# MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 1653**

# 2019
## Annual Report

# Contents

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors:

Mr. Simon Tso (*Chairman and Chief Executive Officer*)
Ms. Tsui To Fei

### Non-executive Directors:

Mr. Leung Wai Chuen
Mr. Sincere Wong

### Independent Non-executive Directors:

Mr. Ho Wing Tim
Mr. Ng Wang To
Ms. Law Chui Yuk

## AUDIT COMMITTEE

Ms. Law Chui Yuk (Chairlady)
Mr. Ho Wing Tim
Mr. Ng Wang To

## REMUNERATION COMMITTEE

Mr. Ng Wang To *(Chairman)*
Ms. Law Chui Yuk
Ms. Tsui To Fei

## NOMINATION COMMITTEE

Mr. Simon Tso *(Chairman)*
Mr. Ho Wing Tim
Mr. Ng Wang To

## CORPORATE GOVERNANCE COMMITTEE

Ms. Law Chui Yuk (Chairlady)
Mr. Ho Wing Tim
Mr. Ng Wang To
Mr. Sincere Wong

## COMPANY SECRETARY

Mr. Chan Cheung, CPA

## AUTHORISED REPRESENTATIVES

Mr. Simon Tso
Ms. Tsui To Fei

## COMPLIANCE ADVISER

Ample Capital Limited

## AUDITORS

Deloitte Touche Tohmatsu
*Certified Public Accountants*

## PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited

## 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

50/F, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## STOCK CODE

1653

## COMPANY'S WEBSITE

www.rbmsgroup.com

On behalf of the board (the "Board") of directors (the "Directors") of MOS House Group Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present to the shareholders of the Company (the "Shareholders") the audited consolidated results of the Group for the year ended 31 March 2019 together with the comparative figures for the previous financial year.

## TURNOVER AND PROFIT

For the year ended 31 March 2019, the Group recorded a total revenue of approximately HK$166.7 million and profit attributable to owners of the Company of approximately HK$5.8 million, representing a decrease of approximately 12.7% and 65.9%, respectively, as compared to the previous financial year. Excluding the effect of listing expenses for both years, the profit attributable to owners of the Company would be approximately HK$15.0 million for the year ended 31 March 2019, representing a decrease of approximately 42.6% as compared to the previous financial year. The decrease in the Group's turnover was mainly due to, among others, the general downtrend of the Hong Kong property market since mid-2018, which has further worsened since October 2018 as a result of the intensifying and increasingly gloominess of the situation of the China-US trade war, leading to the sluggish economies in Hong Kong and China since then and consequently, negatively affected the investment and consumption sentiments of the general public.

## BUSINESS REVIEW

For the year under review, the Group operated 19 retail shops, all strategically located at prime retail locations in Hong Kong for home improvement, remodelling and furnishing materials. Apart from retail sale, the Group also supplies tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sells tiles and bathroom fixtures to distributors located in the PRC. During the year under review, the Group faced various challenges in the business environment in Hong Kong, including the general downtrend of the properties market since mid-2018 and the impact of the China-US trade conflict on the Hong Kong economy. As such, the Group suffered from an obvious drop of revenue since the fourth quarter of 2018, resulting in the overall decrease in net profit for the year ended 31 March 2019.

## CORPORATE STRATEGY AND FUTURE OUTLOOK

The successful listing of the Company on the Main Board of the Stock Exchange in October 2018 marks a major milestone as well as a new chapter of the Group. Due to the uncertainties of the Hong Kong economy, the Directors anticipate that the Group's business will face various challenges in the foreseeable future. In particular, the Hong Kong economy and the retailing industry are currently affected by certain international and local political issues, including the China-US trade war and the Brexit, as well as the recent controversial issue about the extradition law in Hong Kong, which render the Group's business being vulnerable to the relevant development and outcomes. Nonetheless, the management is confident of the Group's future development and ability to enhance Shareholders' value, based on the years of experience of the senior management in managing the Group's business. The Group aims to maintain and further strengthen its position as the market leader in the overseas manufactured tile retailing industry in Hong Kong by (i) strengthening the Group's leading position in Hong Kong; (ii) expanding its product mix and enhancing the diversity of its product offerings; (iii) pursuing strategic acquisition opportunities; and (iv) expanding its sales network in the PRC market.

Going forward, the Group believes that there is room for its business to grow, given the long term housing demand in Hong Kong and the on-going infrastructure development plannings such as the five new MTR rail extensions targeted for development between 2016 and 2026 which is likely to drive the demand for tiles. Additionally, the related residential and commercial developments close to the infrastructure developments, such as the on-going Kai Tak development which includes residential and commercial land use, is expected to bring more business opportunities to the tile retailing industry in Hong Kong.

## APPRECIATION

I would like to take this opportunity to express my gratitude to all of our Shareholders, members of the Board, the senior management and staff of all levels for their dedication and efforts over the years. In addition, on behalf of the Board, I would also like to express our sincerest thanks to all our customers, suppliers, and business partners for their continuous support.

**Simon Tso**
*Chairman and Executive Director*

Hong Kong, 21 June 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a retailer and supplier of overseas manufactured tiles in Hong Kong, specialising in high-end European imported porcelain, ceramic and mosaic tiles. The Group bases its operations vastly on retail business of overseas manufactured tiles and, to a lesser extent, bathroom fixtures in Hong Kong. As at 31 March 2019, the Group operated 19 retail shops, all strategically located at prime retail locations in Hong Kong for home improvement, remodelling and furnishing materials. Apart from retail sale, the Group also supplies tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sells tiles and bathroom fixtures to distributors located in the PRC, respectively.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 March 2019, the Group recorded a total revenue of approximately HK$166.7 million, representing a decrease of approximately 12.7% as compared to approximately HK$190.8 million for the year ended 31 March 2018. Such decrease was mainly due to, among others, the general downtrend of the Hong Kong property market since mid-2018, which has further worsened since October 2018 as a result of the intensifying and increasingly gloominess of the situation of the China-US trade war, leading to the sluggish economies in Hong Kong and China since then and consequently, negatively affected the investment and consumption sentiments of the general public.

The Group's revenue was mainly derived from the sale of tile products (including porcelain, ceramic and mosaic tiles), which accounted for approximately 91.8% and 96.9% of the Group's total revenue for the years ended 31 March 2019 and 2018 respectively; and the remaining represented the sales of bathroom fixtures and other products.

In terms of sales channels, the Group's revenue was mainly derived from retail sales which accounted for approximately 77.3% and 75.6% of the Group's total revenue for the years ended 31 March 2019 and 2018 respectively; and the remaining mainly represented revenue from sales to project customers and PRC distributors.

### Gross profit and product margin

The Group's gross profit (i.e. revenue minus cost of inventories sold) amounted to approximately HK$118.3 million for the year ended 31 March 2019, representing a decrease of approximately 10.3% from approximately HK$131.8 million for the year ended 31 March 2018, which was mainly due to the decrease in revenue. Nevertheless, the overall product margin improved from approximately 69.1% for the year ended 31 March 2018 to approximately 71.0% for the year ended 31 March 2019. Such improvement of product margin was mainly due to the general depreciation of Euro against HK$ during the year under review which saved the Group's overall purchase costs, as well as the fact that the relevant cost of inventories in respect of certain tile products sold to PRC distributors during the year ended 31 March 2019 had been substantially written-off in prior years, resulting in minimal cost of inventories sold in respect of the relevant sales.

### Net impairment losses on trade receivables

For the year ended 31 March 2019, the Group adopted the newly effective accounting standard HKFRS 9 "Financial Instruments" in relation to the impairment assessment of financial assets, and resulted in the record of net impairment losses on trade receivables of approximately HK$2.4 million. Please refer to note 2.2 to the consolidated financial statements in this annual report for details and summary of effects arising from initial application of HKFRS 9.

### Staff costs

Staff costs for the year ended 31 March 2019 was approximately HK$23.6 million, representing an increase of approximately 10.4% as compared to approximately HK$21.4 million for the year ended 31 March 2018. Such increase was mainly due to additional remuneration for newly employed directors and increase in salaries for senior management staff in connection with the listing of the Company, as well as the payment of bonus upon the successful listing of the Company.

### Property rentals and related expenses

The Group's property rentals and related expenses mainly comprised rentals for its retail shops and warehouse. Property rentals and related expenses for the year ended 31 March 2019 was approximately HK$52.7 million, representing an increase of approximately 5.1% as compared to approximately HK$50.2 million for the year ended 31 March 2018. Such increase was mainly due to the rental increment of certain retail shops upon rental renewal, as well as the rental incurred for two new retail shops opened during the year under review.

### Other expenses

The Group's other expenses mainly consisted of listing expenses, transportation and delivery expenses, bank charges and utilities. Excluding the listing expenses of approximately HK$9.2 million and HK$9.1 million for the years ended 31 March 2019 and 2018 respectively, the Group's other expenses would be approximately HK$19.1 million and HK$17.0 million for the respective periods, representing an increase of approximately 12.4% which was mainly due to the increase in expenses incurred for outsourced inventory management and logistics services by approximately HK$1.3 million.

### Profit attributable to owners of the Company

For the year ended 31 March 2019, the Group's profit attributable to owners of the Company was approximately HK$5.8 million, representing a decrease of approximately HK$11.3 million or 65.9% from approximately HK$17.1 million for the year ended 31 March 2018. Excluding the effect of listing expenses for both years, the profit attributable to owners of the Company would be approximately HK$15.0 million and HK$26.1 million for the years ended 31 March 2019 and 2018, respectively, representing a decrease of approximately HK$11.1 million or 42.6%. Such decrease was mainly due to (i) decrease in gross profit by approximately HK$13.5 million as a result of decrease in revenue; (ii) increase in staff costs, property rentals and related expenses and other operating expenses by an aggregate of approximately HK$7.0 million; which was partly offset by (iii) the turnaround of a net exchange loss of approximately HK$4.8 million recorded for the year ended 31 March 2018 to a net exchange gain of approximately HK$2.8 million recorded for the year ended 31 March 2019; and (iv) decrease in taxation expenses by approximately HK$2.5 million.

### Liquidity, financial resources and capital structure

#### Capital Structure

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

As at 31 March 2019, the Group's pledged bank deposit and cash and cash equivalents aggregated to approximately HK$102.8 million (31 March 2018: approximately HK$6.3 million), including approximately HK$102.3 million denominated in Hong Kong dollars and approximately HK$0.5 million denominated in Euro, US dollars and Renminbi. The increase was mainly due to the net proceeds raised from the Share Offer upon the listing of the shares of the Company.

#### Indebtedness and Banking Facilities

As at 31 March 2019, the Group had bank borrowings of approximately HK$137.7 million, comprising approximately HK$133.6 million denominated in Hong Kong dollars and approximately HK$4.1 million denominated in Euro, which carried floating rates of Hong Kong Interbank Offered Rate ("HIBOR") plus 1.0% to 4.0% or a spread below Prime Rate/ Standard Bills Rate quoted by the banks per annum. As at 31 March 2019, bank borrowings of approximately HK$132.8 million were secured by the pledge of properties owned by certain related companies, pledged bank deposit of HK$65.5 million, payments for life insurance policies of the Group, corporate guarantees from certain related companies and personal guarantee from a Director. The remaining unsecured bank borrowing of HK$4.9 million was guaranteed by a group entity. As at the date of this annual report, the Company was in the progress to release the pledge of properties owned by the related companies, corporate guarantee from related companies and personal guarantee from a Director.

As at 31 March 2019, the Group's gearing ratio was approximately 1.6 times, which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 31 March 2019 and multiplied by 100%. The Directors, taking into account the nature and scale of operations of the Group, and capital structure of the Group upon the listing, considered that the gearing ratio as at 31 March 2019 was reasonable.

### Foreign Exchange Exposure

The Group incurs its cost of purchases in Euro while it receives its revenue in Hong Kong dollars. Accordingly, the Group is exposed to the currency risk and fluctuations in foreign currency exchange rates, in particular, Euro, can increase or decrease the Group's profit margin and affect the results of its operations.

In addition, fluctuations in exchange rates between HK$ and other currencies, primarily Euro, US$ and RMB, affect the translation of the Group's non-HK$ denominated assets and liabilities into HK$ when the Group prepares its financial statements and result in foreign exchange gains or losses which will affect its financial condition and results of operations.

For the years ended 31 March 2019 and 2018, the Group recorded net exchange gains of approximately HK$2.8 million and net exchange losses of approximately HK$4.8 million, respectively. During both years, the Group had not used any financial instruments for hedging purposes. The Group currently does not have any foreign currency hedging policy. However, the Group's management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

## Securities in Issue

As at 31 March 2019, there were 2,000,000,000 ordinary shares in issue. Save for the issue of shares during the Reorganisation and capitalisation of shares and upon the Share Offer as detailed in the Company's prospectus dated 28 September 2018 (the "Prospectus") and note 25 to the consolidated financial statements in this annual report, there was no other movement in the issued share capital of the Company during the year ended 31 March 2019.

## Significant Investment Held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies and Plans for Material Investment or Capital Assets

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

## Commitments

As at 31 March 2019, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK$0.4 million (31 March 2018: approximately HK$0.4 million).

## Charge on Assets

As at 31 March 2019, the Group pledged its bank deposit and payments for life insurance policies of approximately HK$65.5 million and HK$4.0 million, respectively, as securities for the Group's bank borrowings. Save as disclosed above, the Group did not have any charge over its assets.

## Contingent Liabilities

As at 31 March 2019, the Group had contingent liabilities in respect of corporate guarantees in the aggregate amount of approximately HK$106.6 million (31 March 2018: approximately HK$183.8 million) provided to banks in relation to the granting of banking facilities to certain related companies. As at the date of this annual report, the Company was in the progress of negotiation with the banks for the release of the guarantees provided by the Group in relation to banking facilities granted to the relevant related companies.

## Employees and Remuneration Policies

The Group had approximately 75 employees as at 31 March 2019. The Group's staff cost, including Directors' emoluments, was approximately HK$23.6 million and HK$21.4 million for the years ended 31 March 2019 and 2018, respectively. The remuneration policy of the Group is based on merit, performance and individual competence.

The Directors and the senior management of the Group receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment of each of the Directors and senior management and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and the senior management by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the senior management and the performance of the Group.

The remuneration committee of the Board reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 20 September 2018. During the years ended 31 March 2019 and 2018, no share option was granted to the participants pursuant to such scheme.

## Dividend Policy

### (1) Objective

It is the policy of the Company, in recommending the payment of dividends, to allow Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

### (2) Determination Mechanism

The Company considers stable and sustainable returns to the Shareholders to be its goal.

Subject to the approval of the Shareholders and requirements of the relevant laws, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group. The remaining net profits will be used for Group's development and operations. This policy allows the Company to declare special dividends or any distribution of profits from time to time in addition to interim and/or final dividends that the Board may deem appropriate.

In proposing any dividend payout, the Board shall also take into account, inter alia:

(a) the Group's actual and expected financial performance;

(b) the Group's expected working capital requirements and future expansion plans;

(c) the Group's debt to equity ratios and the debt level;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company;

(f) dividends received from the Company's subsidiaries and associates;

(g) the Shareholders' and investors' expectation and industry's norm; and

(h) any other conditions or factors that the Board deems relevant.

Any final dividends proposed by the Company must be approved by an ordinary resolution of Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders interim dividends as appear to the directors to be justified by the profits of the Group.

**(3) Approval and Payment Procedures**

Details of the procedures have been set out in Articles 133-142 of the amended and restated memorandum and articles of association of the Company.

**(4) Review and Monitor of the Policy**

The policy and the declaration and/or payment of future dividends under the policy are subject to the Board's continuing determination that the policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy.

The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the laws of the Cayman Islands and the amended and restated memorandum and articles of association of the Company. The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the policy at any time, and the policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

## Dividend

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

## Prospects

The successful listing of the Company on the Main Board of the Stock Exchange in October 2018, marks a major milestone as well as a new chapter of the Group. Due to the uncertainties of the Hong Kong economy, the Directors anticipate that the Group's business will face various challenges in the foreseeable future. The Directors consider that there are certain risks involved in the Group's operations. The most significant risks that the Group is facing include: (i) the Group's business and results of operations being susceptible to fluctuations in the market prices and demand for tiles; (ii) the Group's success being dependent on its ability to respond to changes in consumer preferences, perception or consumption patterns; (iii) the Group being affected by the level of demand in the real estate development industry; (iv) economic downturn and adverse market conditions in Hong Kong and the PRC; (v) disruptions in relationships with the Group's suppliers; and (vi) the Group being exposed to foreign currency exchange fluctuations.

Besides, the Directors consider the Hong Kong economy and the retailing industry are currently affected by certain international and local political issues, including the China-US trade war and the Brexit, as well as the recent controversial issue about the extradition law in Hong Kong, which render the Group's business being vulnerable to the relevant development and outcomes.

Nonetheless, the management is confident of the Group's long-term development and ability to enhance Shareholders' value. The Group aims to maintain and further strengthen its position as the market leader in the overseas manufactured tile retailing industry in Hong Kong by (i) strengthening the Group's leading position in Hong Kong; (ii) expanding its product mix and enhancing the diversity of its product offerings; (iii) pursuing strategic acquisition opportunities; and (iv) expanding its sales network in the PRC market.

## Comparison of Business Plan with Actual Business Progress

The following is a comparison of the Group's business objectives as set out in its Prospectus and the business progress up to 31 March 2019:

| | | | Business objectives up to 31 March 2019 as stated in the Prospectus | Business progress up to 31 March 2019 |
|---|---|---|---|---|
| 1. | Progressive expansion in the retail network in Hong Kong | | The Group planned to open a new shop in Wanchai and a new shop in Mongkok | The Group opened a new shop in Wanchai in the first quarter of 2019. |
| 2. | Meeting minimum purchase commitment under new exclusive distribution rights with well-known European tiles, bathroom fixtures and wooden flooring manufacturers of brands which are considered to have potential in Hong Kong | (i) | The Group will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of two European brands of tile products. The Group plans to obtain product samples from the two European manufacturers and display in its retail shops or submit in project tenders for feedback from the market. If the products are well received by the market, the Group expects to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2018 and commence the exclusive distribution right in the first quarter of 2019. | The Group entered into an exclusive distribution agreement with one European tile supplier in the fourth quarter of 2018 and placed orders with the supplier since then. |
| | | (ii) | The Group will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of the imported bathroom fixtures market. The Group plans to obtain product samples for display and market's feedback in the second half of 2018. If the products are well received by the market, the Group expects to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2018 and commence the exclusive distribution right in the second quarter of 2019. | The Group opened two new retail shops in the third quarter of 2018 and the first quarter of 2019, respectively, which mainly sell bathroom fixtures and facilitate the Group's assessment of customers' demand and preference for certain newly launched bathroom fixtures. The Group has yet to enter into exclusive distribution agreement with the relevant manufacturers. |
| | | (iii) | The Group will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of the imported wooden flooring market. The Group plans to obtain product samples for display and market's feedback during 2019. If the products are well received by the market, the Group expects to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2019 and commence the exclusive distribution right in the second quarter of 2020. | The Group has yet to commence market research on wooden flooring products. |

| | | Business objectives up to 31 March 2019 as stated in the Prospectus | Business progress up to 31 March 2019 |
|---|---|---|---|
| 3. | Pursue strategic acquisition of retailers of overseas manufactured bathroom products and/or tile products | Identifying and evaluating any potential target and conducting preliminary market research on the product portfolios of the Group's competitors. If synergies could be created by the potential acquisitions, the Group expects to perform pre-acquisition due diligence and commence negotiations in the first half of 2019, and enter into formal agreement in the second half of 2019. | The Group was in the progress of identifying and evaluating potential targets. Yet, no specific acquisition targets had been identified, nor had the Group commenced any negotiation with any party or entered into any letter of intent or agreement for any potential acquisition. |

During the year under review, the Directors considered the Hong Kong economy, including the properties market and the retailing industry, was uncertain and sluggish, and was affected by certain external factors such as the development of the China-US trade war and the Brexit. As such, the Group was more cautious on the implementation of its expansion plan and resulted in the above deviation of actual business progress as compared to the stated business objectives. Going forward, depending on the stability of the market situation and other relevant external factors, the implementation of the Group's business plan may be slowed down at a moderate pace.

## Use of proceeds from the Listing

The shares of the Company (the "Shares") were listed on the Stock Exchange on 19 October 2018 (the "Listing Date") with net proceeds received by the Company from the placing in the amount of approximately HK$86.1 million after deducting underwriting commissions and all related expenses.

As at 31 March 2019, the net proceeds from the Share Offer were applied as follows:

| | Planned use of proceeds as stated in the Prospectus up to 31 March 2019 *(Note 1)* HK$ (million) | Actual use of proceeds up to 31 March 2019 HK$ (million) |
|---|---|---|
| Progressive expansion of retail network in Hong Kong | 6.3 | 2.6 |
| Meeting minimum purchase commitment under new exclusive distribution rights | 4.2 *(Note 2)* | 1.0 |
| Strategic acquisition opportunities | – | – |

*Notes:*

1. The amounts of planned use as stated in the Prospectus are adjusted on a pro-rata basis as below based on the actual amount of net proceeds received by the Company.

2. The planned amount up to 31 March 2019 represents a proportional amount based on the assumption that the annual minimum purchase commitment will be evenly met over a year.

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 31 March 2019, approximately HK$3.6 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licensed banks in Hong Kong.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly review the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group.

## EXECUTIVE DIRECTORS

**Mr. Simon Tso (曹思豪)**, aged 46, was appointed as our Director on 25 September 2015 and re-designated as our executive Director on 17 December 2015. Mr. Tso is the founder, chairman and chief executive officer of our Group and a controlling shareholder of the Company. Mr. Tso is also the chairman of the nomination committee of the Company. He is responsible for the overall strategic planning, operations and management of our Group. Mr. Tso has over 20 years of experience in trading of tiles and building materials. Mr. Tso is a director of Pok Oi Hospital, a charitable organisation principally engaged in the provision of medical, social and educational services. He is also the vice president of Wanchai and Central & Western District Industries and Commerce Association, an industrial and commercial organisation. Mr. Tso obtained a bachelor's degree in engineering from the University of Manchester Institute of Science and Technology (which was merged with the Victoria University of Manchester, now known as the University of Manchester) in United Kingdom in July 1997. He also received a master's degree in business administration from the University of Liverpool in United Kingdom in December 1998. Mr. Tso did not hold any other directorship in listed public companies in the last three years. Mr. Tso is the spouse of Ms. Tusi To Fei.

**Ms. Tsui To Fei (徐道飛)**, aged 50, was appointed as our executive Director on 26 January 2018. Ms. Tsui joined our Group as the director of RBMS HK since June 2000. Ms. Tsui is also a member of the remuneration committee of the Company. She is primary responsible for the overall strategic planning, operations and management of our Group. Ms. Tsui has also been a director of Asian Wealth Limited since June 2009 and Cyber Building Limited since July 2000, they are both investment holding companies, where Ms. Tsui has been responsible for making investment decisions. Prior to joining our Group, Ms. Tsui was involved in family textile business. Ms. Tsui completed her college education in South Hills Academy in the United States in 1990. Ms. Tsui did not hold any other directorship in listed public companies in the last three years. Ms. Tsui is the spouse of Mr. Tso.

## NON-EXECUTIVE DIRECTORS

**Mr. Leung Wai Chuen** (**梁偉泉**), aged 53, was appointed as our non-executive Director on 6 November 2017. Mr. Leung has over 25 years of experience in auditing, accounting and financial management and company secretarial matters. Mr. Leung has been a company secretary of Grand Ming Group Holdings Limited (stock code: 1271) since 2013, a company listed on the Main Board and is principally engaged in providing building construction services where he has been responsible for the overall company secretarial matters. Since September 2014, Mr. Leung has been an independent non-executive director of E Lighting Group Holdings Limited (stock code: 8222), a company listed on the GEM of the Stock Exchange and is principally engaged in the retail of lighting and designer label furniture, where Mr. Leung serves as the chairman of its audit committee and members of its remuneration and nomination committees. He worked as a chief financial officer at Tang Palace (China) Holdings Limited (stock code: 1181) from 2009 to 2012 and served the same at Sinobest Technology Holdings Ltd (currently known as OKH Global Ltd., and listed on the Main Board of the Singapore Exchange (stock code: S3N)) from 2005 to 2008 where he was primarily responsible for their overall financial and accounting management. Mr. Leung also served as a financial controller at Neo-Neon Holdings Limited (stock code: 1868) from 2008 to 2009 and at WLS Holdings Limited (stock code: 8021) from 2001 to 2004, respectively where he was responsible for overseeing their financial matters. From 2000 to 2001, he was an accountant at China Overseas Land & Investment Limited (stock code: 688) where he was primarily responsible for its financial reporting management. Prior to this, Mr. Leung then held senior finance/audit positions in several private companies from 1992 to 2000. From 1989 to 1992, Mr. Leung served as an accountant and subsequently an audit senior at Price Waterhouse (now known as PricewaterhouseCoopers), an international accounting firm, where he was primarily responsible for auditing. Mr. Leung is a member of the HKICPA since 1993, a fellow of the Association of Chartered Certified Accountants of the United Kingdom since 1998, an associate of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) since 2004 and the Institute of Chartered Secretaries and Administrators since 2004 respectively. Mr. Leung obtained a bachelor's degree in social sciences from the University of Hong Kong in December 1989, a master's degree in business administration jointly awarded by the University of Wales and the University of Manchester in July 2001 through distance learning and a master's degree in business (logistics management) from the Royal Melbourne Institute of Technology (now known as RMIT University) in September 2007 through distance learning. Save as disclosed in this annual report, Mr. Leung did not hold any other directorship in listed public companies in the last three years.

**Mr. Sincere Wong** (**黃誠思**), aged 54, was our joint company secretary from September 2018 to January 2019 and was appointed as our non-executive Director on 28 January 2019. Mr. Wong is also a member of the corporate governance committee of the Company. Mr. Wong is the founder and currently a partner of Wong Heung Sum & Lawyers, a Hong Kong law firm. He has also been an independent non-executive director respectively of Bank of Gansu Co., Ltd. (stock code: 2139) since August 2017 and U Banquet Group Holding Limited (stock code: 1483) since September 2018. He was an inhouse counsel for Hutchison Whampoa group from September 1996 to January 2005, the senior legal adviser for China Resources Enterprise, Limited (now known as China Resources Beer (Holdings) Company Limited) (stock code: 291) from February 2005 to November 2006, chief legal officer and company secretary of Shui On Construction and Materials Limited (stock code: 983) from November 2006 to June 2010 and from November 2006 to January 2008, respectively, as well as the vice president, legal of Sateri (Shanghai) Management Limited, a subsidiary of Sateri Holdings Limited (a company previously listed on the Hong Kong Stock Exchange, the name of which was later changed to Bracell Limited but subsequently privatized) from July 2010 to May 2011. He worked at the Hong Kong Exchanges and Clearing Limited from August 2011 to April 2016, and his last position was vice president of IPO Transactions of the Listing & Regulatory Affairs Division, where he was primarily responsible for reviewing listing applications. Save as disclosed in this annual report, Mr. Wong did not hold any other directorship in listed public companies in the last three years.

Mr. Wong obtained a bachelor's degree of social science from the Chinese University of Hong Kong in Hong Kong in December 1986. He passed the Common Professional Examination in Wolverhampton Polytechnic (now known as University of Wolverhampton) in July 1990, and the Solicitors' Final Examination of the Law Society of England and Wales with first class honors in October 1991. Mr. Wong was admitted as a solicitor of Hong Kong and England and Wales in October 1993 and February 1994, respectively.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ho Wing Tim** (何榮添), aged 60, was appointed as our independent non-executive Director on 20 September 2018. Mr. Ho is also a member of the audit committee, the nomination committee and the corporate governance committee of the Company. From 2001 to 2006, Mr. Ho served as a director and from 2001 to 2002, as a chief executive officer of Lai Fung Holdings Ltd (stock code: 1125), a company listed on the Main Board and is principally engaged in property development and investment where he was primarily responsible for leading its development and executing its business strategies. Mr. Ho was the chairman of Pok Oi Hospital from 2014 to 2015. He has been the permanent advisor of Pok Oi Hospital Board of Directors since 2015. Mr. Ho received the Medal of Honour from the Government of Hong Kong in 2015. Mr. Ho obtained a doctorate degree in business administration from the International American University in the United States in July 2013. Mr. Ho did not hold any other directorship in listed public companies in the last three years.

**Mr. Ng Wang To** (吳宏圖), aged 51, was appointed as our independent non-executive Director on 20 September 2018. Mr. Ng is also the chairman of the remuneration committee and a member of the audit committee, the nomination committee and the corporate governance committee of the Company. Mr. Ng has over 14 years of experience in fund management. Since April 2016, Mr. Ng has been a managing director of Well Link Asset Management Limited where he has been primarily responsible for its overall management. From June 2015 to March 2016, Mr. Ng served as a vice president of the fund management in securities and asset management department of AMTD Asset Management Limited where he was primarily in charge of the investment management of funds. From February to June 2015, Mr. Ng worked as a senior portfolio manager in Wing Lung Asset Management Limited, where he was primarily responsible for the management of fund. From October 2013 to January 2015, Mr. Ng worked at RHB OSK Asset Management Limited, an asset management company, with his last position as chief investment officer (marketing title) of the asset management department, where he was primarily in charge of the asset management business. From August 2006 to October 2013, Mr. Ng worked at Pacific Eagle Asset Management Limited with last position as an investment director, where he was responsible for the management of funds. From March 2003 to July 2006, Mr. Ng served as a deputy general manager of the investment management department of Allianz Global Investors Taiwan Ltd., a subsidiary of Allianz Global Investors AG, where he was in charge of the investment management department and was responsible for supervising the management of mutual funds. Mr. Ng did not hold any other directorship in listed public companies in the last three years.

Mr. Ng obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1993. He is currently licensed by the SFC to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("SFO") and is a responsible officer of Well Link Asset Management Limited.

**Ms. Law Chui Yuk** (羅翠玉), aged 49, was appointed as our independent non-executive Director on 20 September 2018. Ms. Law is also the chairlady of the audit committee and the corporate governance committee, and a member of the remuneration committee of the Company. Ms. Law has over 25 years of experience in accounting and financial management.

From April 1998 to September 2017, Ms. Law joined Standard Chartered Bank with last position as the head of performance and analytics, commercial banking and transaction banking for Greater China and North Asia and Hong Kong where she was primarily responsible for the performance management for commercial banking and transaction banking businesses. From December 1995 to March 1998, Ms. Law served as a senior officer in finance division of the Hong Kong branch of China Construction Bank Corporation where she was primarily responsible for the financial accounting, management and statutory reporting, planning and budgetary control, system development, taxation and risk management. From March 1994 to December 1995, Ms. Law served in two private companies as an accountant and a management accountant where she was responsible for performing analytical review, rendering assistance to the enforcement of internal control, formulating financial reports and budgets. Ms. Law worked at Deloitte Touche Tohmatsu, an international accounting firm, from August 1991 to February 1994 with last position as a semi-senior auditor, during which she was primarily responsible for auditing. Ms. Law did not hold any other directorship in listed public companies in the last three years.

Ms. Law has been an associate of the HKICPA since April 1997, a fellow of the Association of Chartered Certified Accountants of the United Kingdom since March 2000. Ms. Law obtained a bachelor's degree in business administration from the University of Hong Kong in November 1991.

## SENIOR MANAGEMENT

**Mr. Chan Cheung** (陳璋), aged 63, is the chief financial officer of our Group. Mr. Chan joined our Group in 29 November 2017 and he is responsible for the overall financial and accounting management of our Group. Mr. Chan has over 25 years of experience in banking, accounting, financial management and company secretarial matters. Prior to joining our Group, Mr. Chan was the company secretary of Richful Deyong International Business (China) Limited, a professional consulting service provider, from February 2017 to July 2017, where he was primarily responsible for company secretarial matters. From April 2009 to June 2016, Mr. Chan served as the chief financial officer and company secretary of Neo-Neon Holdings Limited (stock code: 1868), a company listed on the Main Board and principally engaged in the manufacturing and sales of LED decorative lighting, where he was primarily responsible for full spectrum of finance, taxation, general management and company secretarial works. From August 2007 to February 2009, Mr. Chan served as chief financial officer and company secretary of Sun East Technology (Holdings) Limited (now known as Unisplendour Technology (Holdings) Limited) (stock code: 0365), a company listed on the Main Board and principally engaged in equipment manufacturing, finance lease and factoring, where he was primarily responsible for the company's finance and control, management information system, and statutory reporting. From October 2002 to March 2004, Mr. Chan was employed by Lung Kee Metal Limited and served as the group finance manager, a subsidiary of Lung Kee (Bermuda) Holdings Limited (stock code: 0255), a mould bases manufacturer primarily listed on the Main Board and secondarily listed on the Singapore Exchange Securities Trading Limited (Stock Code: L09), where he was primarily responsible for the overall financial and accounting functions and tax matters of the group. Mr. Chan served various positions relating to accounts, financial management and banking services in various companies where he was responsible for bond dealings, credit and marketing, preparing accounts and/or financial reporting from 1983 to 1990 and 1995 to 2002.

Mr. Chan has been a member of HKICPA since January 2001 and a member of The Association of Chartered Certified Accountants of the United Kingdom since November 2000. Mr. Chan obtained a bachelor's degree in social science from the Chinese University of Hong Kong in December 1983.

**Mr. Tam Chi Wai** (譚志偉), aged 52, is the financial controller of our Group. He joined our Group in April 2006 as the accounting manager. He is responsible for the overall accounting management of our Group. Prior to joining our Group, Mr. Tam was the assistant accountant of Techwise Electronics Limited, an electronics company, where he was primarily responsible for its accounting management from August 2005 to April 2006. He was the accountant and subsequently the assistant accounting manager of Mansfield Manufacturing Company Limited, a metal mould manufacturer, from January 2003 to July 2005 where he was primarily responsible for its internal audit control, the full set accounts of its subsidiary company and the corporate consolidation work. From March 1991 to September 2002, Mr. Tam served as an assistant manager of the accounting department of Epson Precision (Hong Kong) Limited, a wholesale distributor of computers, computer peripheral equipment and computer software and Epson Engineering (Shenzhen) Ltd, an office equipment manufacturing company, where he was primarily responsible for PRC accounting and taxation policy compliance and the accounting analysis. Mr. Tam obtained a bachelor's degree of science in applied computing in June 2003 and a bachelor's degree in business administration in June 2006 from the Open University of Hong Kong.

**Ms. Lau Ka Man** (劉嘉文), aged 41, is the logistic and administration manager of our Group since May 2011. She joined our Group in April 2006 as a shipping clerk. She is responsible for supervising the logistic operations and management of our Group. Prior to joining our Group, Ms. Lau was an export clerk of BAX Global Ltd, a logistics transportation and supply chain management company, where she was primarily responsible for export shipping management from June 2004 to April 2006. Ms. Lau was a marketing assistant of Andex Jewellery Limited, a jewellery export company, where she was primarily responsible for developing marketing strategies from October 1999 to May 2004. From August 1998 to June 1999, Ms. Lau served as a temporary accounts clerk of Update International Ltd., a supplier of passenger care and comfort items to airlines and travel related business, where she was primarily responsible for its accounting management and administration. Ms. Lau graduated from the L'Amoreaux Collegiate Institute in Canada in June 1998.

The Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2019.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate governance standards and procedures, so as to emphasis on accountability, independence, responsibility, fairness and transparency for the Group, and to protect the interests and create value for the Shareholders.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 14 of the Listing Rules. The Group established a Corporate Governance Committee with written terms of reference. Please refer to the paragraph headed "Corporate Governance Committee" below for details of its duties and works performed. Since the Listing Date and up to 31 March 2019 (the "Reporting Period"), to the best knowledge of the Board and after the review of the Company's performance of its corporate governance practices, the Company has complied with all the applicable code provisions set out in the Code, except for deviation as specified with considered reasons for such deviation as explained below.

Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the Reporting Period, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tso is the chairman and also the chief executive officer of the Company and is responsible for overseeing the operations of the Group during such period. In view of the present composition of the Board, Mr. Tso's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for Mr. Tso to assume both roles as the Chairman and the chief executive officer of the Company. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## BOARD OF DIRECTORS

### Roles and responsibilities

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs in the best interest of the Company and its Shareholders at all times. The key responsibilities of the Board include formulation of the Group's overall strategies, setting management targets and supervision of the management's performance. Under the leadership of the executive Directors, the management of the Company are delegated with the authority and responsibility by the Board to operate the businesses and to carry out the day-to-day administration of the Group; whereas the non-executive Directors and the independent non-executive Directors of the Company are responsible for ensuring a high standard of financial and management reporting to the Board and Shareholders as well as a balanced composition in the Board so that there is a strong independent element in the Board. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in this annual report.

## Composition of the Board

Up to the date of this annual report, the Board comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. In particular, the composition of the Board is set out as follow:

### Executive Directors

Mr. Simon Tso *(Chairman and Chief Executive Officer)*
Ms. Tsui To Fei

### Non-executive Directors

Mr. Leung Wai Chuen
Mr. Sincere Wong (appointed on 28 January 2019)

### Independent Non-executive Directors

Mr. Ho Wing Tim
Mr. Ng Wang To
Ms. Law Chui Yuk

## Non-executive of Directors

The Company has entered into a letter of appointment with each of the non-executive Directors for a term of three years, which may be terminated earlier by no less than three months written notice served by either party on the other.

## Independent non-executive of Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Board was consisted of three independent non-executive Directors during the Reporting Period. During the Reporting Period and as at the date of this annual report, the number of independent non-executive Directors represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement. Amongst the independent non-executive Directors, Ms. Law Chui Yuk has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Company has entered into a letter of appointment with each of the independent non-executive Directors for a term of three years, which may be terminated earlier by no less than three months written notice served by either party on the other.

Specific enquiry has been made by the Company to each of the independent non-executive Directors to confirm their independence pursuant to Rule 3.13 of the Listing Rules. In this connection, the Company has received the positive annual confirmations from all of the three independent non-executive Directors. Based on the confirmations received and after annual assessment by the nomination committee of the Company at a meeting held on 21 June 2019, the Company considers all independent non-executive Directors to be independent under the Listing Rules.

## Board diversity

The Board has adopted a board diversity policy in December 2018, which sets out its approach to achieve diversity in the Board by annual review and assessment, recommendation by the nomination committee of the Company on any new appointment, re-election or any succession plan of any Directors to the Board, and to ensure that the Board has a balance of skills, experience and diversity which is appropriate to the needs of the Company's business. The selection of candidates of any new directors will be based on a range of criteria, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The appointment of Directors will continue to be made based on merit and potential contribution by the candidate to the Board and the Company. Each of Directors' respective biographical details is set out in the section "Biographical Details of Directors and Senior Management" of this annual report. The Board considers that each Director has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and its Shareholders.

After annual assessment by the nomination committee of the Company at a meeting held on 21 June 2019, the Company considers that, all Directors demonstrated themselves in their respective fields of expertise to perform a check and balance function with diversity of skills, knowledge, varied background and experience required for running an effective Board.

## Re-election of Directors

Pursuant to Article 84 of the articles of association of the Company (the "Articles"), one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Leung Wai Chuen will not offer himself for re-election, and will retire from office as a Director after the conclusion of the forthcoming annual general meeting of the Company (the "AGM"). Mr. Ho Wing Tim and Mr. Ng Wang To will retire from office as Directors at the AGM, and being eligible, will offer themselves for re-election thereat.

Pursuant to Article 83(3) of the Articles, Mr. Sincere Wong, being appointed by the Board as an addition to the existing Board on 28 January 2019, will hold office until the following AGM and, being eligible, will offer himself for re-election at the AGM.

## Board and General Meetings

During the Reporting Period, five board meetings were held to approve, among others, the interim results of the Group for the six months ended 30 September 2018, the change of remuneration committee members, and the appointment of a non-executive Director. The AGM will be held on 30 August 2019 and is the first general meeting of the Company since the Listing Date.

The attendance of the respective Directors at the Board meetings set out below:

| | Attendance/ Number of meetings during the Reporting Period |
|---|---|
| **Executive Directors** | |
| Mr. Simon Tso *(Chairman and Chief Executive Officer)* | 5/5 |
| Ms. Tsui To Fei | 5/5 |
| **Non-executive Directors** | |
| Mr. Leung Wai Chuen | 5/5 |
| Mr. Sincere Wong (appointed on 28 January 2019) | 2/2 |
| **Independent Non-executive Directors** | |
| Mr. Ho Wing Tim | 5/5 |
| Mr. Ng Wang To | 5/5 |
| Ms. Law Chui Yuk | 5/5 |

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information when required. The Directors can also seek independent professional advice in appropriate circumstances, at the Company's expense in discharging their duties to the Company. All Directors have unrestricted access to the Company Secretary who is responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committees on compliance matters.

## Directors' and Officers' liability

The Company has arranged appropriate insurance cover in respect of possible legal action against its Directors and senior officers.

## Relationships among Board Members and Senior Management

Saved as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and the Senior Management.

## Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period.

## Directors' Continuing Professional Development Programme

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors to ensure their contributions to the Board remains informed and relevant. In this regard, the Group has always encouraged its Directors to attend relevant training courses to receive the latest news and knowledge regarding the roles, functions and duties of a listed company director.

In 2018, except for Mr. Sincere Wong who was appointed as a non-executive Director subsequent to the Listing, the Company had provided and all Directors had attended one training course before the Listing regarding their roles, functions and duties as a director of listed company. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules, including a relevant training course to be arranged during 2019.

## Board Committees

The Board has established a number of functional committees in compliance with the relevant Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established:

1. The Audit Committee was established on 20 September 2018 with its terms of reference in compliance with Rules 3.21 of the Listing Rules, and paragraphs C.3.3 of the Code;

2. The Remuneration Committee was established on 20 September 2018 with its terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Code;

3. The Nomination Committee was established on 20 September 2018 with its terms of reference in compliance with paragraph A.5 of the Code; and

4. The Corporate Governance Committee was established on 20 September 2018 with its terms of reference in compliance with the Code.

The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee can be found on the Company's website (www.rbmsgroup.com) and the website of the Stock Exchange. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

## Audit Committee

The Audit Committee comprises three members, namely Ms. Law Chui Yuk, Mr. Ho Wing Tim and Mr. Ng Wang To, all of whom are independent non-executive Directors and is chaired by Ms. Law Chui Yuk who has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

With reference to the terms of reference of the Audit Committee, the primary responsibilities of the Audit Committee are, among others:

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and review significant financial reporting judgments contained in them;

4. to discuss with the Company's external auditors questions and doubts arising in the audit of annual accounts;

5. to review the statement about the Company's internal control system (if any) as included in the Company's annual report prior to submission for the Board's approval;

6. to review the Company's financial reporting, financial controls, internal control and risk management systems;

7. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

8. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. to review the financial and accounting policies and practices of the Group;

10. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

11. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

12. to review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

During the Reporting Period, the Audit Committee had held one meeting together with the Company's auditors. The attendance of the members of the Audit Committee is summarised below:

| | Attendance/ Number of meetings during the Reporting Period |
|---|---|
| Ms. Law Chui Yuk *(Chairlady)* | 1/1 |
| Mr. Ho Wing Tim | 1/1 |
| Mr. Ng Wang To | 1/1 |

During the Reporting Period, the Audit Committee had reviewed the Group's interim results for the six months ended 30 September 2018, and discussed internal controls, risk management and financial reporting matters. The Audit Committee had also reviewed the audited annual results for the year ended 31 March 2019 contained in this annual report, and confirmed that this annual report complies with the applicable accounting standards, the Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte") be nominated for re-appointment as the Company's auditor at the AGM. The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

## Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Ng Wang To (Chairman), Ms. Law Chui Yuk and Ms. Tsui To Fei. Mr. Ng Wang To and Ms. Law Chui Yuk are independent non-executive Directors, and Ms. Tsui To Fei is an executive Director.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include, among others:

1. to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

9. to ensure that no Directors or any of his close associates is involved in deciding his own remuneration.

During the Reporting Period, the Remuneration Committee had held three meetings. The attendance of the members of the Remuneration Committee is summarised below:

| | Attendance/ Number of meetings during the Reporting Period |
|---|---|
| Mr. Ng Wang To *(Chairman)* | 3/3 |
| Ms. Law Chui Yuk | 3/3 |
| Ms. Tsui To Fei (elected on 28 November 2018) | 2/2 |
| Mr. Simon Tso (ceased as a member on 28 November 2018) | 1/1 |

During the Reporting Period and up to the date of this annual report, the Remuneration Committee reviewed and made recommendations on the remuneration package of the Senior Management and Directors. The Board is of the view that the Remuneration Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

## Nomination Committee

The Nomination Committee comprises three members, namely Mr. Simon Tso (Chairman), Mr. Ho Wing Tim and Mr. Ng Wang To. Mr. Ho Wing Tim and Mr. Ng Wang To are independent non-executive Directors, and Mr. Simon Tso is an executive Director, the Chairman of the Board and the chief executive officer of the Company.

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include, among others:

1. to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of independent non-executive Directors; and

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Reporting Period, the Nomination Committee held one meeting. The attendance of the members of the Nomination Committee is summarised below:

| | **Attendance/ Number of meetings during the Reporting Period** |
|---|---|
| Mr. Simon Tso *(Chairman)* | 1/1 |
| Mr. Ho Wing Tim | 1/1 |
| Mr. Ng Wang To | 1/1 |

During the Reporting Period and up to the date of this annual report, the Nomination Committee reviewed and assessed (i) the structure, size and composition (including the skills, knowledge and experience) of the Board, (ii) the performance of each of the Directors, (iii) the independence of all independent non-executive Directors, and (iv) proposal for the appointment of a non-executive Director. The Board is of the view that the Nomination Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

In respect of the appointment of a non-executive Director, namely, Mr. Sincere Wong during the Reporting Period, the Nomination Committee made recommendation to the Board after considering his qualification and experience based on the principle of board diversity. Upon the conclusion of the Nomination Committee meeting held for such purpose, a board meeting was held to consider and approve the relevant appointment of directorship and the remuneration recommended by the Remuneration Committee.

## Corporate Governance Committee

The Corporate Governance Committee comprises four members, namely Ms. Law Chui Yuk (Chairlady), Mr. Ho Wing Tim, Mr. Ng Wang To and Mr. Sincere Wong. Ms. Law Chui Yuk, Mr. Ho Wing Tim and Mr. Ng Wang To are independent non-executive Directors, and Mr. Sincere Wong is a non-executive Director.

With reference to the terms of reference of the Corporate Governance Committee, its primary duties are, among others (i) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of the Directors and senior management; (iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company's compliance with the Code and disclosure in the corporate governance report.

During the Reporting Period, the Corporate Governance Committee held one meeting. The attendance of the members of the Corporate Governance Committee is summarised below:

| | **Attendance Number of meetings during the Reporting Period** |
|---|---|
| Ms. Law Chui Yuk *(Chairlady)* | 1/1 |
| Mr. Ho Wing Tim | 1/1 |
| Mr. Ng Wang To | 1/1 |
| Mr. Sincere Wong | 1/1 |

During the Reporting Period and up to the date of this annual report, the Corporate Governance Committee (i) reviewed and monitored the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements; (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management; (iii) reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and (iv) reviewed the Company's compliance with the Code and disclosure in the corporate governance report. The Board is of the view that the Corporate Governance Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

## DIVIDEND POLICY

A dividend policy has been adopted by the Board in December 2018. Please refer to the paragraph headed "Dividend Policy" in the section "Management Discussion and Analysis" of this annual report for details of the Company's dividend policy.

## AUDITOR'S REMUNERATION

During the Reporting Period, the Group engaged Deloitte as the Group's external auditor and to hold office until the conclusion of the AGM. The Company's consolidated financial statements for the year ended 31 March 2019 have been audited by Deloitte. The remuneration paid or payable to Deloitte is set out as follows:

**Services rendered**

| | Fees paid/payable for the year ended 31 March | |
|---|---|---|
| | **2019** (HK$'000) | **2018** (HK$'000) |
| Statutory audit services | 1,050 | 500 |
| Non-statutory audit services as reporting accountant for listing of the shares of the Company on the Stock Exchange | 1,180 | 1,380 |

## COMPANY SECRETARY

Mr. Chan Cheung ("Mr. Chan") is the Company Secretary of the Company. Please refer to the section headed "Biographical details of Directors and Senior Management" of this annual report for his biographical information.

Mr. Chan has confirmed that he took not less than 15 hours of relevant professional training during the Reporting Period in compliance with rule 3.29 of the Listing Rules.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

1. all material controls, including but not limited to financial, operational and compliance controls;

2. risks management functions; and

3. the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

During the Reporting Period, the Audit Committee assessed once the risk management and internal control environment of the Group and reviewed once the internal control procedural manual of the Group and considers that the Group's risk management and internal control systems effective and adequate. The systems are designed in consideration of the nature of business and the organisation structure. Further, the systems are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

During the Reporting Period, the Group has engaged external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

In order to enhance the Group's system of handling inside information, and to ensure timely and accurate disclosure of such information pursuant to the relevant provisions under the SFO and the Listing Rules, the Group has also adopted and implemented an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements in relation to the Group, which include:

- all Directors, employees or any services providers, who are in possession of possible inside information, covenant to keep such information remains confidential until it is authorized for publication;
- confidentiality clause is included when the Group is at a stage of preliminary negotiation with any party;
- the dissemination of inside information is timely, efficiently and consistently made when it is the subject of decision of the Board;
- notification of blackout period or prohibition period to deal in securities of the Company to all Directors and employees who are in possession of inside information; and
- the Group continually keeps all Directors and employees updated of the latest and new amendments on legal disclosure requirements of inside information.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

## COMMUNICATIONS WITH SHAREHOLDERS

The AGM is a forum in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including independent non-executive Directors) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the Shareholders concerning the audit procedures and the auditors' report.

The AGM will be held on 30 August 2019, the notice of which shall be sent to the Shareholders at least 20 clear business days prior to the AGM.

## SHAREHOLDERS' RIGHTS

### Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the acquisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

### Procedures for Shareholders' Nomination of Directors

Pursuant to Article 85 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch 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 and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

### Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax at (852) 3753 2878.

The addresses of the Company's head office and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

## INVESTOR RELATIONS

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via the Company's website (www.rbmsgroup.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all Shareholders and encourage them to attend the AGM and all future general meetings.

The Shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: 50/F, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

## AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. During the Reporting Period, there had been no change in the constitutional documents of the Company.

The Board is pleased to present the annual report together with the audited consolidated financial statements (the "Financial Statements") of the Company for the year ended 31 March 2019 (the "Reporting Period").

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 36 to the Financial Statements of this annual report. During the Reporting Period, the Group was principally engaged in the retailing and supplying of overseas manufactured tiles in Hong Kong.

An analysis of the Group's results for the Reporting Period by segments is set out in Note 5 to the Financial Statements of this annual report.

## BUSINESS REVIEW

The business review of the Group for the Reporting Period, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the business of the Group, is set out in the section headed "Management Discussion and Analysis" on pages 4 to 11 of this annual report. These discussion and analysis form part of this Report of the Directors.

## RESULTS AND APPROPRIATIONS

The Group's results for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 42 of this annual report.

## DIVIDEND

On 10 September 2018, the Company declared dividends of HK$109,000,000 to the then sole shareholder of the Company. Save as aforesaid, the Directors do not recommend any payment of dividend for the Reporting Period (2018: nil).

## SUMMARY OF FINANCIAL INFORMATION

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 96 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 13 to the Financial Statements of this annual report.

## SHARE CAPITAL

The Company's issued share capital as at 31 March 2019 was 2,000,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital of the Company during the Reporting Period are set out in Note 25 to the Financial Statements of this annual report.

## PRE-EMPTIVE RIGHTS

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

## CHARITABLE DONATIONS

The Group made charitable donations of approximately HK$535,000 for the year ended 31 March 2019.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in Note 35 to the Financial Statements and the consolidated statement of changes in equity of this annual report, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution as calculated in accordance with the Articles and the Companies Law Cap. 22 of Cayman Islands, was approximately HK$51.0 million inclusive of share premium and accumulated losses.

## MAJOR CUSTOMERS AND SUPPLIERS

The major customers of the Group include some of the major project customers in Hong Kong and distributors in the PRC. Many of the Group's five largest customers and suppliers have established long term business relationship with the Group. The Directors believe that such long-term relationships represent confidence and trust from business partners and acknowledgement of the Group's ability.

The Group recognises the importance of maintaining good relationships with customers and suppliers to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with business partners when appropriate.

For each of the years ended 31 March 2019 and 2018, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total revenue of the respective years.

For the year ended 31 March 2019, the Group's five largest suppliers in aggregate accounted for approximately 50.7% (2018: approximately 56.3%) of the Group's total purchases. The largest supplier accounted for approximately 18.0% (2018: approximately 23.5%) of the Group's total purchases.

To the best of the knowledge of the Directors, none of the Directors, their close associates nor any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers and suppliers.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were as follows:

### Executive Directors:

Mr. Simon Tso
Ms. Tsui To Fei

### Non-executive Directors:

Mr. Leung Wai Chuen
Mr. Sincere Wong

### Independent non-executive Directors:

Mr. Ho Wing Tim
Mr. Ng Wang To
Ms. Law Chui Yuk

Except for Mr. Sincere Wong who was appointed on 28 January 2019, all the other Directors were appointed on 20 September 2018.

Mr. Leung Wai Chuen will not offer himself for re-election, and will retire from office as a Director after the conclusion of the forthcoming AGM. In accordance with Article 84 of the Articles, Mr. Ho Wing Tim and Mr. Ng Wang To shall retire by rotation at the forthcoming AGM, and each of them, being eligible, would offer himself for re-election at the forthcoming AGM.

In accordance with Article 83(3) of the Articles, Mr. Sincere Wong shall hold office until the forthcoming AGM and, being eligible, would offer himself for re-election at the forthcoming AGM.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and members of the senior management of the Company are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 15 in this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 29 to the Financial Statements of this annual report, no transactions, arrangements or contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisting at the end of the Reporting Period or at any time during the Reporting Period.

## MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

## CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction" below, there was no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries for the Reporting Period.

## REMUNERATION OF THE DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in Note 6 to the Financial Statements of this annual report.

The emoluments paid or payable to the Senior Management of the Group who are not Directors were within the following bands:

| | Year ended 31 March | |
|---|---|---|
| | **2019** | **2018** |
| | Number of individuals | Number of individuals |
| Nil to HK$1,000,000 | 2 | 3 |
| HK$1,000,001 to HK$1,500,000 | 1 | – |

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors, managing Directors, alternate Directors, auditors, secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Company and directors of the subsidiaries of the Group.

## EMOLUMENT POLICY

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

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

## PENSION SCHEMES

Details of the Group's pension schemes for the Reporting Period are set out in Note 28 to the Financial Statements of this annual report.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the Reporting Period and up to the date of this report, each of the Directors, the controlling shareholders of the Company (the "Controlling Shareholders") and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

## NON-COMPETITION UNDERTAKING

In order to protect the Group's interest in its business activities, the Controlling Shareholders (collectively, the "Covenantors") entered into the Deed of Non-Competition on 20 September 2018. Under the terms of the Deed of Non-Competition, each of the Covenantors, among others, has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each of its subsidiaries for the time being) that with effect from the date of listing of the Company on the Stock Exchange and for so long as he/it remains as a Controlling Shareholder of the Company or during the period when the Shares remain listed on the Stock Exchange, except for transactions contemplated under agreements (if any) entered or to be entered into with the Group, that he/it will not, and will procure his/its associates (other than the Group) not to compete directly or indirectly with the businesses of the Group.

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with any business opportunity of the Group, he/it shall procure that his/its close associates to promptly notify the Group in writing with such required information to enable the Group to evaluate the merits of the relevant business opportunity and the Group shall have a right of first refusal to take up such opportunity. The parties shall then negotiate in good faith with respect to a collaboration for such new business.

The Group shall, within 30 days after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal. The Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Details of the Deed of Non-Competition have been set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The Company has received a written confirmation from each of the Covenantors in respect of its/his/her compliance with the terms of the Deed of Non-Competition during the Reporting Period and up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the Deed of Non-Competition. The independent non-executive Directors had reviewed the status of compliance and the confirmation provided by the Controlling Shareholders, and on the basis of such confirmation are of the view that the Controlling Shareholders have complied with the Deed of Non-Competition and the non-competition undertakings have been enforced by the Company in accordance with its terms.

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

Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the Reporting Period.

The Company did not redeem any of its listed securities during the Reporting Period.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the sections headed "Disclosure of Interests" and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

## EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during Reporting Period or subsisted at the end of the Reporting Period.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is devoted to promoting and maintaining the environmental and social sustainable development of the regions where it operates. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste. A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Reporting Period.

## RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER KEY STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

## AUDIT COMMITTEE

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group 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, the Directors confirmed that, the Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

## 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.

## AUDITOR

Deloitte Touche Tohmatsu ("Deloitte"), Certified Public Accountants, has been appointed by the Directors as the first auditor of the Company since the Listing Date. Deloitte will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM. The Financial Statements have been audited by Deloitte.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme on 20 September 2018 (the "Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

Pursuant to the Share Option Scheme for the primary purpose of providing incentives to Directors, employees, and any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group (the "Eligible Participants"), the Eligible Participants may, at the discretion of the Board, be granted options (the "Options") to subscribe for shares in the Company at a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day, (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of grant of the option.

Without prior approval from the Shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the Shares of the Company as at the date of the listing of the Company's shares on the Stock Exchange (i.e. 200,000,000 Shares, which represents 10% of the Shares as at 31 March 2019). The number of Shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time.

Pursuant to the Share Option Scheme, HK$1 is payable by the grantee to the Company on acceptance of the option on or before the relevant acceptance date set out in the offer letter.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption (i.e. 20 September 2018).

No options have been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 March 2019.

## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporation

As at 31 March 2019, the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

#### (i) Long Position in the Shares

| Name of Director | Capacity/Nature | Number of Shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Simon Tso | Beneficiary of a trust | 1,500,000,000[1] | 75% |
| Ms. Tsui To Fei | Interest of a spouse | 1,500,000,000[2] | 75% |

*Notes:*

1. RB Power Limited ("RB Power") is wholly owned by RB Management Holding Limited ("RB Management"), the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso as one of the beneficiaries (the "Family Trust"). By virtue of the SFO, Mr. Tso is deemed to be interested in the Shares held by RB Power.

2. Ms. Tsui is the spouse of Mr. Tso. Under Part XV of the SFO, Ms. Tsui is deemed to be interested in the same number of Shares in which Mr. Tso is interested.

### (ii) Long position in the ordinary shares of an associated corporation

| Name of Director | Name of associated corporation | Capacity | Number of ordinary shares held | Percentage of shareholding interest |
|---|---|---|---|---|
| Mr. Simon Tso | RB Power | Beneficiary of a trust | 1 | 100% |
| Ms. Tsui To Fei | RB Power | Interest of a spouse | 1 (Note) | 100% |

*Note:* Ms. Tsui is the spouse of Mr. Tso. Under Part XV of the SFO, Ms. Tsui is deemed to be interested in the same number of shares in which Mr. Tso is interested.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which had to be notified to the Company and the Stock Exchange under the SFO or pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 March 2019, the interest and short positions of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

### Long Position in the Shares

| Name of Shareholder | Capacity/Nature | Number of Shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| TMF (Cayman) Ltd. | Trustee of a trust | 1,500,000,000 (Note) | 75% |
| RB Management | Interest of a controlled corporation | 1,500,000,000 (Note) | 75% |
| RB Power | Beneficial owner | 1,500,000,000 (Note) | 75% |

*Note:* RB Power (Mr. Tso being its sole director) is wholly owned by RB Management, the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of the Family Trust, which is a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso and Mr. Tso's family members as beneficiaries. By virtue of the SFO, each of TMF (Cayman) Ltd. and RB Management is deemed to be interested in the Share held by RB Power.

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any corporation which/person (other than a Director or the chief executive of the Company) who had interest or short position in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO.

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Other than the related party transaction disclosed in Note 29 to the Financial Statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Details of the significant related party transactions undertaken in the ordinary course of business are provided under Note 29 to the Financial Statements of this annual report. The related party transactions which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules are summarised below.

On 20 September 2018, the Company entered into a master tenancy agreement (the "Master Tenancy Agreement") with Mr. Tso and Ms. Tsui, pursuant to which Mr. Tso and Ms. Tsui agreed to, through Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited (together referred to as the "Landlords"), lease six premises, being a warehouse and five retail shops, to the Group. The lease terms of the premises under the Master Tenancy Agreement are all from 20 September 2018 to 31 March 2021.

Mr. Tso is an executive Director and a Controlling Shareholder of the Company. Ms. Tsui is an executive Director and the spouse of Mr. Tso. Cyber Building Limited is owned as to 50% by Mr. Tso and 50% by Ms. Tsui. Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited are indirectly wholly owned by Mr. Tso. As such, the Landlords are associates of Mr. Tso and Ms. Tsui and hence connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Master Tenancy Agreement with the Landlords constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. For details of the relationships between the Landlords and Mr. Tso/Ms. Tsui, please refer to the section headed "Connected Transactions" in the Prospectus.

As disclosed in the Prospectus, the annual caps set for the year ending 31 March 2019 under the Master Tenancy Agreements regarding the rental payments (in aggregate) to Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited were HK$6,360,000, HK$4,920,000, HK$2,520,000 and HK$ 3,360,000, respectively. For the period from 19 October 2018 (the Listing Date) to 31 March 2019 (both dates inclusive), rental payments to Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited amounted to approximately HK$2,872,000, HK$2,222,000, HK$1,138,000 and HK$1,517,000 respectively, which did not exceed the respective applicable annual caps on a pro-rate basis for the same period.

The Company applied for, and the Stock Exchange granted a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements of the Listing Rules in relation to the Master Tenancy Agreement. The Company complied with all other relevant requirements under Chapter 14A of the Listing Rules.

## ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LISTING RULES

The Directors (including the independent non-executive Directors) have reviewed the continuing connected transactions and confirmed that they have been entered into on normal commercial terms in the ordinary and usual course of business of the Group, and in accordance with the relevant agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company had reviewed the continuing connected transactions and provided a letter to the Board in accordance with Rule 14A.56 of the Listing Rules and confirmed, inter alia, that the continuing connected transactions have been entered into in accordance with the relevant agreements governing the continuing connected transactions and the continuing connected transactions have not exceeded the annual caps disclosed in the Prospectus.

## 2019 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM will be held at The Penthouse Function Room, 39/F, L'Hotel Causeway Bay Harbour View, 18 King's Road, Causeway Bay, Hong Kong, Hong Kong on Friday, 30 August 2019 at 11:00 a.m..

For determining the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 27 August 2019 to Friday, 30 August 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26 August 2019. All persons who are registered holders of the Shares on 30 August 2019, the record date of the AGM, will be entitled to attend and vote at the AGM.

## EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any important event requiring disclosure that has been taken place subsequent to 31 March 2019 and up to the date of this report.

On behalf of the Board
**Simon Tso**
*Chairman and Chief Executive Officer*

Hong Kong, 21 June 2019

Deloitte. 德勤

**TO THE SHAREHOLDERS OF MOS House Group Limited**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of MOS House Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 42 to 95, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of trade receivables** | |
| We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.<br><br>As at 31 March 2019, the Group's net trade receivables amounting to approximately HK$46,557,000, which represented approximately 17.9% of total assets of the Group and out of these trade receivables of approximately HK$35,213,000 were past due. As explained in notes 2 and 33 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") and recognised an additional impairment of HK$1,844,000 as at 1 April 2018 in accordance with the transitional provisions of HKFRS 9.<br><br>As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL on (i) trade receivables from customers located in the People's Republic of China ("PRC Distributors"), trade receivables with aggregated significant outstanding balances exceeding HK$1,000,000 and credit-impaired trade receivables individually; and (ii) remaining trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering the past due status of respective trade receivables. Estimated loss rates are based on internal credit rating which reflect credit risk characteristics with reference to historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.<br><br>As disclosed in note 33 to the consolidated financial statements, the Group recognised an additional amount of HK$2,392,000 of impairment of trade receivables for the year (net of the reversal of HK$760,000) and the Group's lifetime ECL on trade receivables as at 31 March 2019 amounted to approximately HK$4,236,000. | Our procedures in relation to the impairment assessment of trade receivables included:<br><br>• Understanding key controls on how the management estimates the loss allowance for trade receivables;<br><br>• Testing the reasonableness of the ECL adjustment made by the Group as at 1 April 2018 on initial adoption of HKFRS 9;<br><br>• Understanding and assessing the appropriateness of management's methodology for identifying internal credit rating of trade receivables which reflect the credit risk characteristics;<br><br>• Evaluating the reasonableness of the credit loss allowance on individually assessed trade receivables at 1 April 2018 and 31 March 2019, with reference to internal credit rating assigned based on historical observed default rate of the debtors and forward-looking information;<br><br>• Testing the accuracy of trade receivables past due ageing analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and monthly statement for sales;<br><br>• Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 1 April 2018 and 31 March 2019, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical observed default rate and forward-looking information); and<br><br>• Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period. |

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition on sales of products** | |
| We identified revenue recognition on sales of products, regarding whether sales transactions have occurred or recognised in proper period, as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss. In addition, due to the significant volume of transactions, minor errors could, in aggregate, have a material impact on the consolidated financial statements.<br><br>During the year ended 31 March 2019, the Group recognised revenue of HK$166,694,000. An analysis of the Group's revenue for the year is set out in note 5 to the consolidated financial statements. | Our procedures in relation to the revenue recognition on sales of products included:<br><br>• Understanding the revenue business process and the revenue recognition policy of the Group;<br><br>• Testing the key controls over the revenue arising from sales of products;<br><br>• Confirming the total sales recognised during the year ended 31 March 2019 with major customers;<br><br>• Tracing recorded sales transactions, on a sample basis, to the corresponding delivery documents;<br><br>• Tracing early and late cutoff of revenue from delivery documents, on a sample basis, to assess appropriateness of period in which revenue recorded; and<br><br>• Applying regression analysis and exploratory data analysis techniques to investigate any unusual patterns of revenue generated from retail sales, and obtaining and assessing the reasonableness of management's explanation for the unusual patterns identified. |

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

*(Continued)*

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chau Chi Ka.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
21 June 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

| | *Notes* | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| Revenue | *5* | **166,694** | 190,839 |
| Other income | *7* | **988** | 501 |
| Other gains and losses | *7* | **2,804** | (4,841) |
| Net impairment losses on trade receivables | | **(2,392)** | – |
| Cost of inventories sold | | **(48,421)** | (59,022) |
| Staff costs | | **(23,594)** | (21,370) |
| Depreciation | | **(1,698)** | (2,948) |
| Property rentals and related expenses | | **(52,743)** | (50,190) |
| Other expenses | | **(28,311)** | (26,085) |
| Finance costs | *8* | **(4,445)** | (4,240) |
| Profit before taxation | *9* | **8,882** | 22,644 |
| Taxation | *10* | **(3,083)** | (5,538) |
| Profit and total comprehensive income for the year | | **5,799** | 17,106 |
| Profit and total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | **5,824** | 17,077 |
| Non-controlling interests | | **(25)** | 29 |
| | | **5,799** | 17,106 |
| Earnings per share | | | |
| Basic (HK cents) | *12* | **0.34** | 1.14 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | *13* | **4,495** | 3,780 |
| Deferred tax assets | *14* | **1,572** | 788 |
| Deposits | *17* | **17,156** | 16,771 |
| | | **23,223** | 21,339 |
| Current assets | | | |
| Inventories | *15* | **75,272** | 73,398 |
| Trade receivables | *16* | **46,557** | 32,820 |
| Deposits, prepayments and other receivables | *17* | **8,815** | 8,586 |
| Amount due from a director | *18* | **1,337** | 35,880 |
| Amounts due from related companies | *19* | **800** | 130,938 |
| Tax recoverable | | **688** | – |
| Pledged bank deposit | *20* | **65,453** | – |
| Bank balances and cash | *20* | **37,321** | 6,308 |
| | | **236,243** | 287,930 |
| Current liabilities | | | |
| Trade payables | *21* | **19,186** | 35,277 |
| Other payables and accrued charges | *22* | **6,489** | 19,603 |
| Contract liabilities | *23* | **7,976** | – |
| Amount due to a related company | *19* | **–** | 6,463 |
| Tax payable | | **41** | 934 |
| Bank borrowings | *24* | **137,702** | 136,834 |
| | | **171,394** | 199,111 |
| Net current assets | | **64,849** | 88,819 |
| Total assets less current liabilities | | **88,072** | 110,158 |
| Capital and reserves | | | |
| Share capital | *25* | **20,000** | – |
| Reserves | | **67,901** | 109,962 |
| Equity attributable to owners of the Company | | **87,901** | 109,962 |
| Non-controlling interests | | **171** | 196 |
| Total equity | | **88,072** | 110,158 |

The consolidated financial statements on pages 42 to 95 were approved and authorised for issue by the Board of Directors on 21 June 2019 and are signed on its behalf by:

**Mr. Simon Tso**
*DIRECTOR*

**Ms. Tsui To Fei**
*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 | **Other reserve** HK$'000 | **Retained profits** HK$'000 | **Sub-total** HK$'000 | **Non-controlling interests** HK$'000 | **Total** HK$'000 |
| At 1 April 2017 | – | – | 17 | 92,868 | 92,885 | 167 | 93,052 |
| Profit and total comprehensive income for the year | – | – | – | 17,077 | 17,077 | 29 | 17,106 |
| At 31 March 2018 | – | – | 17 | 109,945 | 109,962 | 196 | 110,158 |
| Adjustment (note 2) | – | – | – | (1,540) | (1,540) | – | (1,540) |
| At 1 April 2018 (restated) | – | – | 17 | 108,405 | 108,422 | 196 | 108,618 |
| Profit and total comprehensive income (expense) for the year | **–** | **–** | **–** | **5,824** | **5,824** | **(25)** | **5,799** |
| Dividend declared (note 11) | **–** | **–** | **–** | **(109,000)** | **(109,000)** | **–** | **(109,000)** |
| Issue of shares (note 25) | **5,000** | **90,000** | **–** | **–** | **95,000** | **–** | **95,000** |
| Capitalisation issue (note 25) | **15,000** | **(15,000)** | **–** | **–** | **–** | **–** | **–** |
| Transaction costs directly attributable to issue of shares | **–** | **(12,345)** | **–** | **–** | **(12,345)** | **–** | **(12,345)** |
| At 31 March 2019 | **20,000** | **62,655** | **17** | **5,229** | **87,901** | **171** | **88,072** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 8,882 | 22,644 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,698 | 2,948 |
| Net impairment losses on trade receivables | 2,392 | – |
| Bank interest income | (657) | – |
| Finance costs | 4,445 | 4,240 |
| Loss on written-off of property, plant and equipment | 17 | 9 |
| Operating cash flows before movements in working capital | 16,777 | 29,841 |
| Increase in inventories | (1,874) | (12,256) |
| Increase in trade receivables | (17,973) | (17,973) |
| Increase in deposits, prepayments and other receivables | (614) | (1,422) |
| (Decrease) increase in trade payables | (16,091) | 6,423 |
| (Decrease) increase in other payables and accrued charges | (5,758) | 6,968 |
| Increase in contract liabilities | 400 | – |
| Net cash (used in) generated from operations | (25,133) | 11,581 |
| Income tax paid | (5,144) | (5,756) |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | (30,277) | 5,825 |
| INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (2,430) | (507) |
| Bank interest received | 657 | – |
| Placement of pledged bank deposit | (65,453) | – |
| Advance to a director | (351) | (22,803) |
| Repayment from a director | 1,559 | 5,205 |
| Advances to related companies | (641) | (5,286) |
| Repayments from related companies | 55,114 | – |
| NET CASH USED IN INVESTING ACTIVITIES | (11,545) | (23,391) |
| FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 95,000 | – |
| Transaction cost directly attributable to issue of shares | (12,125) | – |
| Interest paid | (4,445) | (4,240) |
| Repayment to a related company | (6,463) | (1,876) |
| New bank borrowing raised | 100,055 | 123,685 |
| Repayment of bank borrowings | (99,187) | (113,387) |
| NET CASH FROM FINANCING ACTIVITIES | 72,835 | 4,182 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 31,013 | (13,384) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 6,308 | 19,692 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTED BY | | |
| Bank balances and cash | 37,321 | 6,308 |

## 1. GENERAL

MOS House Group Limited ("the Company") was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 25 September 2015. The Company's shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 October 2018.

The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, respectively.

Its immediate holding company is RB Power Limited ("RB Power") and its ultimate holding company is RB Management Holding Limited (the "Trust Company"), companies incorporated in the British Virgin Islands ("BVI"). They are controlled by Mr. Simon Tso ("Mr. Tso").

The Company is an investment holding company. The activities of its subsidiaries are set out in note 36.

The Company was formerly known as RBMS Group Limited. Its name changed to MOS House Group Limited on 25 January 2018.

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

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

In addition, the Group has applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 April 2019.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

#### 2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded Hong Kong Accounting Standards ("HKAS") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits or other components of equity and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from sales of tiles and bathroom fixtures and related delivery services in Hong Kong which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

***Summary of effects arising from initial application of HKFRS 15***

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

| | Note | Carrying amounts previously reported at 31 March 2018<br>HK$'000 | Reclassification<br>HK$'000 | Carrying amounts under HKFRS 15 at 1 April 2018<br>HK$'000 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Other payables and accrued charges | (a) | 19,603 | (7,576) | 12,027 |
| Contract liabilities | (a) | – | 7,576 | 7,576 |

*Note:*

(a) As at 1 April 2018, advances from customers of HK$7,576,000 in respect of sales of tiles and bathroom fixtures contracts previously included in other payables and accrued charges were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for current year for each of the line items affected. Line items that were not affected by the changes have not been included.

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

#### 2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

***Summary of effects arising from initial application of HKFRS 15*** *(Continued)*

*Impact on the consolidated statement of financial position*

| | **As reported**<br>HK$'000 | **Adjustment**<br>HK$'000 | **Amounts without application of HKFRS 15**<br>HK$'000 |
|---|---|---|---|
| **Current Liabilities** | | | |
| Other payables and accrued charges | 6,489 | 7,976 | 14,465 |
| Contract liabilities | 7,976 | (7,976) | – |

*Impact on the consolidated statement of cash flows*

| | **As reported**<br>HK$'000 | **Adjustment**<br>HK$'000 | **Amounts without application of HKFRS 15**<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Decrease in other payables and accrued charges | (5,758) | 400 | (5,358) |
| Increase in contract liabilities | 400 | (400) | – |

There is no material impact on the revenue recognition on the timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 April 2018.

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

#### 2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses ("ECL") for financial assets and financial guarantee contracts; and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

***Summary of effects arising from initial application of HKFRS 9***

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

| | Notes | Amortised cost (previously classified as loans and receivables) HK$'000 | Payments for life insurance policies HK$'000 | Deferred tax assets HK$'000 | Retained profits HK$'000 |
|---|---|---|---|---|---|
| **Closing balance at 31 March 2018 — HKAS 39** | | 212,299 | – | 788 | 109,945 |
| **Reclassification** | | | | | |
| From loans and receivables | (a) | (5,897) | 5,897 | – | – |
| **Remeasurement** | | | | | |
| Impairment under ECL model | (b) | (1,844) | – | 304 | (1,540) |
| **Opening balance at 1 April 2018** | | 204,558 | 5,897 | 1,092 | 108,405 |

Notes:

(a) Under HKAS 39, payments for life insurance policies are measured at amortised cost. Since 1 April 2018, payments for life insurance policies are stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

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

### New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

#### 2.2 HKFRS 9 "Financial Instruments" and the related amendments *(Continued)*

***Summary of effects arising from initial application of HKFRS 9*** *(Continued)*

Notes: *(Continued)*

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables from distributors located in the People's Republic of China ("PRC Distributors") and trade receivables with aggregated outstanding balances exceeding HK$1,000,000 have been assessed individually, while remaining trade receivables have been assessed collectively using a provision matrix grouped with past due status as at 1 April 2018. As at 1 April 2018, the allowance for credit losses of HK$1,844,000 has been recognised against retained profits. The allowance for credit losses is charged against the allowance account. The deferred tax assets increased by HK$304,000.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits and other receivables, amounts due from a director and related companies and bank balances are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition. In the opinion of the directors of the Company, the ECL on these financial assets are insignificant on 1 April 2018. Details of the impairment assessment on these financial assets are disclosed in note 33.

All loss allowance for trade receivables as at 31 March 2018 reconciled to the opening allowance for credit losses or trade receivables as at 1 April 2018 is as follows:

| | HK$'000 |
|---|---|
| At 31 March 2018 — HKAS 39 | – |
| Amounts recognised through opening retained profits | 1,844 |
| At 1 April 2018 | 1,844 |

### New and amendments to HKFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

#### HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$98,227,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

The Group currently considers refundable rental deposits paid of HK$11,474,000 as at 31 March 2019 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost upon application of HKFRS 16 and such adjustments are considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

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

**HKFRS 16 "Leases"** *(Continued)*

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation

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

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

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

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

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

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

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

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

### Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

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

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

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

### Revenue recognition (prior to 1 April 2018)

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Leases

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

#### The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment

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

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

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

### Impairment loss on tangible assets

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Inventories

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

### Payments for life insurance policies

Since 1 April 2018, payments for life insurance policies are stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

#### Financial assets

***Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)***

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

***Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)*** *(Continued)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

A financial asset is classified as held for trading if:

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

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

*Amortised cost and interest income*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

***Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)***

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits and other receivables, amounts due from a director and related companies, pledged bank deposit, bank balances and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for the PRC Distributors and trade receivables with aggregated outstanding balances exceeding HK$1,000,000, while the remaining trade receivables have been assessed collectively using a provision matrix grouped with past due status.

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

*(i)* *Significant increase in credit risk*

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

***Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)*** *(Continued)*

*(i)* *Significant increase in credit risk (Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

*(ii)* *Definition of default*

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii)* *Credit-impaired financial assets*

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

- significant financial difficulty of the issuer of the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower 's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probably that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

***Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)*** *(Continued)*

*(iv)* *Write-off policy*

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

*(v)* *Measurement and recognition of ECL*

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

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

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

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

***Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)*** *(Continued)*

*(v) Measurement and recognition of ECL (Continued)*

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

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

***Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)***

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, payments for life insurance policies, bank balances and cash and amounts due from related companies and a director) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment of loans and receivables below).

***Impairment of loans and receivables (before application of HKFRS 9 on 1 April 2018)***

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

Objective evidence of impairment could include:

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

***Impairment of loans and receivables (before application of HKFRS 9 on 1 April 2018)*** *(Continued)*

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

***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

#### Financial liabilities and equity instruments

***Classification as debt or equity***

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

***Equity instruments***

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

***Financial liabilities at amortised cost***

Financial liabilities including trade payables, other payables and accrued charges, amount due to a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 April 2018)/HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (before application of HKFRS 9 on 1 April 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial liabilities and equity instruments *(Continued)*

***Derecognition of financial liabilities***

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

### Borrowing costs

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

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

### Retirement benefits costs

Payments to Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

### Foreign currencies

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

### Provision of ECL for trade receivables

Upon the initial application of HKFRS 9 since 1 April 2018, the management of the Group measures lifetime ECL of the trade receivables based on (i) trade receivables from PRC Distributors, trade receivables with aggregated significant balances exceeding HK$1,000,000 and credit-impaired trade receivables that are assessed individually; and (ii) remaining trade receivables that are based on provision matrix through grouping of various debtors that have similar loss patterns, after considering the past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. The assessment of credit risk of trade receivables involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 16 and 33, respectively. The carrying amount of trade receivables is HK$46,557,000 (net of allowances for credit losses of HK$4,236,000) as at 31 March 2019.

### Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management of the Group will reassess the estimations on a product-by-product basis at the end of the reporting period and write down for obsolete inventories will be made when necessary.

The carrying amounts of inventories are HK$75,272,000 (2018: HK$73,398,000) as at 31 March 2019.

## 5. REVENUE AND SEGMENTAL INFORMATION

### (A) Revenue

**For the year ended 31 March 2019**

Disaggregation of revenue was disclosed as follows:

| | HK$'000 |
|---|---|
| **Types of products:** | |
| — Porcelain tiles | 144,254 |
| — Ceramic tiles | 4,769 |
| — Mosaic tiles | 4,072 |
| — Bathroom fixtures and others | 13,599 |
| | 166,694 |
| **Geographical market by location of delivery:** | |
| Hong Kong | 166,694 |
| **Timing of revenue recognition:** | |
| At a point in time | 166,694 |
| **Sales channel:** | |
| Retail | 128,786 |
| Other | 37,908 |
| | 166,694 |

The Group makes sales transactions of tiles and bathroom fixtures with customers both through its own retail outlets and other channels.

Revenue is recognised when control of the products has been transferred to the customers, being at the point the customers purchased and took the goods at the retail outlets directly or being when the goods have been delivered to the customers' specific location. Transportation and other related activities that occurred before customers obtained control of the related products are considered as fulfilment activities. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group generally does not grant any credit period to retail customers. Credit period of 30 to 180 days are granted to non-retail customers with bulk purchases (including the PRC Distributors). The transaction price received by the Group for goods that require delivery is recognised as a contract liability until the goods have been delivered to the customer.

The Group applies practical expedient of HKFRS 15 which allows the Group not to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period because the performance obligation is part of a contract that has an original expected duration of one year or less.

**For the year ended 31 March 2018**

Revenue represents the fair value of amounts received and receivable from the sales of goods by the Group to outside customers, net of discount.

The following is an analysis of the Group's revenue from its major products:

| | 2018<br>HK$'000 |
|---|---|
| Porcelain tiles | 173,997 |
| Ceramic tiles | 5,661 |
| Mosaic tiles | 5,275 |
| Bathroom fixtures and others | 5,906 |
| | 190,839 |

## 5. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

### (B) Segmental information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

#### Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered. The Group's property, plant and equipment amounting of HK$4,495,000 (2018: HK$3,780,000), as at 31 March 2019, are all located in Hong Kong by physical location of assets. Payments for the insurance policies of HK$6,070,000 as at 31 March 2019 and deposits and prepayments of HK$11,086,000 (2018: HK$10,874,000) as at 31 March 2019 are located in Hong Kong by the location of the counterparties.

#### Information about major customers

No individual customer was accounted for over 10% of the Group's total revenue during both years.

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

Mr. Tso was appointed as the executive director of the Company on 25 September 2015 and Ms. Tsui To Fei was appointed as the executive director of the Company on 26 January 2018. Mr. Wan Tat Bond was appointed as the executive director of the Company on 17 December 2015 and was resigned as director of the Company on 6 September 2017. Mr. Leung Wai Chuen was appointed as a non-executive director of the Company on 6 November 2017. Mr. Ho Wing Tim, Mr. Ng Wang To and Ms. Law Chui Yuk were appointed as independent non-executive directors on 20 September 2018. Mr. Sincere Wong was appointed as a non-executive director on 28 January 2019. The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during both years were as follows:

| | Year ended 31 March 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Executive directors | | Non-executive directors | | Independent non-executive directors | | | |
| | Mr. Tso HK$'000 | Ms. Tsui To Fei HK$'000 | Mr. Leung Wai Chuen HK$'000 | Mr. Sincere Wong HK$'000 | Mr. Ho Wing Tim HK$'000 | Mr. Ng Wang To HK$'000 | Ms. Law Chui Yuk HK$'000 | Total HK$'000 |
| Fees *(Note a)* | - | - | 300 | 43 | 127 | 127 | 127 | 724 |
| Other emoluments | | | | | | | | |
| Salaries and other benefits *(Note a)* | 2,874 | 607 | - | - | - | - | - | 3,481 |
| Discretionary bonus *(Note b)* | 69 | 49 | 500 | - | - | - | - | 618 |
| Retirement benefits scheme contributions | 18 | 18 | - | - | - | - | - | 36 |
| Total emoluments | 2,961 | 674 | 800 | 43 | 127 | 127 | 127 | 4,859 |

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

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

| | Year ended 31 March 2018 | | | | |
|---|---|---|---|---|---|
| | Executive directors | | Non-executive directors | | |
| | Mr. Tso HK$'000 | Ms. Tsui To Fei HK$'000 | Mr. Wan Tat Bond HK$'000 | Mr. Leung Wai Chuen HK$'000 | Total HK$'000 |
| Fees *(Note a)* | – | – | – | – | – |
| Other emoluments | | | | | |
| Salaries and other benefits *(Note a)* | 2,836 | 588 | 100 | 121 | 3,645 |
| Discretionary bonus *(Note b)* | 69 | 49 | – | – | 118 |
| Retirement benefits scheme contributions | 18 | 18 | 1 | 2 | 39 |
| Total emoluments | 2,923 | 655 | 101 | 123 | 3,802 |

*Notes:*

a. The emoluments of executive directors stated above were for their services in connection with management of the affairs of the Company and subsidiaries. The emoluments of non-executive directors and independent non-executive directors state above were for their services in connection with their roles as directors of the Company.

b. Discretionary bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance.

c. Mr. Tso acts as the chairman and chief executive of the Group.

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during both years.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2018: two) was director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2018: three) highest paid employees who were neither a director nor chief executive of the Company is follows:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Salaries and other benefits | **2,893** | 2,156 |
| Discretionary bonus | **890** | 487 |
| Retirement benefits scheme contributions | **72** | 54 |
| | **3,855** | 2,697 |

The emoluments of these highest paid non-director employees were within the following bands:

| | **2019 Number of employees** | 2018 Number of employees |
|---|---|---|
| Nil to HK$1,000,000 | **3** | 3 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| | **4** | 3 |

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

## 7. OTHER INCOME/OTHER GAINS AND LOSSES

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Other income** | | |
| Income from government fund | – | 286 |
| Compensation income | – | 37 |
| Bank interest income | 657 | – |
| Others | 331 | 178 |
| | 988 | 501 |

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Other gains and losses** | | |
| Net exchange gain (loss) | 2,821 | (4,832) |
| Loss on written-off of property, plant and equipment | (17) | (9) |
| | 2,804 | (4,841) |

## 8. FINANCE COSTS

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Interest on bank borrowings | 4,445 | 4,240 |

## 9. PROFIT BEFORE TAXATION

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Auditor's remuneration | 1,050 | 500 |
| Directors' emoluments *(note 6)* | 4,859 | 3,802 |
| Other staff costs: | | |
| Salaries and other benefits | 18,003 | 16,870 |
| Retirement benefits scheme contributions | 732 | 698 |
| Total staff costs | 23,594 | 21,370 |
| Operating lease rentals in respect of rented premises | 50,066 | 47,668 |
| Listing expenses (included in other expenses) | 9,168 | 9,051 |

## 10. TAXATION

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Hong Kong Profits Tax: | | |
| Current year | **3,647** | 5,908 |
| Overprovision in prior years | **(84)** | (61) |
| Deferred tax: | | |
| Credit for the year *(note 14)* | **(480)** | (309) |
| | **3,083** | 5,538 |

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

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year ended 31 March 2018.

The taxation for the year can be reconciled to the profit before taxation as follows:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Profit before taxation | **8,882** | 22,644 |
| Taxation at Hong Kong Profits Tax rate of 16.5% | **1,466** | 3,736 |
| Tax effect of expenses not deductible for tax purposes | **1,976** | 1,847 |
| Tax effect of income not taxable for tax purposes | **(34)** | – |
| Overprovision in prior years | **(84)** | (61) |
| Tax effect of two-tiered tax rate | **(165)** | – |
| Others | **(76)** | 16 |
| Taxation for the year | **3,083** | 5,538 |

## 11. DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 March 2018.

On 10 September 2018, the Company declared dividends of HK$109,000,000 (HK$109,000,000 per share) to the then sole shareholder of the Company. The dividends were settled through the amounts due from a director and related companies under the instruction by Mr. Tso.

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 March 2019.

## 12. EARNINGS PER SHARE

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

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| **Earnings:** | | |
| Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to owners of the Company) | **5,824** | 17,077 |
| | **'000** | '000 |
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,724,658** | 1,500,000 |

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue as described in note 25 had been effective on 1 April 2017.

No diluted earnings per share for both years was presented as there were no potential ordinary shares in issue during both years.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture and equipment HK$'000 | Computer equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1 April 2017 | 9,294 | 4,151 | 1,344 | 5,397 | 20,186 |
| Additions | 194 | 225 | 88 | – | 507 |
| Written-off | (252) | (52) | (11) | (970) | (1,285) |
| At 31 March 2018 | 9,236 | 4,324 | 1,421 | 4,427 | 19,408 |
| Additions | 2,014 | 319 | 97 | – | 2,430 |
| Written-off | – | (21) | – | – | (21) |
| At 31 March 2019 | 11,250 | 4,622 | 1,518 | 4,427 | 21,817 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 April 2017 | 5,252 | 3,405 | 1,234 | 4,065 | 13,956 |
| Provided for the year | 1,360 | 305 | 53 | 1,230 | 2,948 |
| Eliminated on written-off | (252) | (44) | (10) | (970) | (1,276) |
| At 31 March 2018 | 6,360 | 3,666 | 1,277 | 4,325 | 15,628 |
| Provided for the year | 1,277 | 266 | 53 | 102 | 1,698 |
| Eliminated on written-off | – | (4) | – | – | (4) |
| At 31 March 2019 | 7,637 | 3,928 | 1,330 | 4,427 | 17,322 |
| CARRYING AMOUNTS | | | | | |
| At 31 March 2019 | 3,613 | 694 | 188 | – | 4,495 |
| At 31 March 2018 | 2,876 | 658 | 144 | 102 | 3,780 |

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

| | |
|---|---|
| Leasehold improvements | Shorter of 5 years or the lease term |
| Furniture and equipment | 20% |
| Computer equipment | 20% |
| Motor vehicles | $33^1/_3$% |

## 14. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the year:

| | **Accelerated accounting depreciation** HK$'000 | **ECL provision** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| At 1 April 2017 | 479 | – | 479 |
| Credit to profit or loss | 309 | – | 309 |
| At 31 March 2018 | 788 | – | 788 |
| Adjustments (note 2.2) | – | 304 | 304 |
| | 788 | 304 | 1,092 |
| At 1 April 2018 (restated) | | | |
| Credit to profit or loss | 86 | 394 | 480 |
| At 31 March 2019 | 874 | 698 | 1,572 |

## 15. INVENTORIES

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Finished goods, at cost | **75,272** | 73,398 |

## 16. TRADE RECEIVABLES

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Total gross carrying amount | **50,793** | 32,820 |
| Less: allowance for credit losses | **(4,236)** | – |
| Total | **46,557** | 32,820 |

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to HK$46,557,000 and HK$30,976,000 respectively.

Generally, the Group did not grant any credit period to its retail customers. Credit period of 30–180 days is granted to customers with bulk purchases (including PRC Distributors).

## 16. TRADE RECEIVABLES *(Continued)*

The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period.

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| 0–30 days | **11,713** | 10,235 |
| 31–60 days | **396** | 4,324 |
| 61–90 days | **992** | 6,431 |
| 91–120 days | **797** | 6,678 |
| Over 120 days | **32,659** | 5,152 |
| | **46,557** | 32,820 |

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$35,213,000 which are past due as at the reporting date. Out of the past due balances, HK$30,149,000 has been past due 90 days or more and is not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, the management of the Group does not consider these trade receivables as credit impaired as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history.

As at 31 March 2018, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$22,620,000, which were past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances. The average age of these receivables is 215 days as at 31 March 2018.

Ageing of trade receivables which are past due but not impaired based on the invoice date:

| | 2018<br>HK$'000 |
|---|---|
| 0–30 days | 7,782 |
| 31–60 days | 2,471 |
| 61–90 days | 5,957 |
| 91–120 days | 1,258 |
| Over 120 days | 5,152 |
| | 22,620 |

There is no allowance for bad and doubtful debts being recognised for the year ended 31 March 2018.

Details of impairment assessment of trade receivables as at 31 March 2019 are set out in note 33.

## 17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Rental and utilities deposits *(note a)* | **11,723** | 11,256 |
| Payments for life insurance policies *(note b)* | **6,070** | 5,897 |
| Prepayments and others *(note a)* | **5,033** | 7,748 |
| Other receivables and deposits | **3,145** | 456 |
| | **25,971** | 25,357 |
| Analysed as: | | |
| Non-current | **17,156** | 16,771 |
| Current | **8,815** | 8,586 |
| | **25,971** | 25,357 |

*Notes:*

a. There are rental deposits paid to Asian Wealth Limited ("**Asian Wealth**") of HK$900,000 (2018: HK$900,000), Cyber Building Limited ("**Cyber Building**") of HK$1,440,000 (2018:HK$1,440,000), and Happy Gear Limited ("**Happy Gear**") of HK$505,000 (2018: HK$505,000), respectively, as at 31 March 2019.

There are rental prepayment paid to Denmark Investments Limited ("**Denmark Investments**") of HK$840,000, Fortune Goldman Limited ("**Fortune Goldman**") of HK$1,230,000 and Cyber Building of HK$1,590,000, respectively, as at 31 March 2019.

These companies are related companies of the Group. Mr. Tso owns 50% equity interest in Asian Wealth and he is the director and controlling shareholder of Cyber Building, Happy Gear, Denmark Investments and Fortune Goldman.

b. On 1 April 2018, payments for life insurance policies are stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

In previous year, the Group has entered into a life insurance policy with an insurance company to insure a director of the Company (the "**First Policy**"). Under this policy, the Group is the beneficiary and policy holder and the total insured sum is United State Dollar ("**USD**") 1,000,000 (equivalent to HK$7,800,000). The Group paid a single premium of USD250,000 (equivalent to HK$1,950,000) at inception. The Group can, at any time, withdraw cash based on the account value of the policy ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge deducted from Account Value. This insurance company will pay the Group a guaranteed interest rate of 4.2% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policy.

The Group has also entered into a life insurance policy with another insurance company to insure the same director of the Company (the "**Second Policy**"). Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD2,507,610 (equivalent to HK$19,559,000). The Group paid a single premium of USD500,000 (equivalent to HK$3,900,000) at inception. The Group can, at any time, withdraw cash based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. This insurance company will pay the Group a guaranteed interest rate of 4.25% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.5% per annum) during the effective period of the policy.

At the inception date of the policies, the upfront payment paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policy. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policies and the deposit placed is carried at cost adjusted for interest income and service charges, less impairment losses, if any since 1 April 2018. As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to 15th policy year for the First Policy and 18th policy year for the Second Policy and the expected life of the policies remained unchanged from the initial recognition. The balance of the payments for life insurance policies is denominated in USD, being a currency other than the functional currency of the relevant subsidiary.

Details of impairment assessment of deposits and other receivables as at 31 March 2019 are set out in note 33.

## 18. AMOUNT DUE FROM A DIRECTOR

Amount is non-trade nature, unsecured, interest-free and repayable on demand.

Details of amount due from a director disclosed are as follows:

### The Group

| | At 31 March | | At 1 April | Maximum amount outstanding during the year ended 31 March | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 |
| | **HK$'000** | HK$'000 | HK$'000 | **HK$'000** | HK$'000 |
| Mr. Tso | **1,337** | 35,880 | 16,073 | **36,231** | 37,453 |

Details of impairment assessment of amount due from a director as at 31 March 2019 are set out in note 33.

## 19. AMOUNTS DUE FROM/TO RELATED COMPANIES

### Amounts due from related companies

Amounts are non-trade nature, unsecured, interest-free and are repayable on demand.

The amounts due from related companies as at 31 March 2018 mainly represented the funding provided by the Group to finance acquisition of properties in Hong Kong by the related companies through the banking facilities of the Group. On the basis that the banking facilities of the Group contain the repayment on demand clause, the related companies are required to settle their outstanding balances when the banks exercise their rights to demand immediate repayment of borrowings by the Group. Accordingly, the amounts due from related companies are classified as current as at 31 March 2018.

On 10 September 2018, certain amounts due from related companies are settled with the dividends declared by the Company under the instruction of Mr. Tso.

## 19. AMOUNTS DUE FROM/TO RELATED COMPANIES *(Continued)*

### Amounts due from related companies *(Continued)*

Details of amounts due from related companies are as follows:

| | At 31 March | | At 1 April | Maximum amount outstanding during the year ended 31 March | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 |
| | **HK$'000** | HK$'000 | HK$'000 | **HK$'000** | HK$'000 |
| Cyber Building | **800** | 57,547 | 53,529 | **57,547** | 57,547 |
| Denmark Investments | **–** | 27,813 | 26,813 | **28,454** | 27,813 |
| Happy Gear | **–** | 670 | 405 | **670** | 670 |
| Legent Ceramic Limited ("Legent Ceramic") | **–** | 36 | 36 | **36** | 36 |
| Wealth Goldman Limited ("Wealth Goldman") | **–** | 44,872 | 44,869 | **44,872** | 44,872 |
| | **800** | 130,938 | 125,652 | | |

Mr. Tso is also the director and controlling shareholder of these related companies.

Details of impairment assessment of amounts due from related companies as at 31 March 2019 are set out in note 33.

### Amount due to a related company

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

Details of amount due to a related company are stated as follows:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Fortune Goldman | **–** | 6,463 |

During the year ended 31 March 2019, the amount due to a related company had been settled.

## 20. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

The pledged bank deposit carried at a fixed rate of 1.6%. The Group's pledged bank deposit represents deposit pledged to a bank to secure banking facilities granted to the Group. As at 31 March 2019, the Group has placed pledged bank deposit of HK$65,453,000 to secure the short-term bank borrowings granted to the Group and is therefore classified as current assets.

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. As at 31 March 2019, the bank balances carry interest at prevailing market rate of 0.13% to 0.44% (2018: 0.5%) per annum.

Details of impairment assessment of bank balances as at 31 March 2019 are set out in note 33.

## 21. TRADE PAYABLES

| | **2019<br>HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Trade payables | **19,186** | 35,277 |

The credit period on purchases of goods is 90 to 180 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods:

| | **Trade payables<br>As at 31 March** | |
|---|---|---|
| | **2019<br>HK$'000** | 2018<br>HK$'000 |
| 0–30 days | **6,480** | 16,335 |
| 31–60 days | **1,524** | 1,246 |
| 61–90 days | **5,358** | 3,566 |
| 91–120 days | **1,340** | 3,815 |
| 121–180 days | **2,379** | 6,170 |
| Over 180 days | **2,105** | 4,145 |
| | **19,186** | 35,277 |

## 22. OTHER PAYABLES AND ACCRUED CHARGES

| | **2019<br>HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Deposits received | **–** | 7,576 |
| Other payables and accrued charges | **6,489** | 12,027 |
| | **6,489** | 19,603 |

## 23. CONTRACT LIABILITIES

| | 31.3.2019<br>HK$'000 | 1.4.2018*<br>HK$'000 |
|---|---|---|
| Sales of tiles and bathroom fixtures | 7,976 | 7,576 |

* The amounts in this column are after the adjustments from the application of HKFRS 15.

When the Group receives a deposit before the delivery of goods, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

For the contract liabilities as at 1 April 2018, the entire balances are recognised as revenue during the year ended 31 March 2019.

## 24. BANK BORROWINGS

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Secured and guaranteed: | | |
| Bank overdrafts | 7,548 | 8,638 |
| Bank loans | 122,238 | 126,221 |
| Trust receipt loans | 3,016 | 1,975 |
| | 132,802 | 136,834 |
| Unsecured and guaranteed: | | |
| Bank loan | 4,900 | – |
| | 137,702 | 136,834 |
| Carrying amount repayable based on schedule repayment terms: | | |
| — on demand or within one year | 29,402 | 32,306 |
| Carrying amounts of bank borrowings (shown under current liabilities) contain a repayment on demand clause: | | |
| — within one year | 108,300 | 104,528 |
| | 137,702 | 136,834 |

The bank borrowings are at floating rate which carry interest in Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.0% to 4.0% or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum and the effective interest rate is from 2.88% to 5.38% (2018: 2.25% to 5.00%) per annum as at 31 March 2019.

As at 31 March 2018, the bank borrowings are secured by the properties owned by Cyber Building, Denmark Investments, Fortune Goldman, Happy Gear and Wealth Goldman, payments for life insurance policies with carrying amount of HK$5,897,000 as at 31 March 2018, corporate guarantee from Denmark Investments, Wealth Goldman, Fortune Goldman and Cyber Building and personal guarantee from Mr. Tso. The pledges of properties owned by Denmark Investments and Fortune Goldman, payments for life insurance policies with carrying amount of HK$1,961,000 and corporate guarantee from Denmark Investments were released during the year ended 31 March 2019.

As at 31 March 2019, bank borrowings of HK$132,802,000 are secured by the properties owned by Cyber Building, Happy Gear and Wealth Goldman, pledged bank deposit of HK$65,453,000, payments for life insurance policies with carrying amount of HK$4,048,000 as at 31 March 2019, corporate guarantee from Wealth Goldman, Fortune Goldman and Cyber Building and personal guarantee from Mr. Tso. The remaining unsecured bank borrowing of HK$4,900,000 is guaranteed by a group entity. In the opinion of the directors of the Company, the Company is in the progress to release the pledge of properties owned by the related companies, corporate guarantee from related companies and personal guarantee from Mr. Tso at the date of the approval of these consolidated financial statements.

## 25. SHARE CAPITAL

The share capital as at 1 April 2017, 31 March 2018 and 31 March 2019 represented the share capital of the Company with the details as follows:

| | Number of shares | Amount HK$ | HK$'000 |
|---|---|---|---|
| **Ordinary shares of HK$0.01 each** | | | |
| **Authorised:** | | | |
| At 1 April 2017 and 31 March 2018 | 38,000,000 | 380,000 | 380 |
| Increase in authorised share capital *(note i)* | 4,962,000,000 | 49,620,000 | 49,620 |
| At 31 March 2019 | 5,000,000,000 | 50,000,000 | 50,000 |
| **Issued and fully paid:** | | | |
| At 1 April 2017 and 31 March 2018 | 1 | – | – |
| Capitalisation issue *(note ii)* | 1,499,999,999 | 15,000,000 | 15,000 |
| Issue of shares *(note iii)* | 500,000,000 | 5,000,000 | 5,000 |
| At 31 March 2019 | 2,000,000,000 | 20,000,000 | 20,000 |

*Notes:*

(i) On 20 September 2018, the authorised share capital of the Company was further increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each by the creation of further 4,962,000,000 shares pursuant to a resolution passed by the shareholders of the Company.

(ii) On 19 October 2018, 1,499,999,999 shares of the Company were issued to the then sole shareholder of the Company as of the date of passing of the relevant resolution on a pro-rata basis through capitalisation of HK$15,000,000 standing to the credit of share premium account of the Company.

(iii) The shares of the Company have been listed on the Stock Exchange by way of share offer on 19 October 2018. 500,000,000 shares of the Company were issued at an offer price of HK$0.19 per share.

All issued shares of the Company rank pari passu in all respects with each other.

## 26. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Within one year | **43,449** | 31,011 |
| In the second to fifth year inclusive | **54,778** | 3,128 |
| | **98,227** | 34,139 |

Leases are negotiated and monthly rentals are fixed for term of one to three years.

Certain lease agreements entered into between the landlord and the Group include a renewal option at the discretion of the Group for a further one to two years (2018: two to three years) from the end of the existing lease without a fixed rental being agreed at the moment. Accordingly, this is not included in the above commitment.

## 27. CAPITAL COMMITMENT

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements | **400** | 400 |

## 28. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK$1,500 per employee per month.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

At 31 March 2019 and 2018, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

The retirement benefits scheme contributions made by the Group amounted to HK$768,000 (2018: HK$737,000) for the year ended 31 March 2019.

## 29. RELATED PARTY TRANSACTIONS

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

| Name of related company | Nature of transactions | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Cyber Building | Rental expenses | **6,360** | 6,360 |
| Denmark Investments | Rental expenses | **3,360** | 3,360 |
| Happy Gear | Rental expenses | **2,520** | 2,520 |
| Fortune Goldman | Rental expenses | **4,920** | 4,920 |
| Asian Wealth | Rental expenses | **900** | 1,800 |
| | | **18,060** | 18,960 |

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

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Within one year | **14,520** | 8,800 |
| In the second to fifth year | **22,000** | – |
| | **36,520** | 8,800 |

These operating lease commitment had been included in the amounts as shown in note 26.

During the year ended 31 March 2019, Mr. Tso provided several guarantees to guarantee the payment and due performance of tenancy agreements to the landlords. In the opinion of the directors of the Company, the Company is in the progress to release the personal guarantee from Mr. Tso at the date of the approval of these consolidated financial statements.

During the both years, the Group provided corporate guarantee to banks for general banking facilities granted to the related companies. Details are disclosed in note 31.

### Compensation of key management personnel

The key management personnel of the Group represented the directors of the Company, which their remunerations are disclosed in note 6.

## 30. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2019, the Company declared dividends of HK$109,000,000 to the shareholder of the Company. The dividends are settled through the amounts due from a director and related companies under the instruction by Mr. Tso.

## 31. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

On 29 February 2012, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$28,500,000 to Cyber Building for a maturity period of 15 years. The banking facilities are also pledged by a premise in Hong Kong owned by Cyber Building. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner Consultancy & Appraisals Limited ("Access Partner"). The initial fair value of this financial guarantee was insignificant. As at 31 March 2019, Cyber Building has utilised the banking facilities of HK$16,512,000 (2018: HK$18,361,000). During both years, there is no default payment by Cyber Building.

On 17 April 2013, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$47,500,000 to Happy Gear for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Happy Gear. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2019, Happy Gear has utilised the banking facilities of HK$34,385,000 (2018: HK$36,438,000). During both years, there is no default payment by Happy Gear.

On 16 April 2014, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$26,000,000 to Wealth Goldman for a maturity period of 12 years. The banking facilities are also pledged by a premise in Hong Kong owned by Wealth Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2019, Wealth Goldman has utilised the banking facilities of HK$16,564,000 (2018: HK$18,584,000). During both years, there is no default payment by Wealth Goldman.

On 11 May 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$46,000,000 to Fortune Goldman for a maturity period of 3 years. The banking facilities are also pledged by a premise in Hong Kong owned by Fortune Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2018, Fortune Goldman has utilised the banking facilities of HK$41,786,000. During both years, there is no default payment by Fortune Goldman. During the year ended 31 March 2019, this financial guarantee has been released.

On 12 August 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$38,000,000 to Denmark Investments for a maturity period of 30 years. The banking facilities are also pledged by a premise in Hong Kong owned by Denmark Investments. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2018, Denmark Investments has utilised the banking facilities of HK$36,719,000. During both years, there is no default payment by Denmark Investments. During the year ended 31 March 2019, this financial guarantee has been released.

On 12 August 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$23,200,000 to Fortune Goldman for a maturity period of 30 years. The banking facilities are also pledged by a premise in Hong Kong owned by Fortune Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2018, Fortune Goldman has utilised the banking facilities of HK$22,418,000. During both years, there is no default payment by Fortune Goldman. During the year ended 31 March 2019, this financial guarantee has been released.

## 31. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES *(Continued)*

On 17 October 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$10,000,000 to Cyber Building for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Cyber Building. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2019, Cyber Building has utilised the banking facilities of HK$9,093,000 (2018: HK$9,501,000). During both years, there is no default payment by Cyber Building.

On 4 October 2018, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$50,000,000 to Wealth Goldman for a maturity period of 2 months and rollover. The banking facilities are also pledged by a premise in Hong Kong owned by Wealth Goldman. The initial fair value of this financial guarantee was insignificant according to assessment performed by the management of the Company. As at 31 March 2019, Wealth Goldman has utilised the banking facilities of HK$30,000,000. During the year ended 31 March 2019, there is no default payment by Wealth Goldman. Subsequent to 31 March 2019, Wealth Goldman has fully settled the outstanding balances.

The directors of the Company represent that the Company is in the progress to release the above financial guarantees provided to the banks in relation to banking facilities granted to related companies at the date of the approval of these consolidated financial statements.

## 32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising share capital and reserves including retained profits.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt.

## 33. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortised cost | **154,613** | N/A |
| Loans and receivables (including cash and cash equivalents) | **N/A** | 212,299 |
| **Financial liabilities** | | |
| Amortised cost | **163,377** | 190,601 |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

The Group's major financial instruments include trade receivables, deposits and other receivables, pledged bank deposit, bank balances and cash, trade payables, amount due from a director, amounts due from/to related companies, other payables and accrued charges and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (i) Market risk

*Currency risk*

The Group has foreign currency transactions, which exposes it to foreign currency risk. Approximately 99% of the purchases are denominated in the currencies other than the functional currency of the relevant group entities during the year.

At the end of the reporting period, the carrying amounts of foreign currency denominated monetary assets and monetary liabilities recognised in the consolidated financial statements are as follows:

**As at 31 March 2019**

| | **Euro („EUR")<br>HK$'000** | **USD<br>HK$'000** | **Renminbi ("RMB")<br>HK$'000** |
|---|---|---|---|
| Bank balances and cash | **209** | **162** | **81** |
| Trade payables | **18,196** | **40** | **–** |
| Bank borrowings | **4,113** | **–** | **–** |

**As at 31 March 2018**

| | EUR<br>HK$'000 | USD<br>HK$'000 | RMB<br>HK$'000 |
|---|---|---|---|
| Payments for life insurance policies | – | 5,897 | – |
| Bank balances and cash | 176 | 163 | 81 |
| Trade payables | 35,277 | 43 | – |
| Bank borrowings | 23,668 | – | – |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (i) Market risk *(Continued)*

***Currency risk** (Continued)*

*Sensitivity analysis*

Since the exchange rate of HK$ pegged with USD, the Group does not expect any significant movements in the USD/HK$ exchange rates.

The following table details the Group's sensitivity analysis to a 10% increase and decrease in functional currency of the relevant group entities (i.e. HK$) against relevant foreign currencies (other than USD) and all other variables were held constant. 10% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive (negative) number below indicates an increase (decrease) in the post-tax profit for the year where HK$ strengthening 10% against the relevant foreign currencies. For a 10% weaken of HK$ against the relevant foreign currencies there would be an equal and opposite impact on the result for the year.

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Increase (decrease) in post-tax profit for the year | | |
| EUR | **1,845** | 4,907 |
| RMB | **(7)** | (7) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit. The Group considers that the fair value interest rate risk is not significant given the amount of pledged bank deposit held at the end of the reporting period. The Group is also exposed to cash flow interest rate risk in relation to the Group's bank balances and variable-rate bank borrowings (note 24) (2018: bank balances, payments for life insurance policies and variable-rate bank borrowings).

Bank borrowings are concentrated on fluctuation on HIBOR and Prime Rate/Standard Bills Rate quoted by the banks. The Group currently does not have interest rate risk hedging policy. However, the management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Total interest income from financial assets that are measured at amortised cost is as follows:

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Other income: | | |
| — Financial assets at amortised cost | **657** | – |

Total interest expenses from financial liabilities that are measured at amortised cost is as follows:

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Interest expenses: | | |
| — Financial liabilities at amortised cost | **4,445** | 4,240 |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (i) Market risk *(Continued)*

***Interest rate risk*** *(Continued)*

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole period. No sensitivity analysis is provided on bank balances (2018: bank balances and payments for life insurance policies) as the management of the Group considers that the interest rate fluctuation on bank balances (2018: bank balances and payments for life insurance policies) is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

A 50 basis points increase or decrease is used during the year, which represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates a decrease in post-tax profit for the year where the interest rate had been 50 basis points higher and all other variables were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year.

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Decrease in post-tax profit for the year | **575** | 571 |

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

#### (ii) Credit risk and impairment assessment

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities disclosed in note 31.

***Trade receivables arising from contracts with customers***

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group trades with a large number of individual customer. During both years, the Group has concentration of credit risk with exposure limited to certain customers. Approximately 57% (2018: 37%) of the Group's trade receivables as at 31 March 2019, are from the PRC Distributors. These customers are within the same industry of the Group. The management of the Group closely monitors the subsequent settlement of the customers. Other than disclosed above, the Group does not have significant credit risk exposure to any single individual customer.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (ii) Credit risk and impairment assessment *(Continued)*

***Trade receivables arising from contracts with customers*** *(Continued)*

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) individually for trade receivables from the PRC Distributors, trade receivables with aggregated outstanding balances exceeding HK$1,000,000 and credit-impaired trade receivables or using provision matrix on remaining trade receivables with reference to (i) the Group's historical observed default rates and are adjusted for forward-looking information; and (ii) past due status of trade receivables from other customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

***Deposits and other receivables***

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable, supportive and forward-looking information that is available starting from 1 April 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. ECL on deposits and other receivables is insignificant at 1 April 2018 and 31 March 2019 as the exposure of deposits and other receivables is insignificant.

***Pledged bank deposit and bank balances***

The credit risks on pledged bank deposit and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank deposit and bank balances was recognised upon application of HKFRS 9 as the amount is insignificant. The Group has limited exposure to any single financial institution.

***Financial guarantee contracts***

Guarantees are provided to related companies and the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favour of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

***Amounts due from a director and related companies***

The Group has concentration risk on amounts due from a director and related companies as at 31 March 2019 and 2018. The directors of the Company continuously monitor the credit quality and financial position of the counterparty and the level of exposure to ensure that the follow-up action is taken to recover the debts. Upon the application of HKFRS 9 on 1 April 2018, the Group assessed the amounts due from a director and related companies on 12-month ECL basis. The management of the Group considers the risk of default by counterparty is insignificant based on the exposure of amounts due from a director and related companies at the end of the reporting period, their understanding on the financial position, continuous settlement record of the counterparty and forward-looking information (such as current and forecasted economic growth rates in Hong Kong, which reflect the general economic conditions) and thus the ECL on these balances is insignificant.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (ii) Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables | Other financial assets/ other item |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL (non credit-impaired) | 12-month ECL |
| Medium risk | Debtor frequently repays after due dates but usually settle within 90 days after due date | Lifetime ECL (non credit-impaired) | 12-month ECL |
| High risk | Debtor frequently repays after 90 days after due date | Lifetime ECL (non credit-impaired) | 12-month ECL |
| Doubtful | There have been significant increase in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL (non credit-impaired) | Lifetime ECL (non credit-impaired) |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL (credit-impaired) | Lifetime ECL (credit-impaired) |
| Write-off | There is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or trade receivables are over two years past due | Amount is written-off | Amount is written-off |

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

| 2019 | Notes | External credit rating | Internal credit rating | 12-month or lifetime ECL | Gross carrying amounts HK$'000 |
|---|---|---|---|---|---|
| **Financial assets at amortised cost** | | | | | |
| Trade receivables (PRC Distributors and debtors with aggregated outstanding balances exceed HK$1,000,000) | 16 | N/A | Medium risk | Lifetime ECL | 25,005 |
| | | | High risk *(note i)* | Lifetime ECL | 16,297 |
| Trade receivables (other customers) | 16 | N/A | *(note i)* | Lifetime ECL (provision matrix) | 9,235 |
| | | | Loss | Credit-impaired | 256 |
| Deposits and other receivables | 17 | N/A | *(note ii)* | 12-month ECL | 3,145 |
| Amount due from a director | 18 | N/A | *(note ii)* | 12-month ECL | 1,337 |
| Amounts due from related companies | 19 | N/A | *(note ii)* | 12-month ECL | 800 |
| Pledged bank deposit | 20 | Aa2 *(note iii)* | N/A | 12-month ECL | 65,453 |
| Bank balances | 20 | Baa 2 to Aa1 *(note iii)* | N/A | 12-month ECL | 37,271 |
| **Other item** | | | | | |
| Financial guarantee contracts (note iv) | 31 | N/A | Low risk | 12-month ECL | 106,554 |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (ii) Credit risk and impairment assessment *(Continued)*

*Notes:*

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables from the PRC Distributors and trade receivables with aggregated outstanding balances over HK$1,000,000 which are assessed individually or credit-impaired, the Group determines the ECL of trade receivables from other customers by using a provision matrix grouped various debtors that have similar loss patterns, after considering the past due status of respective trade receivables.

The estimated loss rates on trade receivables are estimated based on historical credit loss of the debtors and study of other corporates' default and recovery data from international credit-rating agencies including Moody's and Standard and Poor's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate).

As part of the Group's credit risk management, the Group uses debtors' past due ageing to assess the impairment for its other customers in relation to its operation because these other customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from other customers which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit-impaired).

**Gross carrying amount**

| | **Average loss rate**<br>% | **Total**<br>HK$'000 |
|---|---|---|
| Not past due and 1–30 days past due | 0.50 | 1,981 |
| 31–90 days past due | 2.06 | 232 |
| Over 90 days past due | 10.45 | 7,022 |
| | | 9,235 |

During the year ended 31 March 2019, the Group provided impairment allowance of HK$473,000 for trade receivables based on the provision matrix and impairment allowance of HK$1,919,000 was provided for trade receivables which are assessed individually.

(ii) For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

| | **Past due**<br>HK$'000 | **Not past due/ no fixed repayment terms**<br>HK$'000 | **Total**<br>HK$'000 |
|---|---|---|---|
| Deposits and other receivables | – | 3,145 | 3,145 |
| Amount due from a director | – | 1,337 | 1,337 |
| Amounts due from related companies | – | 800 | 800 |

Based on the assessment of the management, the ECL on deposits and other receivables, amounts due from a director and related companies is insignificant.

(iii) External credit rating are from international credit-rating agency Moody's.

(vi) For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$106,554,000 as at 31 March 2019. At the end of the reporting period, the directors of the Company have performed impairment assessment and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. Based on the assessment of the management, the ECL on financial guarantee contracts is insignificant in view of the loss given default in these contracts is insignificant as a result of the pledged properties by the related companies.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (ii) Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for trade receivables which is measured under lifetime ECL:

| | Lifetime ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 31 March 2018 — under HKAS 39** | – | – | – |
| Adjustment upon application of HKFRS 9 | 1,844 | – | 1,844 |
| | 1,844 | – | 1,844 |
| **As at 1 April 2018 — as restated** | | | |
| Changes due to financial instruments recognised as at 1 April: | | | |
| — Impairment losses reversed | (760) | – | (760) |
| — Impairment loss recognised | 239 | – | 239 |
| — Transferred to credit-impaired | (256) | 256 | – |
| New financial assets originated | 2,913 | – | 2,913 |
| At 31 March 2019 | 3,980 | 256 | 4,236 |

#### (iii) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities which has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the financial institutions choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (iii) Liquidity risk *(Continued)*

| | Effective interest rate % | On demand HK$'000 | 1–3 months HK$'000 | Over 3 months to 1 year HK$'000 | Total undiscounted cash flow HK$'000 | Total carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **As at 31 March 2019** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | N/A | **–** | **11,182** | **8,004** | **19,186** | **19,186** |
| Other payables and accrued charges | N/A | **–** | **6,489** | **–** | **6,489** | **6,489** |
| Bank borrowings | 3.70 | **112,503** | **9,853** | **15,448** | **137,804** | **137,702** |
| Financial guarantee contracts | N/A | **106,554** | **–** | **–** | **106,554** | **–** |
| | | **219,057** | **27,524** | **23,452** | **270,033** | **163,377** |
| **As at 31 March 2018** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | N/A | – | 17,450 | 17,827 | 35,277 | 35,277 |
| Other payables and accrued charges | N/A | – | 12,027 | – | 12,027 | 12,027 |
| Amount due to a related company | N/A | 6,463 | – | – | 6,463 | 6,463 |
| Bank borrowings | 3.45 | 109,663 | 13,889 | 13,568 | 137,120 | 136,834 |
| Financial guarantee contracts | N/A | 183,807 | – | – | 183,807 | – |
| | | 299,933 | 43,366 | 31,395 | 374,694 | 190,601 |

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

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 31.

Bank borrowings with a repayment on demand clause is included in the "On demand" time band in the above maturity analysis. As at 31 March 2019, the aggregate carrying amount of these bank borrowings amounted to approximately HK$108,300,000 (2018: HK$104,528,000). Taking into account the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreement.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

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

#### (iii) Liquidity risk *(Continued)*

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

| | Weighted average effective interest rate % | Less than 1 month HK$'000 | 1–3 months HK$'000 | 3 months to 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Total carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **Bank borrowings:** | | | | | | |
| As at 31 March 2019 | 3.67 | 99,338 | 1,672 | 7,463 | 108,473 | 108,300 |
| As at 31 March 2018 | 3.06 | 96,042 | 1,807 | 6,803 | 104,652 | 104,528 |

### (c) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

## 34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Accrued issued costs HK$'000 | Amount due to a related company HK$'000 | Bank borrowings HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2017 | – | 8,339 | 126,536 | 134,875 |
| Financing cash flows | – | (1,876) | 6,058 | 4,182 |
| Finance costs recognised | – | – | 4,240 | 4,240 |
| At 31 March 2018 | – | 6,463 | 136,834 | 143,297 |
| Financing cash flows | (12,125) | (6,463) | (3,577) | (22,165) |
| Finance costs recognised | – | – | 4,445 | 4,445 |
| Issue costs recognised and debited to share premium | 12,345 | – | – | 12,345 |
| At 31 March 2019 | 220 | – | 137,702 | 137,922 |

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Non-current asset | | |
| Investment in a subsidiary | –* | –* |
| Current assets | | |
| Deposits, prepayments and other receivables | 243 | 5,477 |
| Amount due from a director | – | 2,101 |
| Amount due from a subsidiary | 71,282 | – |
| Bank balances and cash | 321 | – |
| | 71,846 | 7,578 |
| Current liabilities | | |
| Other payables and accrued charges | 867 | 7,740 |
| Amount due to a subsidiary | – | 22,239 |
| | 867 | 29,979 |
| Net current assets (liabilities) and net assets (liabilities) | 70,979 | (22,401) |
| Capital and reserves | | |
| Share capital | 20,000 | – |
| Reserves *(note)* | 50,979 | (22,401) |
| Equity attributable to owners of the Company | 70,979 | (22,401) |

* Less than HK$1,000.

*Note:*

**Reserves**

| | Share premium HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2017 | – | (13,293) | (13,293) |
| Loss and comprehensive expense for the year | – | (9,108) | (9,108) |
| At 31 March 2018 | – | (22,401) | (22,401) |
| Profit and comprehensive income for the year | – | 119,725 | 119,725 |
| Issue of shares *(note 25)* | 90,000 | – | 90,000 |
| Capitalisation issue *(note 25)* | (15,000) | – | (15,000) |
| Transaction costs directly attributable to issue of shares | (12,345) | – | (12,345) |
| Dividend declared *(note 11)* | – | (109,000) | (109,000) |
| At 31 March 2019 | 62,655 | (11,676) | 50,979 |

## 36. PARTICULARS OF SUBSIDIARIES

The Company has direct and indirect equity interests in the following subsidiaries as at 31 March 2019 and 2018:

| Name of subsidiary | Place and date of incorporation | Place of operation | Issued and fully paid share capital | Equity interest attributable to the Company as at 31 March | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | **2019** | 2018 | |
| Directly held: | | | | | | |
| RBMS Holdings Limited | BVI 5 October 2015 | Hong Kong | HK$1 Ordinary shares | **100%** | 100% | Investment holding |
| Indirectly held: | | | | | | |
| Fortune Rich Limited | Hong Kong 10 July 2009 | Hong Kong | HK$1 Ordinary shares | **100%** | 100% | Leasing of properties for group companies |
| Petracer's China Limited | Hong Kong 10 November 2014 | Hong Kong | HK$10,000 Ordinary shares | **70%** | 70% | Trading of tiles |
| Regent Building Material Supplies Company Limited | Hong Kong 11 March 1998 | Hong Kong | HK$400 Ordinary shares | **100%** | 100% | Trading of tiles |
| Regent Building Limited | Hong Kong 22 February 2010 | Hong Kong | HK$10,000 Ordinary shares | **100%** | 100% | Leasing of properties for group companies |

All the companies comprising the Group have adopted 31 March as their financial year end date.

None of the subsidiaries had issued any debt securities at 31 March 2019 and 2018 or at any time during both years.

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **166,694** | 190,839 | 183,444 | 202,112 | 173,805 |
| Profit before taxation | **8,882** | 22,644 | 37,644 | 22,168 | 40,074 |
| Taxation | **(3,083)** | (5,538) | (6,972) | (7,815) | (7,055) |
| Profit for the year | **5,799** | 17,106 | 30,672 | 14,353 | 33,019 |
| Attributable to: | | | | | |
| Owners of the Company | **5,824** | 17,077 | 30,637 | 14,229 | 33,014 |
| Non-controlling interests | **(25)** | 29 | 35 | 124 | 5 |
| | **5,799** | 17,106 | 30,672 | 14,353 | 33,019 |

## ASSETS, LIABILITIES AND EQUITY

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **259,466** | 309,269 | 270,259 | 294,389 | 258,489 |
| Total liabilities | **(171,394)** | (199,111) | (177,207) | (232,009) | (190,462) |
| **Net assets** | **88,072** | 110,158 | 93,052 | 62,380 | 68,027 |
| Equity attributable to owners of the Company | **87,901** | 109,962 | 92,885 | 62,248 | 68,019 |
| Non-controlling interests | **171** | 196 | 167 | 132 | 8 |
| **Total equity** | **88,072** | 110,158 | 93,052 | 62,380 | 68,027 |

*Notes:* The summary of the consolidated results of the Group for each of the years ended 31 March 2015, 2016, 2017 and 2018 and of the assets, liabilities and equity as at 31 March 2015, 2016, 2017 and 2018 are extracted from the Prospectus.

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