 2011 through collaboration with various Italian designer studios, including Nastrificio Fiorentino S.r.l., Industrie W Style Studio and B&K Design Studio S.r.l. where he was mainly responsible for product development, conducting research in materials and trends as well as presenting at trade shows. From September 2006 to August 2011, he worked at P.F.C.M.N.A. S.p.A as a freelance product manager and style support, responsible for handling collections including research, development of first prototypes, production of salesman samples in Italy and in various production platforms such as Turkey, China and India. From December 2011 to December 2013, he moved to China and worked at Kinder Enterprise (China) Limited under a service contract, responsible for consulting and exporting for children garments.

Ms. Lam Lai Mui (林麗妹) (“Ms. Lam”), aged 51, joined the Group in June 2013 as logistics manager and is primarily responsible for overseeing the logistics of all customer orders such as monitoring customer payment schedules, preparing packing lists and co-ordinating product shipments. Ms. Lam has numerous years of shipping and logistics experience. From April 1991 to September 1994, she worked at Victory & Company, a garment trading company, as senior shipping clerk responsible for logistic arrangements. From September 1994 to April 1995, she was employed by Top Gate Trading Limited, a garment trading company, as senior clerk, responsible for handling full set billing and bank documents. Ms. Lam worked for HTP Sourcing Limited as shipping manager since April 1995 and her employment was transferred to a subsidiary of the Sourcing Group, in July 2010 subsequent to the Acquisition in June 2010. During the time, she was manager in logistics services from July 2010 to March 2011 and manager in operations from April 2011 to June 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ho Mei Yee (何美儀) (“Ms. Ho”), aged 49, joined the Group in June 2013 as merchandise manager, was transferred to product development manager in April 2014 and resigned with effect from 1 November 2018, primarily responsible for handling matters in respect of European and US labels. She was awarded a higher certificate in apparel merchandising in November 1994 by the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University). Ms. Ho has numerous years of product development and merchandising experience. In June 1987, she joined Mexx Far East Limited as production assistant and was promoted to assistant merchandiser in March 1989 and was finally transferred as junior merchandiser in August 1994 until she left in June 1997. From June 1997, Ms. Ho worked at HTP Group Limited as merchandiser and was promoted to merchandising manager in February 2004. In January 2006, her employment was transferred to HTP Sourcing Limited, a related company, due to job reallocation. In July 2010, her employment was further transferred to a subsidiary of the Sourcing Group, where she was merchandise manager between July 2010 and June 2013.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group.

Save as disclosed in the paragraphs headed "Chairman and Chief Executive Officer" in this corporate governance report, the Company was in compliance with all code provisions set out in the CG Code for the year ended 31 March 2019.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the Company's code of conduct concerning securities transactions by the Directors for the year ended 31 March 2019.

BOARD OF DIRECTORS

For the year ended 31 March 2019, the Board consisted of:

Executive Directors

Mr. Cheung Lui (*Chairman and Chief Executive Officer*)
Mr. Chak Ka Wai (*resigned with effect from 26 April 2019*)
Mr. Yu Xiu Yang (*appointed with effect from 16 May 2018*)

Non-executive Directors

Ms. Chan Hong Nei Connie (*resigned with effect from 16 May 2018*)
Ms. Chin Ying Ying (*appointed with effect from 16 May 2018*)
Mr. Li Ren (*appointed with effect from 17 April 2019*)

Independent non-executive Directors

Mr. Chang Eric Jackson (*appointed with effect from 25 May 2018*)
Mr. Choi Sheung Jeffrey
Mr. Lam Yau Lun (*resigned with effect from 25 May 2018*)
Ms. Luk Huen Ling Claire

There was no relationship (including financial, business, family or other material/relevant relationship) among the Directors.

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

For the year ended 31 March 2019, a total of 11 Board meetings and one general meeting were held. The attendance records of each Director in relation to the Board meetings and general meeting are set out in the table below:

Name of Directors	Board meeting attended/eligible to attend	General meeting attended/eligible to attend
Mr. Cheung Lui	11/11	1/1
Mr. Chak Ka Wai (<i>resigned with effect from 26 April 2019</i>)	11/11	1/1
Mr. Yu Xiu Yang (<i>appointed with effect from 16 May 2018</i>)	5/9	0/1
Ms. Chan Hong Nei Connie (<i>resigned with effect from 16 May 2018</i>)	1/1	0/0
Ms. Chin Ying Ying (<i>appointed with effect from 16 May 2018</i>)	9/9	1/1
Mr. Choi Sheung Jeffrey	11/11	1/1
Ms. Luk Huen Ling Claire	9/11	1/1
Mr. Lam Yau Lun (<i>resigned with effect from 25 May 2018</i>)	1/4	0/0
Mr. Chang Eric Jackson (<i>appointed with effect from 25 May 2018</i>)	5/6	0/1

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE BOARD

The Board is responsible for maintaining leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies; authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; and setting the Group's values and standards. The day-to-day management, administration and operation of the Group are delegated to the executive Directors. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

For the year ended 31 March 2019, the Company had a minimum of three independent non-executive Directors and at all times met the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance function such as (i) developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors and senior management of the Company, and (ii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and developing, reviewing and monitoring the code of conduct of the Directors, etc.

The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Draft minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The company secretary of the Company is responsible for keeping the minutes of all meetings of the Board and the Company's committees.

Every Board member has full access to the advice and services of the company secretary of the Company with a view to ensuring that all required procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 March 2019, Mr. Cheung Lui performed his duties as both the chairman and chief executive officer of the Company.

However, the Board is of the view that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions efficiently, and thus is in the best interest of the Group. The Board has full confidence in Mr. Cheung and believes that his appointment to the posts of chairman and chief executive officer of the Company is beneficial to the business prospects of the Group.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The articles of association of the Company (the “Articles”) provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. The term of appointment of the independent non-executive Directors is set out in the paragraph headed “Report of the Directors — Directors’ Service Contracts/Appointment Letters” in this annual report. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence and must provide an annual confirmation of his/her independence to the Company.

PROFESSIONAL DEVELOPMENT

To assist Directors’ continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. As of 31 March 2019, all the then Directors, namely Mr. Cheung Lui, Mr. Chak Ka Wai (resigned with effect from 26 April 2019), Ms. Chin Ying Ying (appointed with effect from 16 May 2018), Mr. Chang Eric Jackson (appointed with effect from 25 May 2018), Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire had participated in continuous professional development programmes such as external seminars organised by qualified professional, to develop and refresh their knowledge and skills in relation to their contribution to the Board.

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 22 September 2015. The terms of reference of the Audit Committee are available at the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee risk management and internal control systems of the Group.

For the year ended 31 March 2019, the Audit Committee consisted of three members, namely Mr. Lam Yau Lun (chairman of the Audit Committee) (resigned with effect from 25 May 2018), Mr. Chang Eric Jackson (chairman of Audit Committee) (appointed with effect from 25 May 2018), Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed this annual report, including the audited consolidated results of the Group for the year ended 31 March 2019.

CORPORATE GOVERNANCE REPORT

According to the current terms of reference, the Audit Committee shall meet at least two times for a financial year. Two meetings were held by the Audit Committee for the year ended 31 March 2019 and during the meetings, the Audit Committee reviewed the unaudited interim results as well as the audited annual results of the Group. The record of attendance of each member of the Audit Committee is set out below:

Name of members of the Audit Committee	Meeting attended/ eligible to attend
Mr. Lam Yau Lun (<i>Chairman</i>) (<i>resigned with effect from 25 May 2018</i>)	0/0
Mr. Chang Eric Jackson (<i>Chairman</i>) (<i>appointed with effect from 25 May 2018</i>)	2/2
Mr. Choi Sheung Jeffrey	2/2
Ms. Luk Huen Ling Claire	2/2

The Group's internal control system is reviewed regularly by management. With the view of enhancing the Group's internal control system, during the year ended 31 March 2019, the Company had appointed an independent consultant to review the Group's internal control system and recommend actions to improve the Group's internal controls.

Based on the review, the Audit Committee is of the view that the Group's internal control system was effective and in compliance with the requirements of Code Provision C.2.1 of the CG Code for the year ended 31 March 2019 in all material respects.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 22 September 2015. For the year ended 31 March 2019, it consisted of five members, namely Ms. Luk Huen Ling Claire (Chairlady of the Remuneration Committee), Mr. Choi Sheung Jeffrey, Mr. Lam Yau Lun (resigned with effect from 25 May 2018) and Mr. Chang Eric Jackson (appointed with effect from 25 May 2018), all being independent non-executive Directors; Mr. Cheung Lui, being an executive Director; and Ms. Chan Hong Nei Connie (resigned with effect from 16 May 2018) and Ms. Chin Ying Ying (appointed with effect from 16 May 2018), both being non-executive Directors. The terms of reference of the Remuneration Committee are available at the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance-based remuneration; and ensure none of the Directors determine their own remuneration.

Three meetings were held by the Remuneration Committee for the year ended 31 March 2019. In the meetings, the Remuneration Committee has performed its duties to determine and make recommendations to the Board on the terms of service contracts of newly appointed Directors during the year ended 31 March 2019, as well as performance review and remuneration package of Directors. The record of attendance of each member of the Remuneration Committee is set out below:

Name of members of the Remuneration Committee	Meeting attended/ eligible to attend
Ms. Luk Huen Ling Claire (<i>Chairlady</i>)	2/3
Mr. Cheung Lui	3/3
Ms. Chan Hong Nei Connie (<i>resigned with effect from 16 May 2018</i>)	0/0
Ms. Chin Ying Ying (<i>appointed with effect from 16 May 2018</i>)	2/2
Mr. Lam Yau Lun (<i>resigned with effect from 25 May 2018</i>)	0/1
Mr. Chang Eric Jackson (<i>appointed with effect from 25 May 2018</i>)	1/1
Mr. Choi Sheung Jeffrey	3/3

Details of emoluments of the Directors and the chief operating officer of the Group for the year ended 31 March 2019 are set out in note 8 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22 September 2015. For the year ended 31 March 2019, it consisted of five members namely Mr. Choi Sheung Jeffrey (the Chairman of the Nomination Committee), Ms. Luk Huen Ling Claire, Mr. Lam Yau Lun (resigned with effect from 25 May 2018) and Mr. Chang Eric Jackson (appointed with effect from 25 May 2018), all being independent non-executive Directors; Mr. Cheung Lui, being an executive Director; and Ms. Chan Hong Nei Connie (resigned with effect from 16 May 2018) and Ms. Chin Ying Ying (appointed with effect from 16 May 2018), both being non-executive Directors. The terms of reference of the Nomination Committee are available at the websites of the Stock Exchange and the Company.

The primary duties of the Nomination Committee are to review the structure, size and diversity of the Board at least annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on matters relating to the appointment and/or re-appointment of directors.

Three meetings were held by the Nomination Committee for the year ended 31 March 2019. In the meetings, the Nomination Committee has performed its duties to review the structure, size and composition of the Board, make recommendations to the Board on the appointment and re-appointment of Directors and assess the independence of the independent non-executive Directors. The record of attendance of each member of the Nomination Committee is set out below:

Name of members of the Nomination Committee	Meeting attended/ eligible to attend
Mr. Choi Sheung Jeffrey (<i>Chairman</i>)	3/3
Mr. Cheung Lui	3/3
Ms. Chan Hong Nei Connie (<i>resigned with effect from 16 May 2018</i>)	0/0
Ms. Chin Ying Ying (<i>appointed with effect from 16 May 2018</i>)	2/2
Mr. Lam Yau Lun (<i>resigned with effect from 25 May 2018</i>)	0/1
Mr. Chang Eric Jackson (<i>appointed with effect from 25 May 2018</i>)	1/1
Ms. Luk Huen Ling Claire	2/3

Nomination policy

The Company adopted a nomination policy in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

CORPORATE GOVERNANCE REPORT

The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by shareholders of the Company are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

The Board has adopted a policy of diversity of the Board. Accordingly, selection of Board members should base on a range of diversified perspective, including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The composition of the Board is reviewed on an annual basis by the Nomination Committee. Throughout the year ended 31 March 2019, the Board comprised of both male and female Directors with various educational background and professional experience.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in compliance 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 the consolidated financial statements of the Group that are free from material misstatement, whether due to fraud or error. The responsibility of the external auditor is to form an independent opinion, based on their audit, on the Group's consolidated financial statements prepared by the Directors and to report its opinion to the Shareholders. A statement by the auditor about their reporting responsibility is set out in the independent auditor's report in this annual report.

Risk Management and Internal Control

The Group emphasises the importance of a sound internal control system which is also indispensable for mitigating the Group's key risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and shareholders' interests. For the year ended 31 March 2019, the Company has reviewed the risk management and internal control system of the Group and has provided written reports to the Audit Committee. Accordingly, the Company considered that the risk management and internal control systems of the Group are effective and adequate.

CORPORATE GOVERNANCE REPORT

The Group has adopted a three-tier risk management approach to identify, assess and manage different types of risks. As the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new system and oversees portfolio management. It ensures that risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the independent consultant, as an internal audit function, assists the Audit Committee to review the first and second lines of defence.

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control system for the year ended 31 March 2019, covering the material financial, operational and compliance controls, which are considered effective and adequate.

The Audit Committee has reviewed the adequacy of resources, qualifications and experience, training and budget of the accounting, internal audit and financial reporting functions on an annual basis.

AUDITOR'S REMUNERATION

For the year ended 31 March 2019, the fees paid/payable to the Company's auditor is set out as follows:

Services rendered	Fee paid/payable (HK\$'000)
Audit services	1,200
Non-audit services	–
	1,200

COMPANY SECRETARY

Mr. Chak Ka Wai, the chief financial officer of the Company, was appointed as company secretary of the Company (the "Company Secretary") on 5 June 2015. The biographical details of Mr. Chak are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. For the year ended 31 March 2019, the Company Secretary undertook not less than 15 hours of professional training to update his skills and knowledge.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Any one or more member(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

CORPORATE GOVERNANCE REPORT

The written requisition must state the purposes of the meeting, signed by the requisitioner(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at 5/F, AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitioner(s).

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified not in order, the Shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitioner(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitioner(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitioner(s) concerned at the EGM is at least 14 clear day's notice in writing (and not less than 10 clear business days).

RIGHT TO SEND ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to ir@season.com.hk for the attention of the Company Secretary.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Pursuant to Article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the head office or the registration office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@season.com.hk. The identity of the Shareholder will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is made by a Shareholder and such request is proper and in order, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

1. notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;
2. notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an EGM.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting; the annual and interim reports; notices; announcements, circulars, memorandum and articles of association on the Company's website at www.seasonpacific.com.

For the year ended 31 March 2019, there had been no significant change in the Company's constitutional documents.

POLICY ON PAYMENT OF DIVIDENDS

The Company adopted a policy on payment of dividends (the "Dividend Policy") in compliance with E.1.5 of the CG Code with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 22 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2019.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2019 are set out in the Group's consolidated statement of comprehensive income on page 39 of this annual report.

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

BUSINESS REVIEW

A discussion and analysis of the Group's performance during the year ended 31 March 2019, the key factors affecting its results and financial position, and the information on the compliance with laws and regulations that have a significant impact on the Company, environmental policy and performance and relationships with stakeholders that have a significant impact on the Company are set out in the section headed "Management Discussion and Analysis" of this annual report. Furthermore, a fair review of, and an indication of likely future development in the Group's business are set out in the sections headed "Chairman's Statement" and "Prospects" of this annual report. Save as disclosed in this annual report, since the end of the year ended 31 March 2019, no important event affecting the Group has occurred.

The Group's business is subject to the risks related to extreme changes in weather conditions and seasonality trends. Besides, it greatly relies on the Group's management team to operate and also the sales representatives for introduction of new customers and business opportunities to the Group.

FINANCIAL HIGHLIGHTS

Financial highlights of the Group are set out on page 84 of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 March 2019 are set out in note 20 to the consolidated financial statements of the Group.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 March 2019, the Company or any of its subsidiaries did not purchase, sell or redeem any of its Shares listed on the Stock Exchange.

EQUITY LINKED AGREEMENT

Save as disclosed in the paragraph headed "Management Discussion and Analysis — Capital Structure — Issue of securities" in this annual report, no equity-linked agreement was entered into by the Group; or existed during the year ended 31 March 2019.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 March 2019 are set out in note 28 to the consolidated financial statements of the Group and in the consolidated statement of changes in equity on page 41 of this annual report respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

For the year ended 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$74.5 million. Such amount represented other reserves after setting off accumulated losses of the Company, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the Group's largest and five largest customers represented approximately 23% and 73% of the Group's total revenue respectively, and the Group's largest and five largest suppliers represented approximately 26% and 64% of the Group's total purchases respectively.

None of the Directors nor any of their close associates (as defined in the Listing Rules) nor any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 March 2019.

DIRECTORS

During the year ended 31 March 2019 and up to the date of this annual report, the Directors were as the followings:

Executive Directors

Mr. Cheung Lui (*Chairman and Chief Executive Officer*)
 Mr. Chak Ka Wai (*resigned with effect from 26 April 2019*)
 Ms. Jiang Xinrong (*appointed with effect from 18 June 2019*)
 Mr. Yu Xiu Yang (*appointed with effect from 16 May 2018*)

Non-executive Directors

Ms. Chan Hong Nei Connie (*resigned with effect from 16 May 2018*)
 Ms. Chin Ying Ying (*appointed with effect from 16 May 2018*)
 Mr. Li Ren (*appointed with effect from 17 April 2019*)

Independent non-executive Directors

Mr. Choi Sheung Jeffrey
 Ms. Luk Huen Ling Claire
 Mr. Lam Yau Lun (*resigned with effect from 25 May 2018*)
 Mr. Chang Eric Jackson (*appointed with effect from 25 May 2018*)

According to article 84(1) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Yu Xiu Yang, Mr. Choi Sheung Jeffrey and Mr. Chang Eric Jackson will retire as Directors and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company ("AGM").

According to article 83(3) of the Articles, any Director appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at such meeting. Ms. Jiang Xinrong (who was appointed by the Board as an executive Director with effect from 18 June 2019) and Mr. Li Ren (who was appointed by the Board as a non-executive Director with effect from 17 April 2019) will retire as Directors and, being eligible, offer themselves for re-election as Directors at the AGM.

BIOGRAPHIES OF DIRECTORS

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS/APPOINTMENT LETTERS

As at the date of this annual report, each of the executive Directors has entered into a service contract with the Company. The term of service agreement of Mr. Cheung Lui, being an executive Director, is for an initial term of three years with effect from 7 October 2015 and shall continue thereafter unless and until it is terminated by the Company or the executive Directors giving to the other not less than three months' prior notice in writing. The term of service agreement of Mr. Yu Xiu Yang, an executive Director, is for an initial term of three years commencing from 16 May 2018 and is subject to retirement by rotation and other related provisions as stipulated in the Articles. The term of service agreement of Ms. Jiang Xinrong, an executive Director, is for an initial term of three years commencing from 18 June 2019 and is subject to retirement by rotation and other related provisions as stipulated in the Articles.

Ms. Chin Ying Ying, being a non-executive Director with effect from 16 May 2018, entered into a service agreement with the Company for an initial term of three years commencing from 16 May 2018 and is subject to retirement by rotation and other related provisions as stipulated in the Articles.

Mr. Li Ren, being a non-executive Director with effect from 17 April 2019, entered into a letter of appointment with the Company for an initial term of three years commencing from 17 April 2019 and is subject to retirement by rotation and other related provisions as stipulated in the Articles.

Each of Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire, both being independent non-executive Directors, entered into a letter of appointment with the Company on 22 September 2015 for an initial term of three years commencing from 7 October 2015, all of which shall continue thereafter unless terminated by either party giving at least one month's notice in writing. Mr. Chang Eric Jackson, being an independent non-executive Director with effect from 25 May 2018, entered into a letter of appointment with the Company for an initial term of three years commencing from 25 May 2018 and is subject to retirement by rotation and other related provisions as stipulated in the Articles.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

MANAGEMENT CONTRACTS

No contract, other than a contract of service with any Director or any person under the full time employment of the company, concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, was entered into or existed for the year ended 31 March 2019.

EMOLUMENT POLICY

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined by reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company adopted a share option scheme and would consider to grant share options as incentive to any eligible personnel of the Group from time to time as appropriate. Please refer to the section headed "Report of the Directors — Share Option Scheme" of this annual report for further details of the share option scheme.

REPORT OF THE DIRECTORS

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of persons for the year ended 31 March 2019 are set out below:

Remuneration bands	Number of persons
HK\$0 to HK\$1,000,000	3
HK\$1,000,001 to HK\$2,000,000	1

Further details of Directors' remuneration and the five highest paid employees are set out in note 8 to the consolidated financial statements.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time for the year ended 31 March 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director(s)	Capacity/nature of interest	Number of Shares	Approximate percentage of interest in the Company (Note 1)
Mr. Cheung Lui ("Mr. Cheung")	Interest of controlled corporation	359,616,000 (Note 2)	32.00%
	Beneficial owner	10,000,000 (Note 3)	0.89%
Mr. Li Ren ("Mr. Li")	Beneficial owner	101,884,000 (Note 5)	9.07%
Mr. Chak Ka Wai ("Mr. Chak")	Beneficial owner	10,000,000 (Notes 3, 4)	0.89%
Ms. Luk Huen Ling Claire ("Ms. Luk")	Beneficial owner	10,000,000 (Note 3)	0.89%

Notes:

- Based on the total number of issued Shares as at 31 March 2019.
- These 359,616,000 Shares were registered in the name of Alpha Direct Investments Limited ("Alpha Direct"). Mr. Cheung held 100% of the entire issued share capital of Alpha Direct and was deemed to be interested in the 359,616,000 Shares held by Alpha Direct pursuant to the SFO.
- These 10,000,000 Shares represented the share options granted to each of Mr. Cheung, Mr. Chak and Ms. Luk pursuant to the share option scheme of the Company.
- Mr. Chak was an executive Director until his resignation with effect from 26 April 2019.
- Mr. Li was appointed as a non-executive Director with effect from 17 April 2019.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

At 31 March 2019, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity/nature of interest	Number of Shares interested in or deemed to be interested	Approximate percentage of interest in the Company (Note 1)
Alpha Direct	Beneficial owner	359,616,000	32.00%
Mr. Cheung	Beneficial owner Interest in controlled corporation	369,616,000	32.89%
Ms. Ngan Shui Ling Crystal	Interest of spouse (Note 2)	369,616,000	32.89%
Mr. Chen Ningdi ("Mr. Chen")	Beneficial owner Interest in controlled corporation (Note 3)	213,738,000	19.02%
DA Equity Partners Limited ("DA Equity")	Beneficial owner (Note 3)	119,018,000	10.59%
Mr. Li	Beneficial owner	101,884,000	9.07%

Notes:

- Based on the total number of issued Shares as at 31 March 2019.
- Ms. Ngan Shui Ling Crystal was the spouse of Mr. Cheung. By virtue of the SFO, she was deemed to be interested in all the Shares held by Mr. Cheung.
- The information above and herein was disclosed based on the disclosure of interest notice filed by Mr. Chen on 7 March 2019, which was the latest disclosure of interest notice filed by Mr. Chen as at 31 March 2019. Among these 213,738,000 Shares, 119,018,000 of which were held by DA Equity, 76,500,000 of which were held by DA Asset Management Limited ("DA Asset Management") and 18,220,000 of which were held by DA Capital Management Limited ("DA Capital Management"). Mr. Chen held 100% of each of DA Equity, DA Asset Management and DA Capital Management and therefore was deemed to be interested in the Shares held by each of these companies pursuant to the SFO.

Save as disclosed above, as at 31 March 2019, no person, other than a Director or chief executive 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 registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then shareholders of the Company on 22 September 2015 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. The eligible participants (the "Eligible Participants") of the Share Option Scheme include the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group.

REPORT OF THE DIRECTORS

The maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of Shares as equals 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The Company may seek approval by its shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of the Group in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting of the Company held on 21 September 2018, the limit of the Share Option Scheme was refreshed as at the date of meeting and accordingly, the Company is allowed under the “refreshed limit” to grant options carrying the rights to subscribe for up to a total of 112,380,000 Shares, representing 10% of the issued Shares as at the date of such annual general meeting and the date of this annual report.

Unless approved by the Shareholders in the manner set out in the Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such Eligible Participant and his close associates abstaining from voting (or his associates if the Eligible Participant is a connected person).

An offer of share options shall be made to an Eligible Participant in writing in such form as the Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

At the time of grant of the share options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised. An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of the Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the close of business of the Company on the date which falls ten years from the date of the adoption of the Share Option Scheme.

REPORT OF THE DIRECTORS

During the year ended 31 March 2019, the Company granted 60,000,000 share options under the Share Option Scheme. As at 31 March 2019, the Company had 100,000,000 share options (31 March 2018: 40,000,000) outstanding under the Share Option Scheme.

Details of movements in the share options under the Share Option Scheme during the year ended 31 March 2019 are as follows:

Category and name of grantee	Date of grant	Outstanding as at 1 April 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 March 2019	Exercise price per share	Share price prior to the grant of share options	Exercise period
Directors										
Mr. Cheung (Note 1)	27 October 2017	10,000,000	–	–	–	–	10,000,000	HK\$0.482	HK\$0.47	27 October 2017 to 27 October 2027
Mr. Chak (Note 2)	27 April 2018	–	10,000,000	–	–	–	10,000,000	HK\$0.425	HK\$0.42	27 April 2018 to 27 April 2028
Ms. Luk (Note 3)	27 April 2018	–	10,000,000	–	–	–	10,000,000	HK\$0.425	HK\$0.42	27 April 2018 to 27 April 2028
Sub-total		10,000,000	20,000,000	–	–	–	30,000,000			
Employee(s) of the Group	27 October 2017	10,000,000	–	–	–	–	10,000,000	HK\$0.482	HK\$0.47	27 October 2017 to 27 October 2027
Other participant(s)	27 October 2017	20,000,000	–	–	–	–	20,000,000	HK\$0.482	HK\$0.47	27 October 2017 to 27 October 2027
	27 April 2018	–	40,000,000	–	–	–	40,000,000	HK\$0.425	HK\$0.42	27 April 2018 to 27 April 2028
Total		40,000,000	60,000,000	–	–	–	100,000,000			

Notes:

1. Mr. Cheung is an executive Director.
2. Mr. Chak was an executive Director until his resignation with effect from 26 April 2019.
3. Ms. Luk is an independent non-executive Director.

There are no vesting period for the share options granted under the Share Option Scheme.

Further details of the Share Option Scheme (including the value of the share options granted) are disclosed in note 9 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or any entity connected with any Director had a material interest whether directly or indirectly, in any transactions, arrangement and contract of significance to the business of the Group, to which the Company or any of its subsidiaries or its parent companies was a party subsisted during or at the end of the year ended 31 March 2019.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

No contracts of significance in relation to the Group's business between the Company, or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor contract of significance in relation to the Group's business whether or not for provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during or at the end of the year ended 31 March 2019.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the year ended 31 March 2019 and up to the date of this annual report, none of the Directors or any of their respective close associates, engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking dated 25 September 2015 and executed by Wise Manner Limited and Ms. Mang, details of which were set out in the Prospectus, has been fully complied and enforced for the year ended 31 March 2019. The Company further confirms that the deed of non-competition dated 25 September 2015 and given by Mr. Cheung and Alpha Direct, details of which were set out in the Prospectus, has been fully complied and enforced for the year ended 31 March 2019. The Board also confirms that there are no other matters in relation to the aforesaid non-competition undertaking and deed of non-competition which should be brought to the attention of the Shareholders and the potential investors.

PERMITTED INDEMNITY PROVISION

During the year ended 31 March 2019 and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in accordance with the Articles being in force. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2019 are set out in note 26 to the consolidated financial statements in this annual report. Save for the Acquisition, none of these related party transactions constituted a “connected transaction” or “continuing connected transaction” as defined under Chapter 14A of the Listing Rules for the year ended 31 March 2019. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31 March 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, at least 25% of the issued Shares were held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) at all times for the year ended 31 March 2019 and thereafter up to the date of this annual report.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Shares.

AUDITOR

The Group's consolidated financial statements for the year ended 31 March 2019 have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire, and being eligible, offer themselves for re-appointment at the AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

By Order of the Board

Cheung Lui

Chairman, Chief Executive Officer & Executive Director

Hong Kong, 28 June 2019

INDEPENDENT AUDITOR'S REPORT



**TO THE SHAREHOLDERS OF
SEASON PACIFIC HOLDINGS LIMITED**

雲裳衣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

羅兵咸永道

OPINION

What we have audited

The consolidated financial statements of Season Pacific Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 39 to 83, 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 (“HKSA”) 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.

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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are the 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 matters identified in our audit are relating to impairment assessment of receivables and valuation of share options:

Key Audit Matters

How our audit addressed the Key Audit Matters

Impairment assessment of receivables

Impairment of receivables

Refer to notes 2.8, 2.9, 3.1(b), 4(a), 16 and 17 to the consolidated financial statements

As at 31 March 2019, the Group has trade, bills and other receivables of HK\$11,240,000 (2018: HK\$42,888,000).

To determine whether there is objective evidence of impairment, management considers a wide range of factors such as the creditworthiness, the past collection history of each counterparty, the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments.

Management also considered forward-looking information that may impact the counterparties' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment using the simplified approach or twelve months expected credit loss under Hong Kong Financial Reporting Standard 9 "Financial Instruments".

We focused on this area due to the use of significant judgement and estimates by management on the evaluation of the recoverability of receivables.

Our procedures in relation to management's impairment assessment of receivables included:

- Testing the design and operating effectiveness of key controls in relation to credit control, debt collection and impairment assessment;
- Checking, on a sample basis, the accuracy of trade receivables aging used by management to the underlying invoices and subsequent settlement;
- Discussing with management on the recoverability of the long outstanding receivables and with reference to supporting evidence provided by management, such as historical payment trend of the counterparties; and
- Assessing the appropriateness of the expected credit loss calculation by examining the key data inputs on a sample basis to assess the accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

Based on the procedures performed, we found the management's impairment assessment of receivables to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Valuation of share options

Refer to note 2.20, 4(c) and 9 to the consolidated financial statements

During the year ended 31 March 2019, the Group granted 60,000,000 share options to its employees, external consultants and a supplier under its Share Options Scheme. The share-based payment expenses of HK\$9,694,000 was charged to the consolidated statement of comprehensive income and credited to the share options reserve.

The fair value of the share options granted were derived from Binomial option pricing model. Significant judgement is exercised on the assessment of the fair value of the share options. In making the judgement, management applied key assumptions, including option life, risk-free rate and volatility which were subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate. Independent external valuation was obtained for the fair value of the share options in order to support management's estimate.

How our audit addressed the Key Audit Matters

Our procedures in relation to management's estimate of the valuation of share options included:

- Checking, on a sample basis, the terms and conditions of the share options granted with proper approval and grant letters.
- Evaluating the external valuer's competence, capabilities and objectivity.
- Assessing the reasonableness of the key assumptions, including option life, risk-free rate and volatility, based on available supporting data with the assistance from our in-house valuation specialist to assess if the valuation is within an acceptable range.
- Evaluating the adequacy of disclosure made by the Group in the consolidated financial statements.

Based on the procedures performed, we found the estimate of management in relation to the valuation of share options 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.

INDEPENDENT AUDITOR'S REPORT

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.

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 HKSAAs 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 HKSAAs, 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

- 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 Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	For the year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue	5	186,519	279,382
Cost of sales	7	(165,601)	(224,798)
Gross profit		20,918	54,584
Other gains	6	37,753	–
Selling expenses	7	(7,587)	(7,369)
General and administrative expenses	7	(32,264)	(26,462)
Operating profit		18,820	20,753
Finance income	10	292	1
Finance costs	10	(125)	(48)
Finance income/(costs), net		167	(47)
Profit before income tax		18,987	20,706
Income tax expense	11	(305)	(5,018)
Profit and total comprehensive income for the year attributable to owners of the Company		18,682	15,688
Earnings per share attributable to owners of the Company			
— Basic (HK cents)	13	1.69	1.57
— Diluted (HK cents)	13	1.67	1.57

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		As at 31 March	
	NOTES	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,111	808
Deferred income tax asset	15	278	256
Prepayments and deposits	17	2,115	3,777
Financial assets at fair value through profit or loss	18	57,038	–
		60,542	4,841
Current assets			
Trade and bills receivables, prepayments and deposits	17	46,586	68,479
Financial assets at fair value through profit or loss	18	17,753	–
Income tax recoverable		3,291	–
Cash and cash equivalents	19	52,284	42,375
		119,914	110,854
Total assets		180,456	115,695
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	11,238	10,000
Other reserves		83,662	15,163
Retained earnings		75,922	57,240
Total equity		170,822	82,403
Non-current liability			
Provision for reinstatement cost	21	250	250
Current liabilities			
Trade, bills and other payables	21	7,884	22,872
Bank borrowings	23	1,500	8,336
Current income tax liabilities		–	1,834
		9,384	33,042
Total liabilities		9,634	33,292
Total equity and liabilities		180,456	115,695

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 39 to 83 were approved by the board of Directors on 28 June 2019 and were signed on its behalf.

Cheung Lui
Director

Yu Xiu Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 31 March 2017 and 1 April 2017	10,000	9,810	–	10	41,552	61,372
Total comprehensive income						
Profit for the year ended 31 March 2018	–	–	–	–	15,688	15,688
Transactions with owners in their capacity as owners						
Share-based payments (Note 9)	–	–	5,343	–	–	5,343
Balance at 31 March 2018 and 1 April 2018	10,000	9,810	5,343	10	57,240	82,403
Total comprehensive income						
Profit for the year ended 31 March 2019	–	–	–	–	18,682	18,682
Transactions with owners in their capacity as owners						
Share-based payments (Note 9)	–	–	9,694	–	–	9,694
Issuance of shares under share placement (Note 20(a))	1,238	58,805	–	–	–	60,043
Balance at 31 March 2019	11,238	68,615	15,037	10	75,922	170,822

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	NOTES	For the year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	25(a)	(317)	6,486
Income tax paid		(5,452)	(4,851)
Net cash (used in)/generated from operating activities		(5,769)	1,635
Cash flows from investing activities			
Bank interest income received		292	1
Purchases of property, plant and equipment	14	(658)	(77)
Addition of financial assets at fair value through profit or loss		(54,017)	–
Proceeds from sales of financial assets at fair value through profit or loss		16,979	–
Net cash used in investing activities		(37,404)	(76)
Cash flows from financing activities			
Proceeds from short-term bank borrowings	25(b)	10,000	13,996
Repayment of short-term bank borrowings	25(b)	(16,836)	(7,148)
Interest paid	25(b)	(125)	(48)
Proceeds from issuance of share under share placement	20(a)	60,043	–
Net cash generated from financing activities		53,082	6,800
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		42,375	34,016
Cash and cash equivalents at end of year	19	52,284	42,375

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 May 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong at 5/F, AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers. The ultimate holding company of the Company is Alpha Direct Investments Limited ("Alpha Direct").

The transfer of the listing of the shares of the Company from the GEM to the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") was completed on 27 September 2017 ("Transfer of listing").

These consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated 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 Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets measured at fair value.

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

- (a) The following new standards/amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2018:

HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfer of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarification to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements Project	2014–2016 Projects

Except for those disclosed in Note 2.2, the adoption of these standards and amendments did not have any impact on the amounts recognised in prior periods. Most of the standards and amendments will also not affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

- (b) The following new standards/amendments to standards have been issued, but are not effective for the Group's accounting period beginning on 1 April 2018 and have not been early adopted.

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

Notes:

1. Effective for the annual periods beginning on or after 1 January 2019
2. Effective for the annual periods beginning on or after 1 January 2020
3. Effective for the annual periods beginning on or after 1 January 2021
4. Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the final annual period beginning on or after 1 January 2020
5. To be determined

HKFRS 16 'Leases'

The Group is a lessee of its office, staff quarter and warehouse which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.19.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statements of financial position. Instead, all long-term leases must be recognised in the consolidated statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) *(Continued)*

HKFRS 16 'Leases' *(Continued)*

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated statements of financial position. In consolidated income statement, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase. The combination of a straightline depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term.

As at 31 March 2019, the Group had aggregate minimum lease payments, which are not reflected in the consolidated statement of financial position, under non-cancellable operating lease amounting to HK\$7,642,000 as set out in Note 24. A preliminary assessment indicates that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

Apart from the effects as outlined above, the management does not expect that the application of HKFRS 16 would have a material impact on the Group's financial position and results of operations. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020.

Other than those analysed above, the management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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” (“HKFRS 9”) and HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) 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.

(a) Adoption of HKFRS 9

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.

(i) *Classification and measurement*

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.

(ii) *Impairment of financial assets*

The Group has two main types of financial assets that are subject to HKFRS 9’s new expected credit loss model:

- Trade receivables; and
- Other financial assets measured at amortised costs (including cash and cash equivalents, deposits and other receivables)

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 is as follows:

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group’s consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39 (Note 3.1(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) Adoption of HKFRS 9 *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost

Other financial assets at amortised cost include deposits and other receivable. The Group has applied the expected credit loss model to deposits and other receivables as at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

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

(b) Adoption of HKFRS 15

The Group has adopted HKFRS 15 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 provision in HKFRS 15, the Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18.

(i) Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

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

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's retained earnings as at 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) Adoption of HKFRS 15 *(Continued)*

(ii) Presentation of contract assets and liabilities

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. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As previously stated HK\$'000	As at 1 April 2018 Reclassification under HKFRS 15 HK\$'000	Opening balance HK\$'000
Consolidated statement of financial position (extract)			
Current liabilities:			
Trade, bills and other payables			
— Receipt in advance	22,872	(4,244)	18,628
Trade, bills and other payables			
— contract liabilities	—	4,244	4,244
	22,872	—	22,872

2.3 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

(b) Separate consolidated 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 consolidated 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 who make strategic decisions.

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 functional currency of the Company is United States dollar ("US\$"). The consolidated financial statements are presented in Hong Kong dollar ("HK\$") for convenience purpose which is 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. 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary 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 balance sheet presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' 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.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Leasehold improvements	Over the lease term of 3 years
Office equipment	5 years
Fitting and furniture	5 years
Computer equipment	3 years
Motor vehicle	5 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 2.7).

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

2.7 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Investments and other financial assets

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

(b) 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.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

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/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated statements of comprehensive income as other income when the group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Investments and other financial assets *(Continued)*

(d) Impairment

From 1 April 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments 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 17 for further details.

(e) Accounting policies applied until 31 March 2018

(I) Classification

The Group classifies its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade, bills and other receivables, deposits, and cash and cash equivalents (Note 2.9 and 2.10) in the consolidated statement of financial position.

(II) Recognition and derecognition

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.

(III) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Investments and other financial assets *(Continued)*

(e) Accounting policies applied until 31 March 2018 *(Continued)*

(IV) Impairment

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.

For loans and receivables, 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 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 consolidated statement of comprehensive income.

2.9 Trade and bills receivables

Trade and bills receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and bills receivables are 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 bills receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.10 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.11 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.

2.12 Trade, bills and other payables

Trade and bills payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and others 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, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred income 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Company and its 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.

Deferred income tax is provided in full, 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, 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.

2.14 Employee benefits

(a) Pension obligation

The Group joined a Mandatory Provident Fund Scheme ("MPF Scheme"), a defined contribution plan, for all employees in Hong Kong. Under the MPF Scheme, the Group makes monthly contribution based on 5% of the employees' basic salaries which is subject to a cap of HK\$1,500 for each employee to a privately administered pension insurance plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Forfeited contributions will not be used by the employer to reduce the existing level of contributions. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on the wages for the year of those employees in the PRC. The Group has no further payment obligations once the contributions have been paid.

Contribution to these defined contribution plans are charged to the consolidated statement of comprehensive income as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability of annual leave arising from services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave, maternity or paternity leave and compassionate leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 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 owner of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

2.15 Provision

Provisions 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 can be reliably estimated. Provisions are not recognised for future operating losses.

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 expenditures 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.

2.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts.

Sales of goods

Revenue from trading of garment and accessories for private labels and international brands is recognised when control of the goods has transferred, being at the point the goods are delivered to the customer's premise and the customer has accepted the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods.

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

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.

Borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.19 Operating leases (as lessee)

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.

2.20 Share-based payments

The Group granted share options to its employees, external consultants and a supplier under its Share Option Scheme ("Share Option Scheme"). There are no vesting period for the share options granted according to the Share Option Scheme. The fair value of the share options granted is expensed immediately to the consolidated statements of comprehensive income which are vested at the date of grant. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to retained earnings.

The amount to be expensed is determined by reference to the fair value of the share options granted including any market performance conditions, excluding the impact of any service and non-market performance vesting conditions and including the impact of any non-vesting conditions. Information relating to the Share Option Scheme is set out in Note 9.

2.21 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity 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.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, primarily with respect to the HK\$, RMB and Euro dollar ("EUR"). Any changes in the exchange rates of HK\$ and EUR to US\$ will impact the Group's operating results.

As HK\$ is pegged to US\$, foreign exchange exposure on HK\$ denominated transactions, assets or liabilities is considered as minimal. The volume of EUR and RMB denominated transactions and amounts of EUR and RMB denominated assets and liabilities are low, the foreign exchange risk is considered as insignificant as at 31 March 2019 and 2018. The Group currently does not undertake any foreign currency hedging as at 31 March 2019 and 2018.

(ii) Cash flow interest rate risk

The Group's interest risk arises from bank deposits and bank borrowings as at 31 March 2019 and 2018 which carried at variable rates. Management considered that the interest rates on bank deposits and bank borrowings will not be changed up to 10 basis-points with all other variables held constant and the effect of such changes in interest rate on post-tax profit was not material to the Group for the year ended 31 March 2019 and 2018.

(iii) Price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified in the consolidated statement of financial position at FVPL (Note 18).

To manage its price risk arising from investment in equity securities, the Group closely monitors the financial performance of each investee company.

The Group's equity investments are publicly traded in Hong Kong Stock Exchange.

At 31 March 2019, if the equity securities prices increase/decrease by 5% with all other variables held constant, the Group's profit before tax for the year will be HK\$3,740,000 higher/lower (2018: Nil) as a result of gains/losses on equity securities classified at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The carrying amounts of cash at banks, trade, bills and other receivables and deposits included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

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 insignificant and no provision was made as of 31 March 2019.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has performed historical analysis and identified the key economic variables that may potentially impact the credit risk and expected credit loss of its receivables on a forward-looking basis. 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. The Group has identified payment pattern, creditworthiness, the past collection history of each customer, the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments to be most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 March 2019, in respect of trade receivables, the Group is exposed to concentration of credit risk to the extent that HK\$8,354,000 (2018: HK\$33,701,000) of trade receivables is attributable to the top 5 customers. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group requires customers to use letters of credit to settle their balances and also enters into credit insurance policy for certain trade receivables with a bank to mitigate the credit risk with a coverage of HK\$5,251,000 (2018: HK\$23,492,000) out of the total trade receivables balance.

On that basis, management has assessed that the loss allowance as at 31 March 2019 and 1 April 2018 (on adoption of HKFRS 9) for trade receivables is insignificant.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engages in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group's working capital to ensure that all liabilities due and known funding requirements could be met.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the period-end date). The maturity analysis for financial liabilities is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand HK\$'000	Less than 3 months HK\$'000	Total HK\$'000
As at 31 March 2019			
Trade, bills and other payables	–	5,464	5,464
Bank borrowings	1,500	–	1,500
	1,500	5,464	6,964
As at 31 March 2018			
Trade, bills and other payables	–	18,016	18,016
Bank borrowings	8,336	–	8,336
	8,336	18,016	26,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 maintained a net cash position as at 31 March 2019 and 2018.

	2019 HK\$'000	2018 HK\$'000
Cash and cash equivalents (note 19)	52,284	42,375
Less: bank borrowings (note 23)	(1,500)	(8,336)
Net cash	50,784	34,039

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value for the year ended 31 March 2019 (2018: Nil) by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
As at 31 March 2019			
Financial assets at fair value through profit or loss			
— Equity securities	74,791	—	—

There were no transfers among levels 1, 2 and 3 during the years ended 31 March 2019 and 2018.

The fair value of the financial assets at fair value through profit or loss is based on quoted market prices at the end of the reporting period.

The carrying amounts of the Group's other financial assets and liabilities including cash and cash equivalents, trade, bills and other receivables and deposits, trade, bills and other payables and bank borrowings approximate their fair values due to their short maturities or the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 receivables

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 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(b).

(b) Income taxes

The Group is subject to income tax. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Valuation of share options granted

The fair value of share options granted was priced using a binomial option pricing model which requires the management's estimates and assumptions on significant calculation inputs, including the estimated life of share options granted, the volatility of share price and expected dividend yield. Changes in the subjective input assumptions could materially affect the fair value estimate, which would in turn affect the share-based payment expense recognised for the period and its corresponding impact on the share options reserve. Estimates relating to the evaluation of share options are discussed in Note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources.

The Group is principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers. Information reported to the executive directors for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — sales of apparel with the provision of supply chain management total solutions to customers, and segment disclosures are not presented.

Analysis of revenue is as follows:

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Revenue		
Sales of goods recognised at a point in time	186,519	279,382
Total	186,519	279,382

Revenue from external customers is analysed by region as follows:

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
America	87,139	112,055
Europe	72,458	81,790
Asia Pacific	21,915	44,570
Middle East	5,007	40,967
	186,519	279,382

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Customer A	42,650	32,470
Customer B	31,745	32,145
Customer C	25,006	—
Customer D	21,559	27,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

Liabilities related to contracts with customers

As at 31 March 2019, contract liabilities included trade, bills and other payables amounting to approximately HK\$1,856,000.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	For the year ended 31 March 2019 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	4,244

6 OTHER GAINS

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Gains on sales of equity securities	11,529	–
Fair value gains on equity securities	26,224	–
	37,753	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Cost of goods sold	160,065	217,806
Sales commission	2,221	2,591
Incentive fee (Note 17)	1,000	1,000
Provision for impairment of prepaid incentive fee (Note 17)	1,369	–
Depreciation of property, plant and equipment (Note 14)	355	347
Operating lease rentals in respect of		
— office	3,370	3,290
— staff quarter	776	754
— car park	256	246
— warehouse	250	–
Auditors' remuneration		
— Audit services	1,200	1,150
— Non-audit services in relation to Transfer of Listing	–	280
Employee benefit expenses (Note 8)	17,343	19,212
Entertainment and travelling expenses	617	1,218
Professional fee in relation to Transfer of Listing	–	1,834
Professional fee in relation to share placement	1,441	–
Share options granted to external consultants and a supplier	6,545	950
Other expenses	8,644	7,951
Total cost of sales, selling expenses and general and administrative expenses	205,452	258,629

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Salaries, bonus and other short-term employee benefits	13,823	14,412
Share options granted to employees	3,149	4,393
Reversal of provision for unutilised annual leave	(22)	(32)
Pension costs — defined contribution plans	393	439
	17,343	19,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes:

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

The remuneration of individual directors and the chief executive of the Company were set out below:

	Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings					Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Share-based payments HK\$'000	Housing allowance HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	
For the year ended 31 March 2019						
Executive directors						
Mr. Cheung Lui ("Mr. Cheung"), Chief Executive Officer (Note (i))	120	586	–	454	24	1,184
Mr. Chak Ka Wai ("Mr. Chak"), Chief Financial Officer (Note (i) and (iii))	120	780	1,575	–	24	2,499
Mr. Yu Xiu Yang (Appointed on 16 May 2018)	631	–	–	–	–	631
Executive						
Ms. Mang Ngai ("Ms. Mang"), Chief Operating Officer	–	820	–	480	18	1,318
Non-executive director						
Ms. Chan Hong Nei, Connie ("Ms. Chan") (Resigned on 16 May 2018) (Note (ii))	56	–	–	–	–	56
Ms. Chin Ying Ying (Appointed on 16 May 2018)	400	–	–	–	–	400
Independent non-executive directors						
Mr. Choi Sheung, Jeffrey	120	–	–	–	–	120
Ms. Luk Huen Ling, Claire ("Ms. Luk")	120	–	1,574	–	–	1,694
Mr. Lam Yau Lun (Appointed on 26 May 2017 and resigned on 25 May 2018)	18	–	–	–	–	18
Mr. Chang Eric Jackson (Appointed on 25 May 2018)	102	–	–	–	–	102
	1,687	2,186	3,149	934	66	8,022
For the year ended 31 March 2018						
Executive directors						
Mr. Cheung, Chief Executive Officer (Note (i))	120	622	1,622	418	24	2,806
Mr. Chak, Chief Financial Officer (Note (i))	120	780	–	–	24	924
Executive						
Ms. Mang, Chief Operating Officer	–	820	1,150	480	18	2,468
Non-executive director						
Ms. Chan (Resigned on 16 May 2018) (Note (ii))	420	–	1,621	–	–	2,041
Independent non-executive directors						
Mr. Choi Sheung, Jeffrey	120	–	–	–	–	120
Mr. Ng Ka Lok (Resigned on 26 May 2017)	18	–	–	–	–	18
Ms. Luk	120	–	–	–	–	120
Mr. Lam Yau Lun (Appointed on 26 May 2017 and resigned on 25 May 2018)	102	–	–	–	–	102
	1,020	2,222	4,393	898	66	8,599

Notes:

- (i) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of its subsidiaries during the year ended 31 March 2019 and 2018.
- (ii) On 16 May 2018, the board of Directors approved at their discretion that the share options granted to Ms. Chan remained valid after her resignation.
- (iii) Mr. Chak resigned as executive director on 26 April 2019 and remained as chief financial officer of the Company.
- (iv) Mr. Li Ren was appointed as non-executive director on 17 April 2019.
- (v) Ms. Jiang Xinrong was appointed as executive director on 18 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes: (Continued)

(b) Directors' retirement benefits

There were no retirement benefits paid to directors during the year ended 31 March 2019 (2018: Nil) in respect of the services as a director of the Company and its subsidiaries.

(c) Directors' termination benefits

During the year ended 31 March 2019, there was no benefits provided for early termination of the directors' appointment in office (2018: Nil).

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

No consideration was provided to third parties for making available of directors' services during the year ended 31 March 2019 (2018: Nil).

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

During the year ended 31 March 2019, there was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors (2018: Nil).

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

No significant transactions, arrangements and contracts in relation to Group'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 during the year (2018: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 4 (2018: 4) directors and executives whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 1 (2018: 1) individual during the year are as follows:

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	702	702
Bonus	476	540
	1,178	1,242

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals For the year ended 31 March	
	2019	2018
Between HK\$1,000,001 and HK\$1,500,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 SHARE-BASED PAYMENTS

On 27 April 2018, the Group granted a total of 60,000,000 share options under the Share Option Scheme with no vesting period. The exercise price of the share options granted is HK\$0.425 per share.

Name	Position held/relationship with the Company	Number of share options granted
Mr. Chak	Chief Financial Officer	10,000,000
Ms. Luk	Independent non-executive director	10,000,000
External consultants and a supplier	Not applicable	40,000,000

The exercise price of share options is based on the higher of (i) the closing price of HK\$0.425 per share as quoted in the Hong Kong Stock Exchange's daily quotation sheet on the grant date; and (ii) the average closing price of HK\$0.414 per share as quoted in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date.

On 27 October 2017, the Group granted a total of 40,000,000 share options under the Share Option Scheme with no vesting period. The exercise price of the share options granted is HK\$0.482 per share.

Name	Position held/relationship with the Company	Number of share options granted
Mr. Cheung	Chief Executive Officer	10,000,000
Ms. Chan	Non-executive director	10,000,000
Ms. Mang	Chief Operating Officer	10,000,000
External consultant	Not applicable	10,000,000

The exercise price of share options is based on the higher of (i) the closing price of HK\$0.47 per share as quoted in the Hong Kong Stock Exchange's daily quotation sheet on the grant date; and (ii) the average closing price of HK\$0.482 per share as quoted in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date.

(a) Movement in share options

	2019			2018		
	Average exercise price per share	Number of share options	Expiry date	Average exercise price per share	Number of share options	Expiry date
As at 1 April	0.482	40,000,000		–	–	
Granted during the year	0.425	60,000,000	27 April 2028	HK\$0.482	40,000,000	27 October 2027
As at 31 March	0.448	100,000,000		HK\$0.482	40,000,000	
Exercisable as at 31 March	0.448	100,000,000		HK\$0.482	40,000,000	

During the year ended 31 March 2019, there was no exercise, lapse or cancellation of share options (2018: Nil).

During the year ended 31 March 2019, share-based payment expense in relation to share options granted to employees and the external consultants and a supplier were HK\$3,149,000 and HK\$6,545,000 (2018: HK\$4,393,000 and HK\$950,000) respectively and charged to the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 SHARE-BASED PAYMENTS *(Continued)*

(b) Fair value of share options and assumptions

The fair value of the share options granted during the year ended 31 March 2019 were derived from Binomial option pricing model by applying the following bases and assumptions:

	2019		2018		
	Share options granted to		Share options granted to		
	Mr. Chak and Ms. Luk	External consultants and a supplier	Mr. Cheung and Ms. Chan	Ms. Mang	External consultants
Grant date	27/4/2018	27/4/2018	27/10/2017	27/10/2017	27/10/2017
Number of options granted	20,000,000	40,000,000	20,000,000	10,000,000	10,000,000
Option life (Note (i))	10 years	10 years	10 years	5 years	3.4 years
Risk-free rate (Note (ii))	2.147%	2.019%	1.844%	1.509%	1.322%
Volatility (Note (iii))	38.62%	38.62%	35.93%	25.67%	26.75%
Dividend yield	0%	0%	0%	0%	0%
Fair value per share option at grant date	HK\$0.1574	HK\$0.1636	HK\$0.1621	HK\$0.1150	HK\$0.0950
Total fair value for each batch	HK\$3,149,000	HK\$6,545,000	HK\$3,243,000	HK\$1,150,000	HK\$950,000

Notes:

- (i) The option life was determined with reference to the expiry date of the Share Options Scheme and the estimation on expected retirement date of the respective individuals and probability of contract renewal with the external consultant by management.
- (ii) The risk-free rate was determined with reference to the yield of Hong Kong Government Exchange Fund Notes with a maturity life equal to the time to maturity of the share options at the grant date.
- (iii) The volatility of the share options was calculated based on the daily stock prices of the comparables companies. The length of period approximately equals to the time to maturity of the share options at the grant date.

The fair value of the share options during the year ended 31 March 2019 and 2018 are arrived at on the basis of a valuation carried out at the grant date by Avista Valuation Advisory Limited. The fair value of the share options are subject to the limitations of the Binomial option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate. The weighted average fair value of share options granted during the year ended 31 March 2019 determined using the Binomial option pricing model was HK\$0.162 per share option (2018: HK\$0.134).

The outstanding share options as at 31 March 2019 had a weighted average remaining contractual life of 8.88 years (2018: 9.58).

At 31 March 2019, the Company had 100,000,000 (2018: 40,000,000) share options outstanding under the Share Options Scheme, which represented approximately 8.9% (2018: 4%) of the Company's shares in issue at that date. Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

10 FINANCE COST, NET

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Interest expenses on bank borrowings	(125)	(48)
Bank Interest income	292	1
	167	(47)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE

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

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Current Income tax		
— Hong Kong	326	5,030
— The People's Republic of China ("PRC")	1	3
	327	5,033
Deferred tax		
— Hong Kong (Note 15)	(22)	(15)
Total	305	5,018

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Corporate income tax of the PRC has been provided at the preferential rate of 10% (2018: 10%) on the estimated assessable profit for the year. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Profit before income tax	18,987	20,706
Tax calculated at a tax rate of 16.5% (2018: 16.5%)	3,133	3,417
Effect of different tax rates of a subsidiary operating in other jurisdiction	(1)	(2)
Expenses not deductible for tax purposes	1,600	1,643
Income not subject to taxation	(6,235)	—
Tax losses not recognised	1,868	—
Tax deduction	(60)	(40)
Income tax expense	305	5,018

For the year ended 31 March 2019, the weighted average applicable tax rate was 1.6% (2018: 24.2%). The decrease in the weighted average applicable tax rate for the year ended 31 March 2019 was mainly due to the non-taxable gains on sales of equity securities of HK\$11,529,000, non-taxable fair value gains on equity securities of HK\$26,224,000 and partially offset by the non-deductible share-based payment expenses of HK\$9,694,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 DIVIDENDS

The Board did not recommend the payment of a final dividend for the years ended 31 March 2019 and 2018.

13 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 March	
	2019	2018
Profit attributable to owners of the Company (HK\$'000)	18,682	15,688
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,103,110,137	1,000,000,000
Basic earnings per share (HK cents per share)	1.69	1.57

(b) Diluted

	For the year ended 31 March	
	2019	2018
Profit attributable to owners of the Company (HK\$'000)	18,682	15,688
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,103,110,137	1,000,000,000
Effect of dilutive potential ordinary shares Share options	13,197,944	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,116,308,081	1,000,000,000
Diluted earnings per share (HK cents per share)	1.67	1.57

Notes:

- (i) The calculation of the diluted earnings per share for the year ended 31 March 2019 is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the sum of the weighted average number of the ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.
- (ii) Diluted earnings per share for the year ended 31 March 2018 are equal to the basic earnings per share as there are no potential dilutive ordinary shares outstanding during the year ended 31 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment HK\$'000	Computer Equipment HK\$'000	Fitting and furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Year ended 31 March 2018						
Opening net book value	–	30	74	199	775	1,078
Additions	–	32	45	–	–	77
Depreciation	–	(20)	(74)	(47)	(206)	(347)
Closing net book value	–	42	45	152	569	808
At 31 March 2018						
Cost	2,826	116	915	234	1,030	5,121
Accumulated depreciation	(2,826)	(74)	(870)	(82)	(461)	(4,313)
Net book value	–	42	45	152	569	808
Year ended 31 March 2019						
Opening net book value	–	42	45	152	569	808
Additions	629	—	29	—	—	658
Depreciation	(63)	(11)	(28)	(47)	(206)	(355)
Closing net book value	566	31	46	105	363	1,111
At 31 March 2019						
Cost	3,455	116	944	234	1,030	5,779
Accumulated depreciation	(2,889)	(85)	(898)	(129)	(667)	(4,668)
Net book value	566	31	46	105	363	1,111

Depreciation expenses of approximately HK\$355,000 (2018: HK\$347,000) have been charged to the general and administrative expenses for the year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 DEFERRED INCOME TAX ASSET

The analysis of deferred income tax asset is as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Deferred income tax asset:		
Recoverable after 12 months	278	256

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

	Decelerated tax depreciation HK\$'000
Deferred income tax asset	
At 1 April 2017	241
Credited to the consolidated statement of comprehensive income (Note 11)	15
At 1 April 2018	256
Credited to the consolidated statement of comprehensive income (Note 11)	22
At 31 March 2019	278

The Group did not recognise deferred income tax assets in respect of cumulative tax losses of HK\$1,868,000 (2018: Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses have no expiry date.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
— Trade, bills and other receivables	11,240	42,888
— Cash and cash equivalents	52,284	42,375
Financial assets at fair value through profit or loss		
— Equity securities	74,791	—
Total	138,315	85,263
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
— Trade, bills and other payables	5,464	18,016
— Bank borrowings	1,500	8,336
Total	6,964	26,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Gross trade receivables	7,390	33,061
Gross bills receivables	3,592	9,336
Trade and bills receivables, net of provision	10,982	42,397
Prepaid incentive fee (Note (a))	585	2,954
Advance payment of sales commission	607	1,356
Payment in advance to suppliers	12,976	22,728
Refundable deposit in relation to an acquisition (Note (b))	21,000	–
Rental deposits	1,955	1,948
Prepayments	338	382
Other receivables	258	491
Total trade and bills receivables, prepayments and deposits	48,701	72,256
Less: Non-current portion		
Long-term portion of prepaid incentive fee	(292)	(1,954)
Long-term portion of rental deposits	(1,823)	(1,823)
	46,586	68,479

Note:

- (a) On 14 March 2016, the Group entered into a consultancy agreement with Asian Succeed Limited (“Asian Succeed”), an independent third party, to appoint Asian Succeed as the consultant to provide consultancy services in relation to the sales of the Group’s products and services for a period of five years. The Group paid a sign up and incentive fee to Asian Succeed of HK\$5,000,000. The prepaid incentive fee is subject to amortisation of five years.

As at 31 March 2019, the Group recognised HK\$585,000 (2018: HK\$2,954,000) as prepaid incentive fee to Asian Succeed in the consolidated statement of financial position. An incentive fee of HK\$1,000,000 (2018: HK\$1,000,000) and a provision for impairment of prepaid incentive fee of HK\$1,369,000 (2018: Nil) has been charged to the consolidated statement of comprehensive income during the year ended 31 March 2019.

- (b) On 6 March 2019, the Group entered into an agreement with a related party to acquire the entire issued share capital of two target companies at a consideration of HK\$42,000,000. A refundable deposit of HK\$21,000,000 was paid by the Group upon the signing of the agreement. Subsequent to the year end, to the date of the approval of these financial statements the acquisition was not yet completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

The carrying amounts of trade and bills receivables, prepayments and deposits approximate their fair values.

The Group's sales are on letter of credit or credit insurance or with credit terms of up to 150 days (31 March 2018: 90 days). At 31 March 2019 and 2018, the ageing analysis of the trade and bills receivables based on invoice date is as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Up to 30 days	4,058	13,380
31 to 60 days	1,035	10,599
61 to 90 days	3,861	7,688
Over 90 days	2,028	10,730
	10,982	42,397

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(b) for further information about expected credit loss provision.

The other classes within trade and bills receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the trade and bills receivables, prepayments and deposits are denominated in the following currencies:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
US\$	23,957	45,078
HK\$	24,729	25,810
EUR	–	1,335
RMB	15	33
	48,701	72,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Non-current portion		
Equity securities	57,038	–
	57,038	–
Current portion		
Equity securities	17,753	–
	17,753	–

Financial assets at fair value through profit or loss comprise:

- Equity securities of HK\$57,038,000 (2018: Nil) which are held for long-term investment.
- Equity securities of HK\$17,753,000 (2018: Nil) which are held for trading.

The fair value of financial assets at fair value through profit or loss are at level 1 of the financial value hierarchy (Note 3.3).

Information about the Group's exposure to price risk is provided in Note 3.1(a)(iii).

The Group has disposed one of its non-current equity securities subsequent to the year ended 31 March 2019 for approximately HK\$9,262,000, resulted in a loss of HK\$32,868,000, which will be recognised in the year ending 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Cash at banks and on hand	52,284	42,375
Maximum exposure to credit risk	52,213	42,322

The cash and cash equivalents are denominated in the following currencies:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
HK\$	25,968	19,805
US\$	26,223	21,849
EUR	16	670
RMB	77	51
	52,284	42,375

20 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK\$
Authorised share capital		
As at 31 March 2018 and 31 March 2019	10,000,000,000	100,000,000
Issued and fully paid		
As at 31 March 2018	1,000,000,000	10,000,000
Issuance of ordinary share under share placement (Note a)	123,800,000	1,238,000
As at 31 March 2019	1,123,800,000	11,238,000

Note:

- (a) On 1 June 2018, 123,800,000 shares were issued at subscription price of HK\$0.485 by way of share placement. Net proceeds of HK\$58,602,000 (net of professional fee of approximately HK\$1,441,000) was received by the Company with HK\$1,238,000 was credited to the share capital account and approximately HK\$58,805,000 was credited to share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 PROVISION FOR REINSTATEMENT COST, TRADE, BILLS AND OTHER PAYABLES

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade and bills payables	2,006	16,026
Contract liabilities	1,856	–
Receipts in advance from customers	–	4,244
Provision for reinstatement cost	250	250
Accrued employee benefits expenses	564	612
Other payables	3,458	1,990
	8,134	23,122
Less: Non-current portion		
Provision for reinstatement cost	(250)	(250)
	7,884	22,872

The carrying amounts of trade, bills and other payables approximate their fair values and are denominated in the following currencies:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
US\$	570	16,214
HK\$	4,867	1,692
EUR	–	81
RMB	27	29
	5,464	18,016

Trade and bills payables

The ageing analysis of the trade and bills payables based on due date is as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Current	1,683	10,119
1 to 30 days	21	632
31 to 60 days	215	4,125
61 to 90 days	87	731
Over 90 days	–	419
Total trade and bills payables	2,006	16,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SUBSIDIARIES

Details of the subsidiaries held by the Group as at 31 March 2019 are as follows:

Name	Place of incorporation and kind of legal entity	Country of operation	Principal activities and place of operation	Issued and fully paid share capital	Equity interest held as at 31 March	
					2019	2018
Directly held						
Trinity Ally Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	US\$1	100%	100%
Best Flight Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	US\$1	100%	100%
Everlasting Win Limited	British Virgin Islands, limited liability company	British Virgin Islands	Investment holding	US\$1	100%	–
Indirectly held						
Seazon Pacific Limited	Hong Kong, limited liability company	Hong Kong	Sales of apparel product with the provision of supply chain management total solutions to customers	HK\$10,000	100%	100%
Sureway ODM Limited	Hong Kong, limited liability company	Hong Kong	Sales of apparel product with the provision of supply chain management total solutions to customers	HK\$10,000	100%	100%
Topper Alliance Holding Limited	Hong Kong, limited liability company	Hong Kong	Investment holding	HK\$10,000	100%	–
雲裳衣貿易(深圳)有限公司	The PRC, limited liability company	The PRC	Sales of apparel product with the provision of supply chain management total solutions to customers	(Note a)	100%	100%

Note:

(a) The authorised share capital is RMB1,000,000 and the share capital has not yet been paid as at 31 March 2018 and 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 BANK BORROWINGS

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Current bank borrowings	1,500	8,336

At 31 March 2019, the bank borrowings were repayable within 1 year with the average interest rate per annum at 2.93% (2018: ranging from 2.29% to 2.74%). The exposure of the bank borrowings to interest rate changes and the contractual repricing dates at the end of the year were 6 months or less.

The carrying amounts of the bank borrowings were unsecured, denominated in HK\$ and approximated their fair values.

24 COMMITMENTS

The Group leases its office, staff quarter and warehouse under non-cancellable operating lease agreements. The lease terms range from two to three years.

The future aggregate minimum lease payments under non-cancellable operating leases of the Group are as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
No later than 1 year	3,900	3,350
Later than 1 year and no later than 5 years	3,742	7,158
	7,642	10,508

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

On 6 March 2019, the Group entered into an agreement with a related party to acquire the entire issued share capital of two target companies at a consideration of HK\$42,000,000. A refundable deposit of HK\$21,000,000 was paid by the Group upon the signing of the agreement. Upon the completion of the acquisition, the Group will be committed to pay the remaining consideration of HK\$21,000,000.

Subsequent to the year end to the date of the approval of these financial statements, the acquisition was not yet completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 CASH FLOW INFORMATION

(a) Net Cash (used in)/generated from operations

	NOTES	For the year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Profit before income tax		18,987	20,706
Adjustments for:			
Finance costs	10	125	48
Finance income	10	(292)	(1)
Share-based payment expense	9	9,694	5,343
Depreciation of property, plant and equipment	14	355	347
Provision for impairment of prepaid incentive fee	7	1,369	–
Amortisation of incentive fee	7	1,000	1,000
Fair value gains on financial assets at fair value through profit or loss	6	(26,224)	–
Gains on sales of financial assets at fair value through profit or loss	6	(11,529)	–
Operating (loss)/profit before working capital changes		(6,515)	27,443
Changes in working capital:			
Trade and bills receivables, prepayments and deposits		21,186	(17,682)
Trade, bills and other payables		(14,988)	(3,275)
Cash (used in)/generated from operations		(317)	6,486

(b) Reconciliation of liabilities from financing activities:

	Interest-bearing bank borrowings HK\$'000	Interest payable HK\$'000	Total HK\$'000
At 1 April 2017	1,488	–	1,488
Proceeds from short-term bank borrowings	13,996	–	13,996
Repayment of short-term bank borrowings	(7,148)	–	(7,148)
Interest paid	–	(48)	(48)
Non-cash movements	–	48	48
At 1 April 2018	8,336	–	8,336
Proceeds from short-term bank borrowings	10,000	–	10,000
Repayment of short-term bank borrowings	(16,836)	–	(16,836)
Interest paid	–	(125)	(125)
Non-cash movements	–	125	125
At 31 March 2019	1,500	–	1,500

(c) Non-cash transactions

For the year ended 31 March 2019, there was no significant non-cash transaction (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, there were no significant transactions with related parties during the year ended 31 March 2019 (2018: Nil).

(b) Year end balance

On 6 March 2019, the Group entered into an agreement with Mr. Chen Ningdi ("Mr. Chen"), a substantial shareholder of the Company to acquire the entire issued share capital of two target companies at a consideration of HK\$42,000,000. A refundable deposit of HK\$21,000,000 was paid by the Group upon the signing of the agreement. Subsequent to the year end to the date of the approval of these financial statements, the acquisition was not yet completed.

	2019 HK\$'000	2018 HK\$'000
Refundable deposit paid to Mr. Chen (Note 17)	21,000	–

The above transaction was entered into on commercial terms determined and agreed by the Group and the relevant parties.

(c) Key management compensation

Key management includes directors (executive and non-executive), five highest paid individuals as disclosed in Note 8(g) and the other senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	For the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Salaries, bonus and other short-term employee benefits	6,964	6,479
Share-based payment expenses	1,575	4,393
Reversal of provision for unutilised annual leave	(28)	(8)
Pension costs — defined contribution plans	94	102
	8,605	10,966

27 CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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			
Investment in subsidiaries		31,485	23,366
Current assets			
Amounts due from subsidiaries		53,603	102
Prepayment and deposit		259	275
Cash and cash equivalents		1,005	340
		54,867	717
Total assets		86,352	24,083
Liabilities			
Current liabilities			
Amounts due to subsidiaries		–	1,199
Other payables and accruals		582	490
Total liabilities		582	1,689
Equity			
Equity attributable to owners of the Company			
Share capital		11,238	10,000
Other reserves	a	115,137	38,519
Accumulated losses	a	(40,605)	(26,125)
Total equity		85,770	22,394
Total equity and liabilities		86,352	24,083

The statement of financial position of the Company was approved by the board of Directors on 28 June 2019 and was signed on its behalf.

Cheung Lui
Director

Yu Xiu Yang
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes:

(a) Reserve movement of the Company

	Accumulated losses	Other reserves	Share options
	HK\$'000	HK\$'000	reserve
			HK\$'000
As at 31 March 2017 and 1 April 2017	(16,189)	29,455	–
Share options issued	–	–	5,343
Loss for the year	(9,936)	–	–
Contribution to a subsidiary	–	3,721	–
As at 31 March 2018 and 1 April 2018	(26,125)	33,176	5,343
Share options issued	–	–	9,694
Loss for the year	(14,480)	–	–
Issuance of shares under share placement (Note 20(a))	–	58,805	–
Contribution to a subsidiary	–	8,119	–
As at 31 March 2019	(40,605)	100,100	15,037

29 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed elsewhere in the consolidated financial statements, there were no subsequent events noted.

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years is as follows.

RESULTS	Year ended 31 March				
	2019 HK\$000	2018 HK\$000	2017 HK\$000	2016 HK\$000	2015 HK\$000
Revenue	186,519	279,382	206,219	155,933	140,739
Profit before income tax expense	18,987	20,706	30,501	7,721	18,005
Income tax expense	(305)	(5,018)	(5,358)	(3,582)	(3,225)
Profit for the year	18,682	15,688	25,143	4,139	14,780

ASSETS AND LIABILITIES	As at 31 March				
	2019 HK\$000	2018 HK\$000	2017 HK\$000	2016 HK\$000	2015 HK\$000
Current assets	119,914	110,854	84,877	45,444	45,111
Non-current assets	60,542	4,841	6,032	7,000	1,582
Total assets	180,456	115,695	90,909	52,444	46,693
Current liabilities	9,384	33,042	29,287	15,965	22,413
Non-current liabilities	250	250	250	250	–
Total liabilities	9,634	33,292	29,537	16,215	22,413
Net assets	170,822	82,403	61,372	36,229	24,280
EQUITY					
Equity attributable to owners of the Company	170,822	82,403	61,372	36,229	24,280

Notes:

The summary of the consolidated results of the Group for the year ended 31 March 2015 and of the assets, equity and liabilities as at 31 March 2015 have been extracted from the Prospectus.

The summary above does not form part of the audited consolidated financial statements.