ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED
志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1220)

2019
Annual Report

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Kwok Kit *(Chairman)*
Mr. Zhong Can
Mr. Kwong Kin Fai, Eric (appointed on 1 September 2018)

Independent Non-executive Directors

Mr. Chan Yin Tsung
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

AUDIT COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

REMUNERATION COMMITTEE

Mr. Li Kam Chung *(Chairman)*
Mr. Chan Yin Tsung
Mr. Fung Kwok Kit

NOMINATION COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

COMPANY SECRETARY

Mr. Wong Kin Chung

LEGAL ADVISORS

TC & Co.

AUDITORS

Ascenda Cachet CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 2606, 26/F,
C C Wu Building, 302–308 Hennessy Road,
Wan Chai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Hong Kong Branch

STOCK CODE

01220

COMPANY WEBSITE

www.zdihl.com

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the "**Board**") of Zhidao International (Holdings) Limited (the "**Company**"), I am pleased to present the results and operations of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019 (the "**Year**").

BUSINESS REVIEW

During the year ended 31 March 2019, the Group has been continuously seeking expansion in its construction business. For the year ended 31 March 2019, as a result of increase in revenue of the construction projects business from approximately HK$8.3 million in FY2018 to approximately HK$85.3 million in FY2019, the Group recorded a total revenue of approximately HK$97.1 million, or over 4.6 times of that in FY2018. The Group's money lending business recorded revenue of approximately HK$11.5 million, representing an approximately 11.0% increase from FY2018. During the year, total gross profit was approximately HK$15.6 million (2018: approximately HK$11.1 million), representing an approximately 40.5% increase. The gross margin for the year was approximately 16.1% (2018: approximately 59.6%). During the year, the Group continued the strategy in expanding the construction projects business and money lending business. The Group recorded no revenue from the trading of aluminium products business during the year (2018: Nil). Although the aluminium trading business may not be the Group's focus, the management of the Group will still keep reviewing the current business model and looking for appropriate opportunities to improve the current aluminium trading business. The Group's construction projects segment recorded revenue of approximately HK$85.3 million for the year (2018: HK$8.3 million). Gross margin of the construction projects segment recorded an decrease to approximately 4.8% for the year, in comparison to approximately 9.0% last year. The Group has been successfully securing new projects in the construction projects segment in the Macau construction market, which will contribute to the Group's revenue and profit in the years to come. Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK$11.5 million for the year ended 31 March 2019, or 11.0% higher than that in 2018. As disclosed in an announcement on 27 April 2018, the management of the Group considered that the financing guarantee services made slow progress in expansion of its business and the financial performance of its business was not as satisfactory as the Group expected, the Group entered into a disposal agreement to dispose of the entire interest in the financing guarantee services business. The disposal was subsequently completed on 4 June 2018.

DIVIDENDS

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

PROSPECTS

The uncertainties of business environment are characterized by the trade conflict between the US and China, as well as the potential end of the upward interest rate cycle. The management maintains a positive view on the construction projects business in the Hong Kong and Macau market, and will continue the Group's focus on the construction projects business and the money lending businesses. The Group will grow the construction projects business by identifying potential acquisition targets and pursue projects mainly in Hong Kong and Macau market.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

THE STOCK EXCHANGE'S DECISION ON THE COMPANY'S NON-COMPLIANCE WITH LISTING RULE 13.24

On 26 October 2018, the Company published an announcement regarding the decision of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to suspend trading in the shares of the Company (the "**Shares**") under Rule 6.01(3) of the Listing Rules and proceed with the cancellation of the Company's listing under Rule 6.01A(1) of the Listing Rules (the "**Decision**") after having considered, among others, the following:

1. the scale of the Company's existing businesses, namely, (i) supply of aluminium products in construction projects (the "**Construction Projects Business**") and (ii) provision of loan financing has, for years, remained small, and the Stock Exchange considers that the Company has not demonstrated that these two businesses are businesses of substance and are viable and sustainable;

2. the revenue and profit projection as provided to the Stock Exchange may not be achievable as most of the projected revenue from the Construction Projects Business is not supported by signed agreements; and

3. the operation of the Company's assets, which is mainly comprised of cash and pledged bank deposits, may not enable the Group to carry out businesses with a sufficient level of operations to justify the continued listing of the Company's securities.

The Company is required to re-comply with Rule 13.24 of the Listing Rules and will have a remedial period of 18 months to re-comply with the Listing Rule. If the Company fails to do so by the expiry of the 18-month period (i.e. 25 April 2020), the Stock Exchange will proceed with cancellation of the Company's listing.

And on 5 November 2018, the Company published an announcement regarding the Decision and the Company's request to the Listing Committee of the Stock Exchange for the Decision to be referred to the Listing Committee for review pursuant to Rule 2B.06(1) of the Listing Rules.

On 22 January 2019, the Listing Committee considered the application of the Company for a review (the "**Review Hearing**") of the Decision as set out in the Letter. The Company has received a letter dated 12 February 2019 from the Listing Committee upholding the Decision (the "**Second Letter**"). The Listing Committee considered that the Company failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Listing Rules on the grounds as set out in the Second Letter. Shareholders may refer to the Company's announcement dated 13 February 2019 for details.

On 20 February 2019, the Company submitted a written request to the Listing (Review) Committee of the Stock Exchange for the Decision to be referred to the Listing (Review) Committee for the Second Review (the "**Second Review Request**") pursuant to Rule 2B.06(2) of the Listing Rules.

The Company is required to demonstrate its compliance with Rule 13.24 of the Listing Rules in the Second Review and, if Listing (Review) Committee of the Stock Exchange uphold the Decision, the Company will have a remedial period of 18 months to re-comply with the Rule. If the Company fails to do so by the expiry of the 18-month period, the Stock Exchange will proceed with cancellation of the Company's listing.

The management of the Group believes the current strategy and potential growth will equip the Company to satisfy the requirement of the Listing Rules, but the shareholders of the Company and potential investors are reminded that the outcome of the Second Review is uncertain. Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2019, the Group had cash and bank balances of approximately HK$145.2 million (2018: HK$265.6 million) while net assets was approximately HK$442.8 million (2018: HK$455.1 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was 10.5 times as at 31 March 2019 (2018: Nil).

Details of the movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

Share Option Scheme

The existing share option scheme was approved and adopted by the shareholders of the Company at the special general meeting held on 31 August 2015 ("**2015 Scheme**"). The primary purpose of the 2015 Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the 2015 Scheme are as disclosed in the circular of the Company dated 30 July 2015.

Details of the movements in the Share Options under the Share Option Scheme during the Year are set out in note 32 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2019, the monetary assets and liabilities and businesses of the Group are mainly conducted in Hong Kong Dollars, Macau Pataca, and United States Dollars. The Group did not use any financial instruments to hedge against foreign currency risk during the Financial Year. The Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

PLEDGE OF ASSETS

As at 31 March 2019, bank deposits amounting to approximately HK$7.5 million was pledged for the Group's banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 20 (2018: 32) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The emoluments of the directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Disclosure of directors' emoluments is set out in note 8 to the consolidated financial statements.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of protecting the environment and strives to minimize the impact to the environment by reducing use of energies and other resources. Further information of the environmental policies and performance will be detailed in the Environmental, Social and Governance Report of the Company which will be available on the websites of the Company and the Stock Exchange within three months after the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, and family status, as well as the Employment Ordinance, the Minimum Wage Ordinance and well-being of its employees. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc. The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the Year. During the Year, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

APPRECIATIONS

On behalf of the Board, I would like to take this opportunity to express our appreciation to the staff and management team of the Group for their contribution during the Year and also to give our sincere gratitude to all our shareholders for their continuous support.

Fung Kwok Kit
Chairman

Hong Kong, 28 June 2019

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fung Kwok Kit, aged 54, was appointed as an executive Director on 27 October 2017. Mr. Fung had ten years consultation experience in provision of student services in the United States of America (the "**USA**"). Mr. Fung is currently the Consultant of Boston International Student Service Centre in the USA since 2013 and is an independent real estate advisor for overseas investors since 2011.

Prior to working as a consultant and independent advisor in the USA, Mr. Fung was engaged in marketing and trading of electronic and consumer products in the USA market since 1995 and has gained extensive experience in import and export between the USA and the PRC.

Mr. Fung holds a Bachelor Degree of Science in Economics from the University of Massachusetts.

Mr. Zhong Can, aged 32, was appointed as an executive Director on 27 October 2017. Mr. Zhong had seven years managerial experience in production, import and export, and marketing of motor vehicles and parts in the People's Republic of China (the "**PRC**"). Currently, Mr. Zhong is the Plant Manager of 德慶縣炬林環保新能源開發有限公司, a company established in the PRC which is engaged in trading and manufacturing biomass fuel products, since 2014. Mr. Zhong is currently the director of certain subsidiaries of the Company since January 2017.

Mr. Zhong graduated from the Hunan University in faculty of Business Administration.

Mr. Kwong Kin Fai, Eric, aged 51, was appointed as an Executive Director on 1 September 2018. Mr. Kwong had over 28 years of experience in the engineering industry. Mr. Kwong served as an apprenticeship as a mechanical engineering technician (construction plant) in Aegis Engineering Co., Ltd. from 1985 to 1989 and obtained the higher certificate in mechanical engineering from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in November 1989. Mr. Kwong then worked as an engineer, technical support engineer, building service engineer, project manager and quality assurance manager in several engineering companies and construction companies from 1990 to 2005. Since 2005, Mr. Kwong has founded Fortune Engineering & Consultants Limited ("**Fortune**") and has been a shareholder and director of Fortune till now.

Fortune is a company established in Hong Kong in May 2005 and its main business involves builder work and electrical and mechanical installations works, which includes additions and alternation work, builder repair and maintenance work, interior fitting-out work, and building service repair and maintenance work.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung, aged 39, was appointed as an independent non-executive Director on 15 September 2014. Mr. Chan is a Certified Public Accountant certified under the American Institute of Certified Public Accountants. He holds a bachelor degree in commerce from the University of British Columbia and a master degree in financial analysis from The Hong Kong University of Science and Technology.

Mr. Chan has over 15 years of experience in corporate finance practices, including initial public offerings, corporate merger and acquisitions, restructuring, due diligence, audit, financial modeling and business valuation. From 2003 to 2010, Mr. Chan held relevant positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance, providing transaction advisory and audit services in China and Hong Kong to various corporations. Mr. Chan joined the investment banking division of Essence International Financial Holdings Limited in October 2010 where he focused on advising clients in initial public offering. In June 2011, Mr. Chan joined the private equity department of the same company as a senior manager and he was responsible for investment projects' origination, analysis and execution.

From July 2012 to August 2013, Mr. Chan was appointed as an executive director of Green International Holdings Limited (listed on the Stock Exchange). Mr. Chan was the chief executive officer of Hao Wen Holdings Limited (listed on the Stock Exchange) from February 2014 to May 2016.

Since November 2016, Mr. Chan has served as an independent non-executive director, the chairman of audit committee and remuneration committee and a member of the nomination committee of China Ludao Technology Company Limited (listed on the Stock Exchange).

Since December 2016, Mr. Chan has been appointed as the independent non-executive director and Chairman of audit committee of Beijing Jingneng Clean Energy Co., Limited (listed on Stock Exchange).

Mr. Li Kam Chung, aged 67, was appointed as an independent non-executive Director on 9 January 2012. Mr. Li is also an independent non-executive director of Taung Gold International Limited (listed on the Stock Exchange). Mr. Li was the chairman of Joint Village Office for Villages in Shuen Wan, Tai Po, New Territories and is currently a member of Tai Po District Council Environment, Housing and Works Committee.

Mr. Kwok Lap Fung Beeson, aged 33, was appointed as an independent non-executive Director on 9 January 2012. Mr. Kwok holds a Bachelor of Business awarded by the University of Technology, Sydney, Australia and is an associate member of CPA Australia.

DIRECTORS' REPORT

The directors (the "**Directors**") of Zhidao International (Holdings) Limited (the "**Company**") are pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in (i) trading of aluminium products (ii) supply of aluminium products in construction projects and is extended to the provision of construction and engineering services during the year; (iii) money lending; and (iv) provision of financing guarantee services in the People's Republic of China (the "**PRC**") which was disposed during the year.

In previous year, the Group entered into an engineering, development and construction contract for a mining project in Pakistan (the "**Construction Contract**"). Pursuant to the Construction Contract, the Group shall be the contractor which provides engineering, development and construction services to a Pakistan Company on an exclusive basis. However, the Group has not yet commenced any engineering, development and construction of the mining project during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the Group's financial position as at 31 March 2019 are set out in the consolidated financial statements on pages 33 to 36.

The board of the Directors of the Company (the "**Board**") did not recommend the payment of any dividend for the year ended 31 March 2019.

GROUP FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 123 to 124 of this report.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 33 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

BUSINESS REVIEW

Further discussion and analysis of the principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2018/19, and an indication of likely future development in the Group business, can be found in the preceding sections of this annual report set out in pages 3 to 6. The preceding sections form part of this report.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in property, plant, equipment and investment property of the Group during the Year are set out in note 14 and 15 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

Under the Companies Act of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares. As at 31 March 2019, there was no aggregate amount of reserves available for distribution to equity holders of the Company (2018: Nil).

DIRECTORS

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

Executive Directors
Mr. Fung Kwok Kit, *Chairman*
Mr. Zhong Can
Mr. Kwong Kin Fai, Eric (appointed on 1 September 2018)

Independent Non-executive Directors
Mr. Chan Yin Tsung
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

In accordance with Bye-laws 87(1) and 87(2), Mr. Kwong Kin Fai, Eric and Mr. Kwok Lap Fung, Beeson will retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

Biographical details of Directors are set out on pages 7 to 8.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The Company considers all independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

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

As at 31 March 2019, the interests or short positions of the Directors, chief executives of the Company or their associates in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or 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 adopted by the Company for the Year were as follows:

Long position in the shares and underlying shares

Ordinary shares of HK$0.01 each of the Company

Name of Directors	Number of underlying shares held under share options	Approximate percentage of the issued share capital of the Company
Chan Yin Tsung	4,166,666	0.21%
Li Kam Chung	4,166,666	0.21%
Kwok Lap Fung, Beeson	4,166,666	0.21%

Save as disclosed above, none of the Directors and chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as the related parties transactions disclosed in note 39 to the consolidated financial statements, there were no contract of significance to which the Company, its holding companies and any of its subsidiaries, was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the Year.

SHARE OPTIONS SCHEME

The Company adopted a share option scheme at the annual general meeting held on 31 August 2015 (the "**Adoption Date**") (the "**2015 Scheme**") for the purpose of providing incentives to Participants (as defined in the 2015 Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole. Participants include the directors and any employees of the Group, supplier of goods or services of the Group, any person provides professional advice, consultancy service or technical support to the Group and any shareholders of any member of the Group. Unless otherwise terminated or amended, the 2015 Scheme will remain in force for 10 years from the Adoption Date. The principal terms of the 2015 Scheme are summarised as follows:

(a) The maximum number of shares in respect of which share options may be granted under the 2015 Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date. Subject to prior shareholders' approval, the Company may, at any time thereafter, refresh the scheme mandate limit to the extent not exceeding 10% of the shares in issue as at the date of the shareholders' approval. Following the adoption at the Adoption Date, the maximum number of shares in respect of which options may be granted under the 2015 Scheme is 198,000,000 shares, representing 10% of the total number of shares in issue as at the Adoption Date, and representing 10% of the issued share capital of the Company as at 31 March 2016 and the date of this annual report respectively. The maximum number of shares to be issued under the share options granted to each Participant in the 2015 Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associated, in excess of 0.1% of the number of shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

(c) The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a consideration of HK$1.00 in total by the grantee. The vesting period and exercise period of the share options granted is determinable by the directors, but not exceeding 10 years from the offer date.

(d) The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares stated in the Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

At the end of the reporting period and at the date of approval of these consolidated financial statements, the Company had 52,099,998 share options valid and outstanding under the 2015 Scheme, exercisable at a price of HK$1.20 per share ("**Share Options**"), which represented approximately 2.63% of the issued ordinary shares of the Company as at the end of the reporting period. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 52,099,998 additional ordinary shares of the Company and additional share capital of approximately HK$521,000 and share premium of approximately HK$61,999,000 (before issue expenses).

DIRECTORS' REPORT

Details of the Share Options that remain outstanding as at 31 March 2017 are as follows:

Grant Date	Exercise Price HK$	Grantees	Number of Share Options As at 1/4/2017	Granted	Exercised	Lapsed	As at 31/3/2018	Exercisable Period
2015 Share Option Scheme								
2/3/2016	1.20	Chan Yin Tsung	4,166,666	–	–	–	4,166,666	2/3/2016–1/3/2021
		Li Kam Chung	4,166,666	–	–	–	4,166,666	
		Kwok Lap Fung, Beeson	4,166,666	–	–	–	4,166,666	
		Employees *(note 4)*	39,600,000	–	–	(19,800,000)	19,800,000	
		Total	52,099,998	–	–	(19,800,000)	32,299,998	

Notes:

(1) The closing market price per share as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 1 March 2016 was HK$1.17.

(2) The above share options granted are recognised as expenses in the consolidated financial statements in accordance with the Group's accounting policy as set out in note 2.4 to the consolidated financial statements. Other details of share options granted by the Group are set out in note 32 to the consolidated financial statements.

(3) During the year, 19,800,000 share options lapsed by reason of the grantee ceased to be employee of the Group.

(4) Except for above, no Share Options were granted, exercised, lapsed or cancelled during the years ended 31 March 2019 and 2018.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and neither the Directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

MANAGEMENT CONTRACTS

Save as disclosed above, no contract of significance had been entered into between the Company or any of the subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, so far as is known to any Directors or chief executive of the Company, other than the interests disclosed above in respect of the Directors and the chief executive, the following substantial shareholders had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares and underlying shares

Ordinary shares of HK$0.01 each of the Company

Substantial shareholder	Capacity	Number of ordinary shares	Approximate percentage of the issued share capital of the Company
Xu Jiao	Interest of controlled corporation *(Note a)*	450,000,000	22.73%
Kwok Tao Capital Investment Limited	Beneficial owner *(Note a)*	400,000,000	20.20%

Notes:

(a) Ms. Xu Jiao ("**Ms. Xu**") was deemed to be interested in these shares through her controlling interest in Kwok Tao Capital Investment Limited ("**Kwok Tao**"). Kwok Tao was owned as to 79% by Ms. Xu. Besides, 50,000,000 shares were beneficially owned by Goldstar Success Limited ("**Goldstar**"). Goldstar was in turn wholly-owned by Ms. Xu.

Save as disclosed above, no other parties had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange as at 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 confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the Year and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

MAJOR CUSTOMERS

During the Year, the respective percentage of revenue attributable to the Group's five largest customers combined by value accounted for 88.2% in value of the revenue during the Year, while revenue attributable to the Group's largest customer by value accounted for 56.0% in value of the revenue during the Year.

At no time during the Year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in the major suppliers or customers noted above.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

Details of significant investments or material acquisitions for the Year are set out in note 34 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2019.

COMMITMENTS

Details of the commitments are set out in notes 37 and 38 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and senior management of the Company is currently in force and was in force throughout the Year. The Group has appropriately purchased directors and officers liability insurance for the Year to minimize the risks of Directors and senior management for the performance of their corporate duties.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that employees are valuable assets and the key element to sustain its growth and development. Thus the Group maintain a competitive remuneration package, discretionary bonus, training and occupational health and safety to retain the employees. The Group will consistently review the remuneration packages so as to competitive with the market. Further, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Customers and suppliers are another important elements for the Group to success. Thus the Group would value good relationship with the customers and suppliers by ways of providing high quality services and products to the customers, as well as maintaining a mutual trust and commitment with the suppliers.

EQUITY-LINK AGREEMENTS

During the Year, other than the 2015 Scheme as set out above and note 32 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS

A resolution for the re-appointment of Ascenda Cachet CPA Limited as the auditors of the Company for the subsequent year will be proposed at the AGM.

By order of the Board
Fung Kwok Kit
Chairman

Hong Kong, 28 June 2019

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to (i) enhance management effectiveness and efficiency; (ii) increase the transparency of the Company; (iii) enhance risk management and internal control of the Company; and (iv) safeguard the interests of the Shareholders and the Company as a whole.

The Company has adopted the code provisions set out in Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") ("**CG Code**"). The Company was in compliance with all code provisions set out in the CG Code throughout the year ended 31 March 2019 (the "**Year**") except for the following deviations as explained:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "**chief executive officer**". The board of directors (the "**Board**"/"**Directors**") is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Fung Kwok Kit provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the Year.

The current corporate governance practice of the Company will be reviewed and updated in a timely manner in order to comply with the CG Code.

THE BOARD

Role of the Board

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

Board Composition

The Board currently has three executive Directors and three non-executive Directors. All the non-executive Directors are independent to ensure that proposed strategies protect all shareholders' interests.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on page 7 under the section headed "Biographical Details of Directors".

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three Independent Non-Executive Directors ("**INEDs**"), together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the INED must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. In addition, all INEDs do not involve in the daily management of the Company and there are no relationships or circumstances which would interfere with the exercise of their independent judgment. The Board considers that all of the INEDs are independent.

There is respective service contract between the Company and each Director with specific terms. All Directors are subject to re-election by shareholders at the annual general meetings of the Company ("**AGM**") and at least about once every three years on a rotation basis in accordance with the bye-laws of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. No Director has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Shareholders may propose a candidate for election as Director in accordance with the bye-laws of the Company. The procedures for such proposal are posted on the website of the Group.

Chairman of the Board

The Chairman of the Board is Mr. Fung Kwok Kit, one of the executive Directors of the Company. The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate and reliable information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in the report.

The Company does not at present have an office with the title "chief executive officer". The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Fung Kwok Kit provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Board Meetings

The Directors can attend meetings in person or through other electronic means of communication in accordance with the bye-laws of the Company.

The Board meets regularly with meeting dates scheduled in advance. Between scheduled meetings, senior management of the Group provides to Directors on a regular basis monthly updates and other information with respect to the performance, and business activities and development of the Group. Throughout the Year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Group's Company Secretary ("**Company Secretary**") and other executives as and when required. Whenever necessary, additional Board meetings are held. Notice is given to all Directors so as to give them an opportunity to attend. Board papers are circulated not less than three days before the date of a Board meeting to enable the Directors to make informed decision on matters to be raised at the Board meetings. Board minutes are kept by the Company Secretary and are open for inspection by the Directors. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

During the Year, the Company held 9 Board meetings and the 2018 AGM on 29 August 2018. The attendance of each Director is set out as follows:

Name of Directors	Board Meeting Attended/ Eligible to Attend	2017 AGM Attended
Executive Directors		
Mr. Fung Kwok Kit, *Chairman*	9/9	✓
Mr. Zhong Can	2/9	
Mr. Kwong Kin Fai, Eric (appointed on 1 September 2018)	4/5	
Independent Non-executive Directors		
Mr. Chan Yin Tsung	9/9	✓
Mr. Li Kam Chung	9/9	✓
Mr. Kwok Lap Fung, Beeson	9/9	✓

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Directors' Training

All Directors have participated in continuous professional development and provided a record of training they received for the Year to the Company. In addition to their own participation in professional training, relevant training and reading materials was provided to the Directors by the Company in the Year to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

Board Committees

The Board is supported by three permanent board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, details of which are described later in this report. The terms of reference for these Committees, which have been reviewed and revised with reference to the CG Code and adopted by the Board, are available on the websites of the Group and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive meeting agendas and papers. Minutes of all Board meetings and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committee, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors and Committee members respectively for comments and records and are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. From time to time, he organises seminars on specific topics of significance and interest and disseminate reference materials to the Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests and dealings in the Group's securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the bye-laws of the Company. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. The Company Secretary has been appointed as the Company Secretary of the Company since 2017 and has day-to-day knowledge of the Group's affairs. In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group and ensuring that the statements give a true and fair presentation in accordance with statutory requirements and applicable accounting standards. The Directors ensure the publication of the Group's consolidated financial statements in a timely manner.

The statement of the Group's Auditors about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditors' Report on pages 26 to 32 of this Annual Report.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Audit Committee

The Company established the Audit Committee with written terms of reference on 9 January 2012. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Chan Yin Tsung (Chairman of the Audit Committee), Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson. The Chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and consolidated financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

The Audit Committee held two meeting during the Year.

Name of Members	**Attended/ Eligible to Attend**
Mr. Chan Yin Tsung *(Chairman)*	2/2
Mr. Li Kam Chung	2/2
Mr. Kwok Lap Fung, Beeson	2/2

The Board also delegated certain corporate governance functions to the Audit Committee, including the review and monitoring of (a) the Group's policies and practices on corporate governance and make recommendations to the Board; (b) the training and continuous professional development of Directors and senior management; (c) the Group's policies and practices on compliance with legal and regulatory requirements; (d) the code of conduct of the Group applicable to employees and Directors; and (e) the Group's compliance with the Code and disclosure in the Corporate Governance Report.

External Auditors

The Audit Committee reviews and monitors the external auditors' independence and objectivity and effectiveness of the audit process. It receives each year the letter from the external auditors confirming their independence and objectivity and holds meetings with representatives of the external auditors to consider the scope of their audit, approve their fees, and the scope and appropriateness of non-audit services, if any, to be provided by them. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

The accounts for the Year were audited by Ascenda Cachet CPA Limited whose term of office will expire upon the forthcoming AGM. The Audit Committee has recommended to the Board that Ascenda Cachet CPA Limited be re-appointed as the auditors of the Company at the forthcoming AGM.

Auditors' Remuneration

During the Year, the total remuneration in respect of statutory audit and non-audit services provided by the Company's external auditors, Ascenda Cachet CPA Limited, are as follows:

Nature of services	Amount (HK$'000)
Audit services	800
Other assurance services	–

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control systems for the Group in order to safeguard the Group's assets against unauthorised use or disposition, and to protect the shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control system. During the Year, the Board, through the Audit Committee, conducted an annual review of the overall effectiveness of the system of internal control of the Group over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and the effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance.

REMUNERATION OF DIRECTORS

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference on 9 January 2012. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the CG Code. The written terms of reference clearly define the role, authority and function of the Remuneration Committee.

The Remuneration Committee is currently chaired by Mr. Li Kam Chung with Mr. Chan Yin Tsung (both were Independent Non-executive Directors) and Mr. Fung Kwok Kit (Executive Director) as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The Committee meets towards the end of each year for the determination of the remuneration package of Directors of the Group.

The principal duties of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the Group's business operations. It includes making recommendations to the Board on the Company's policy and structure on the remuneration package of all Director and senior management remuneration and on the establishment of a fair and transparent procedure for developing remuneration policy.

The Company has adopted a share option scheme on 31 August 2015. The emoluments of Directors, including discretionary bonus and share options, are determined based on the duties and responsibilities of each Director and the Group's business performance. The Directors' fees were reviewed by the Remuneration Committee.

During the Year, the Remuneration Committee held its meeting once to review and approve the remuneration package of each Director. The attendance record is set out below.

Name of Member	Attended/ Eligible to attend
Mr. Li Kam Chung *(Chairman)*	2/2
Mr. Chan Yin Tsung	2/2
Mr. Fung Kwok Kit	1/2

Remuneration Policy

The remuneration payable to Directors depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions.

Emoluments of Directors

Details of the emoluments of the Directors for the Year are set out in note 7 to the consolidated financial statements.

NOMINATION OF DIRECTORS

Nomination Committee

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 9 January 2012. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the CG Code.

The Nomination Committee is currently chaired by Mr. Chan Yin Tsung with Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson as members. All the Nomination Committee members are INEDs of the Company.

The function of the Nomination Committee are to review and monitor the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman.

During the Year, the Nomination Committee held its meeting once to assess the independence of the INEDs, to consider the re-election of Directors and to review the composition of the Board. The attendance record is set out below.

Name of Member	Attended/ Eligible to attend
Mr. Chan Yin Tsung *(Chairman)*	2/2
Mr. Li Kam Chung	1/2
Mr. Kwok Lap Fung, Beeson	2/2

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 28 November 2013 (the "**Policy**") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board delegated certain duties under the Policy to the Nomination Committee. The Nomination Committee will discuss and review the measurable objectives for implementing the Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

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

RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. The policy is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports in accordance with the continuing disclosure obligations under the Listing Rules. An up-to-date consolidated version of the Bye-laws of the Company is published on the websites of the Group and the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Shareholders are encouraged to attend all general meetings of the Company. The results of the poll are published on the websites of the Group and the Stock Exchange. Regularly updated financial, business and other information on the Group is made available on the Group's website for shareholders and stakeholders. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from attending such meetings. Separate resolutions were proposed at 2018 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 29 August 2018.

Procedures for Putting Forward Proposed Resolution and Statements by Shareholders at Shareholders' Meeting

Shareholders may by a written request put forward a proposed resolution to or a statement of not more than one thousand words to a resolution at a general meeting. The number of shareholders necessary shall be any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting to which the requisition relates or not less than one hundred shareholders.

A copy or copies of requisition signed by all requisitionists shall be deposited to the company secretary at the Company's principal place of business in Hong Kong in the case of:

(i) a requisition requiring notice of a resolution, not less than six weeks before the general meeting unless the general meeting is called for a date six weeks or less after the copy has been deposited; and

(ii) any other requisition, not less than one week before the general meeting.

The Board shall include the proposed resolution in the agenda of the general meeting upon confirmation of the written requisition is proper and in order by the Company's share registrars and there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in serving and circulating the notice of the proposed resolution or the statement to a resolution in accordance with relevant statutory requirement to give effect thereto.

Shareholders to Convene a Special General Meeting

Shareholders holding at the date of deposit of the requisition ("**Requisition Date**") not less than one-tenth of the paid-up capital of the Company carrying the voting right at general meetings are entitled to request the Board to convene special general meeting ("**SGM**") by written requisition, duly signed by all the concerned shareholders and deposited to the company secretary of the Company at the principal place of business in Hong Kong.

Shareholders shall state the purposes of SGM in the written requisition and may consist of several documents in like form each signed by one or more of those concerned shareholders.

The written requisition will be verified by the Company's share registrar and upon their confirmation that such requisition is proper and in order, the Board shall convene SGM by serving the notice to all shareholders for passing special resolution by not less than 21 clear days' notice in writing and for ordinary resolution by not less than 14 clear days' notice in writing.

If the Board do not within twenty-one (21) days from the Requisition Date proceed to convene SGM and do not within two (2) months from the Requisition Date to hold the SGM, the concerned shareholders or any of them representing more than one half of the total voting rights of all of them, may convene a SGM themselves but the SGM shall be held within three (3) months from the Requisition Date.

Voting By Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2019 AGM will be voted by poll.

Written Communications by Shareholders to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Shareholders may send written enquiries, comments and suggestions to the Board or the Company addressed to the Company Secretary at the Company's principal place of business in Hong Kong by mail to Room 2606, 26/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong or by email at info@zdihl.com.

By order of the Board
Wong Kin Chung
Company Secretary

Hong Kong, 28 June 2019

INDEPENDENT AUDITOR'S REPORT

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

To the members of Zhidao International (Holdings) Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhidao International (Holdings) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 33 to 122, 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, the consolidated statement of changes in equity and the 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 ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Revenue recognition from contracts with customers in relation to the provision of construction and engineering services

Reference is made to notes 2.4 and 3 to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 5 to the consolidated financial statements for further information.

The Group recorded revenue from contracts with customers in relation to the provision of construction and engineering services totalling HK$85,340,000, for the year ended 31 March 2019.

Contract revenue is recognised progressively over time using the input method and output method.

Contract revenue recognised progressively over time using the output method is based on direct measurements of the value of services delivered or surveys of work performed and the estimated total revenue for the contracts entered into by the Group with reference to surveyor's certificate (the "**Surveyor's Certificate**") either from its in-house surveyor or independent surveyors appointed by the customers. The contract revenue from variation orders is recognised progressively over time using the input method is based on the Group's efforts or inputs to the satisfaction of the performance obligation, with reference to the construction cost incurred up to the end of the period as a percentage of estimated total contract cost.

Management reviews and revises the estimates of construction revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.

For this reason, we identified the revenue recognition from contracts with customers in relation to the provision of construction contracts as a key audit matter.

Our procedures in relation to management's assessment of the revenue recognition from contracts with customers in relation to the provision of construction contracts included:

— Assessing the design, implementation and operating effectiveness of key internal controls over the contract revenue recognition processes;

— Obtaining the Surveyor's Certificate and comparing the contract revenue recognised for contracts in progress during the year, on a sample basis, with reference to the Surveyor's Certificate;

— Obtaining a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements, certifications or correspondence with sub-contractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion;

— Obtaining a detailed breakdown of the variation orders for the year and comparing, on a sample basis, actual costs incurred to the reporting date regarding such variation orders or correspondence with its contractors;

— Discussing with management the performance of contracts in progress during the year, on a sample basis, and challenging the key estimates and assumptions adopted in the forecasts for construction revenue and construction costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and the assessment of potential liquidated and ascertained damages for construction which were behind schedule, by obtaining and evaluating relevant information in connection to the assumptions adopted, including sub-construction agreements and sub-contracts, correspondence with sub-constructor regarding contract variations and claims and by considering historical outcomes for similar contracts;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from contracts with customers in relation to the provision of construction contracts and engineering services (Continued)	
	— For all projects in progress at the reporting date, challenging the assumptions and critical judgements made by management which impacted their estimations of the liquidated and ascertained damages assessments by comparing the key terms and conditions in the assessments with contract agreements with subcontractor and by comparing the estimated contract completion time with the Group's updated progress report or correspondence from subcontractor; and — Inspecting a sample of contract agreements with contractor to identify key terms and conditions, including the contracting parties, the contract period, the contract sum, the scope of work, the methodology for calculating liquidated and ascertained damages, and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete in the forecast of the outcome of the contracts.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for impairment of the trade receivables, loan and interest receivables	
Reference is made to notes 2.4 and 3 to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and notes 19 and 20 to the consolidated financial statements for further information. Included in the carrying amount of the Group's trade receivables, loan and interest receivables were approximately HK$14,785,000 and HK$152,753,000, respectively, as at 31 March 2019. The adoption of HKFRS 9 has changed the Group's accounting for loan loss impairment by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. During the year, the Group has provided an allowance for impairment of trade receivables, loan and interest receivables of approximately HK$8,000 and HK$1,013,000, respectively, in accordance with the HKFRS 9. The measurement of ECL requires the application of judgment and estimation by the management. The Group's policy for recognition of an allowance for impairment on trade receivables, loan and interest receivables is based on the evaluation of recoverability, ageing analysis and on management's judgement. A considerable amount of judgement is required in assessing the recoverability of the trade receivables, loan and interest receivables including the current creditworthiness and the past collection history of the debtors, the borrowers and the guarantors, or any of its underlying pledged assets and securities, if any. For this reason, we identified the allowance for impairment of trade receivables, loan and interest receivables as a key audit matter.	Our procedures in relation to management's assessment of the allowance for impairment of the trade receivables, loan and interest receivables included: — Obtaining an understanding of how management estimated the allowance for impairment of the trade receivables, loan and interest receivables and evaluating the historical accuracy of the impairment estimation by management (including revision of the loan agreements, the controls over the approval, recording and monitoring of loans and interest receivables and assessment of the collectability of the debtors, the borrowers, the guarantors, or any of its underlying pledged assets and securities, if any); — Assessing the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for impairment of assessing if there has been a significant increase in credit risk that allowances for impairment of trade receivables, loans, interest receivables should be measured on a lifetime ECL basis. We also assessed whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments; — Assessing the basis of management's assessment of recoverability of the trade receivables, loan and interest receivables with reference to the management's evaluation of debtors or borrowers' creditworthiness, debtors or borrowers' credit history including default or delay in payments, debtors or borrowers' settlement records, subsequent settlements from debtors or borrowers and ageing analysis of each individual debtors or borrowers; and — Recalculating the amount of the allowance for impairment under ECL approach on the trade receivables, loan and interest receivables and assessing the sufficiency of the allowance for impairment as at 31 March 2019.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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 Company or to cease operations or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial 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.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Chi Yuen.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
CONTINUING OPERATIONS			
REVENUE	5	**96,803**	18,583
Cost of sales	6	**(81,235)**	(7,508)
Gross profit		**15,568**	11,075
Other income and gains	5	**504**	32,508
General and administrative expenses		**(20,348)**	(10,756)
Finance costs	7	**(1,712)**	–
Impairment of trade receivables	19	**(8)**	(1,280)
Impairment of other receivables		**–**	(3,348)
Impairment of contract assets		**(12)**	–
Impairment of loan and interest receivables	20	**(1,013)**	–
Impairment of amount due from associates	17	**(1,302)**	(1,240)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**(8,323)**	26,959
Income tax expense	10	**(2,298)**	(1,310)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(10,621)**	25,649
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	11	**(1,579)**	(23,124)
Gain on disposal of subsidiaries	11, 35	**13,702**	–
		12,123	(23,124)
PROFIT FOR THE YEAR		**1,502**	2,525
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(3,535)**	6,414
Release of translation reserve upon disposal of subsidiaries	35	**(2,375)**	–
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(5,910)**	6,414
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(4,408)**	8,939

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	**2019 HK$'000**	2018 HK$'000 (restated)
Profit attributable to:			
Owners of the Company		**3,578**	2,525
Non-controlling interests		**(2,076)**	–
		1,502	2,525
Total comprehensive income attributable to:			
Owners of the Company		**(2,322)**	8,939
Non-controlling interests		**(2,086)**	–
		(4,408)	8,939
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*12*		
Basic (restated)			
Profit for the year		**0.18 cents**	0.13 cents
(Loss)/Profit from continuing operations		**(0.43) cents**	1.30 cents
Diluted (restated)			
Profit for the year		**0.18 cents**	0.13 cents
(Loss)/Profit from continuing operations		**(0.43) cents**	1.30 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**5,004**	4,342
Investment property	*15*	**–**	3,493
Intangible asset	*16*	**543**	–
Prepayments	*23*	**–**	462
Contract assets	*22*	**5,497**	–
Interests in associates	*17*	**17,198**	18,500
Total non-current assets		**28,242**	26,797
CURRENT ASSETS			
Inventories	*18*	**5,461**	–
Trade receivables	*19*	**14,785**	8,500
Loan and interest receivables	*20*	**152,753**	27,471
Receivables for default guarantee payments and receivables from guarantee customers	*21*	**–**	15,625
Contract assets	*22*	**16,980**	–
Prepayments, other receivables and other assets	*23*	**111,238**	73,926
Tax recoverable		**–**	484
Equity investments at fair value through profit or loss	*24*	**68,341**	51,980
Pledged bank deposits	*25*	**7,541**	35,823
Cash and cash equivalents	*25*	**145,219**	265,630
Total current assets		**522,318**	479,439
CURRENT LIABILITIES			
Trade payables	*26*	**17,590**	–
Other payables and accruals	*27*	**2,340**	2,732
Contract liabilities	*28*	**38,605**	–
Liabilities from guarantees	*29*	**–**	48,357
Interest-bearing bank and other borrowings	*30*	**32,547**	–
Tax payables		**1,440**	–
Total current liabilities		**92,522**	51,089
NET CURRENT ASSETS		**429,796**	428,350

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT LIABILITIES			
Retention payables		**1,246**	–
Interest-bearing bank and other borrowings	*30*	**13,913**	–
Total non-current liabilities		**15,159**	–
Net assets		**442,879**	455,147
EQUITY			
Equity attributable to owners of the Company			
Share capital	*31*	**19,800**	19,800
Reserves	*33*	**424,997**	435,347
		444,797	455,147
Non-controlling interests		**(1,918)**	–
Total equity		**442,879**	455,147

Fung Kwok Kit
Director

Zhong Can
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000 (note 33(i))	Capital reserve HK$'000 (note 33(ii))	Translation reserve HK$'000 (note 33(iii))	Share option reserve HK$'000 (note 33(iv))	Regulatory reserve HK$'000 (note 33(v))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017	19,800	485,679	–	212	59,764	63	(119,310)	446,208	–	446,208
Profit for the year	–	–	–	–	–	–	2,525	2,525	–	2,525
Other comprehensive income for the year:										
— Exchange differences on translation of foreign operations	–	–	–	6,414	–	–	–	6,414	–	6,414
Total comprehensive income for the year	–	–	–	6,414	–	–	2,525	8,939	–	8,939
Regulatory reserve appropriation	–	–	–	–	–	(63)	63	–	–	–
Transfer of share option reserve upon lapsing of share options *(note 32)*	–	–	–	–	(31,838)	–	31,838	–	–	–
At 31 March 2018 and 1 April 2018	19,800	485,679*	–*	6,626*	27,926*	–*	(84,884)*	455,147	–	455,147
Effect on adoption of HKFRS 9 *(note 2.2)*	–	–	–	–	–	–	(8,040)	(8,040)	–	(8,040)
At 1 April 2018, restated	**19,800**	**485,679**	**–**	**6,626**	**27,926**	**–**	**(92,924)**	**447,107**	**–**	**447,107**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**3,578**	**3,578**	**(2,076)**	**1,502**
Other comprehensive income for the year:										
— Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(3,524)**	**–**	**–**	**–**	**(3,524)**	**(11)**	**(3,535)**
— Release of translation reserve upon the disposal of subsidiaries *(note 35(a))*	**–**	**–**	**–**	**(2,375)**	**–**	**–**	**–**	**(2,375)**	**–**	**(2,375)**
Total comprehensive income for the year	**–**	**–**	**–**	**(5,899)**	**–**	**–**	**3,578**	**(2,321)**	**(2,087)**	**(4,408)**
Acquisition of a subsidiary *(note 34)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**180**	**180**
Disposal of subsidiaries *(note 35(b))*	**–**	**–**	**11**	**–**	**–**	**–**	**–**	**11**	**(11)**	**–**
Transfer of share option reserve upon lapsing of share options *(note 32)*	**–**	**–**	**–**	**–**	**(10,613)**	**–**	**10,613**	**–**	**–**	**–**
At 31 March 2019	**19,800**	**485,679***	**11***	**727***	**17,313***	**–***	**(78,733)***	**444,797**	**(1,918)**	**442,879**

* These reserve accounts comprise the consolidated reserves of approximately HK$424,997,000 (2018: HK$435,347,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax			
From continuing operations		**(8,323)**	26,959
From discontinued operation		**12,123**	(23,124)
Adjustments for:			
Bank interest income	*5*	**(35)**	(816)
Dividend income from equity investments at fair value through profit or loss	*5*	**(211)**	(106)
Fair value loss/(gain) on equity investments at fair value through profit or loss	*6*	**3,701**	(32,125)
Gain on bargain purchases	*5, 34*	**(14)**	–
Gain on disposal of subsidiaries	*5,35*	**(13,702)**	(25)
Gain on disposal of property, plant and equipment		**–**	(14)
Other interest income	*5*	**–**	(248)
Depreciation of property, plant and equipment	*14*	**1,206**	128
Depreciation of investment property	*15*	**12**	77
Finance costs	*7*	**1,712**	–
Impairment of trade receivables	*19*	**8**	1,280
Impairment of other receivables		**–**	3,348
Impairment of receivables for default guarantee payments and receivables from guarantee customers		**1,197**	24,870
Impairment of amount due from associates	*17*	**1,302**	1,240
Amortisation of intangible asset	*6, 16*	**257**	–
Impairment of loan and interest receivables	*6, 20*	**1,013**	–
Impairment of contract assets	*6, 22*	**12**	–
Reversal of provision for impairment on other receivables	*6, 23*	**(236)**	–
		22	1,444
(Increase)/Decrease in inventories		**(5,461)**	1,034
Increase in contract assets		**(22,489)**	–
(Increase)/Decrease in trade receivables		**(9,794)**	546
(Increase)/Decrease in loan and interest receivables		**(130,834)**	41,982
Increase in receivables for default guarantee payments and receivables from guarantee customers		**(2,195)**	(11,638)
Increase in prepayments, other receivables and other assets		**(7,829)**	(47,190)
Increase in contract liabilities		**38,606**	–
Increase in retention payables		**645**	–
Increase in equity investments at fair value through profit or loss		**(19,851)**	(19,749)
Increase/(Decrease) in trade payables		**17,590**	(1,883)
(Decrease)/Increase in other payables and accruals		**(111)**	337
Increase in liabilities from guarantees		**1,626**	6,450
Cash generated used in operations		**(140,075)**	(28,667)
Hong Kong profits tax paid		**(373)**	(2,913)
PRC income tax paid		**–**	(79)
Net cash flows used in operating activities		**(140,448)**	(31,659)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**35**	816
Other interest received		**–**	248
Purchases of items of property, plant and equipment	*14*	**(190)**	–
Proceeds from disposal of property, plant and equipment		**–**	318
Net inflow of cash and cash equivalent in respect of the acquisition of a subsidiary	*34*	**4,235**	–
Net inflow of cash and cash equivalent in respect of the disposal of subsidiaries	*35*	**28,304**	25
(Increase)/Decrease in pledged bank deposits		**(2,060)**	5,115
Net cash flows from investing activities		**30,324**	6,522
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of interest-bearing bank and other borrowings	*40*	**2,723**	–
Repayment of interest-bearing bank and other borrowings	*40*	**(11,083)**	–
Interest paid	*40*	**(1,712)**	
Net cash flows used in financing activities		**(10,072)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(120,196)**	(25,137)
Cash and cash equivalents at beginning of year		**265,630**	290,287
Effect of foreign exchange rate changes, net		**(215)**	480
CASH AND CASH EQUIVALENTS AT END OF YEAR		**145,219**	265,630
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**145,219**	265,630

1. CORPORATE AND GROUP INFORMATION

Zhidao International (Holdings) Limited (the "**Company**") is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Room 2606, 26th Floor, C C Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in (i) trading of aluminium products (ii) supply of aluminium products in construction projects and is extended to the provision of construction and engineering services during the year; (iii) money lending; and (iv) provision of financing guarantee services in the People's Republic of China (the "**PRC**") which was disposed during the year.

In previous year, the Group entered into an engineering, development and construction contract for a mining project in Pakistan (the "**Construction Contract**"). Pursuant to the Construction Contract, the Group shall be the contractor which provides engineering, development and construction services to a Pakistan Company on an exclusive basis. However, the Group has not yet commenced any engineering, development and construction of the mining project during the year.

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 September 1997.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company® Direct	Indirect	Principal activities
Wealthy Hero Investments Limited *(note a)*	British Virgin Islands ("**BVI**")	US$1	100	–	Investment holding
Rongbao Holdings Limited *(note a)*	BVI	US$1	100	–	Investment holding
Golden Beach Enterprises Limited *(note a)*	BVI	US$1	100	–	Investment holding
Wealthy Hero Holdings Limited	Hong Kong	HK$1	–	100	Money lending business
Rongbao Investments Limited	Hong Kong	HK$1	–	100	Investment holding
Fast Excel Limited *(note e)*	Hong Kong	HK$10	–	51 (2018: 100)	Investment holding
Parkson Trade Services Limited	Hong Kong	HK$1	–	100	Trading of aluminium products
Fast Excel Gold Mountain Zhongshan Aluminium Products (Hong Kong) Limited *(note e)*	Hong Kong	HK$5	–	51 (2018:100)	Not yet commenced business
Zhongshan City Minzhong Deli Metal Company Limited *(notes a & c)*	PRC	US$500,000	–	100	Manufacturing and trading of aluminium windows and gates

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company® Direct	Indirect	Principal activities
First Rate Ventures Limited *(note a)*	BVI	US$1	100	–	Investment holding
Hoperay Holdings Limited *(note a)*	BVI	US$1	100	–	Investment holding
Fu Ya Investments Limited *(notes a & b)*	BVI	US$10	–	– (2018:100)	Investment holding
China Fortune International Investments Limited *(note b)*	Hong Kong	HK$1	–	– (2018:100)	Investment holding
Guizhou Baoxin Investment and Guaranty Company Limited *(notes a, b & c)*	PRC	RMB64,000,000	–	– (2018:100)	Provision of financing guarantee services
Solar Shine Developments Limited *(note a)*	BVI	US$1	100	–	Provision of engineering, development and construction of a mining project
Universe Clear Limited *(note a)*	BVI	US$1	100	–	Investment holding
Po Kei Asia Limited *(note d)*	Hong Kong	HK$100	100 (2018: –)	–	Investment holding
Goldland Asia Limited *(note d)*	Hong Kong	HK$10	100 (2018: –)	–	Investment holding
iTong Engineering Company Limited *(notes a & f)*	Macau	MOP 38,000	–	51.84	Provision of construction contracts
怡東建築工程(珠海)有限公司 *(notes a, c & d)*	PRC	RMB427,500	–	51.84	Provision of construction contracts

Notes:

(a) Not audited by Ascenda Cachet CPA Limited.

(b) As detailed in note 35(a) to the consolidated financial statements, these subsidiaries were disposed of during the year.

(c) Registered as wholly-foreign owned enterprises under the PRC Law.

(d) These subsidiaries were newly incorporated during the year.

(e) As detailed in note 35(b) to the consolidated financial statements, 49% equity interest of these subsidiaries were disposed to an independent third party during the year.

(f) As detailed in note 34 to the consolidated financial statements, 51.84% equity interest of this subsidiary was newly acquired from an independent third party during the year.

® There were no changes in the percentage of equity attributable to the Company except otherwise indicated.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers to Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except as described the impacts on adoption of HKFRS 9 and HKRFS 15 below, the application of the above new or revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

(a) HKFRS 9 replaces the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(i) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The classification is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

(i) Classification and measurement *(Continued)*

The financial assets currently held by the Group include debt instruments previously classified as loans and receivables which continue to be measured at amortised cost under HKFRS 9. A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	**Amount** HK$'000	**ECLs***	**Amount** HK$'000	**Category**
Financial assets					
Equity investments	FVTPL	51,980	–	51,980	FVTPL
Trade receivables	L&R	8,500	(3,500)	5,000	AC
Loans and interest receivables	L&R	27,471	(4,540)	22,931	AC
Receivables for default guarantee payments and receivables from guarantee customers	L&R	15,625	–	15,625	AC
Financial assets included in prepayments, other receivables and other assets	L&R	74,388	–	74,388	AC
Pledged bank deposits	L&R	35,823	–	35,823	AC
Cash and bank balances	L&R	265,630	–	265,630	AC
		479,417	(8,040)	471,377	
Financial liabilities					
Financial liabilities included in other payables and accruals	AC	2,732	–	2,732	AC
Liabilities from guarantees	AC	48,357	–	48,357	AC
		51,089	–	51,089	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

3 FVTPL: Financial assets at fair value through profit or loss

* The above information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

There will be no impact on the Group's accounting for financial liabilities, as HKFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liability. The derecognition rules have been transferred from HKAS 39 and have not been changed.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

(ii) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the ECLs model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables, loan and interest receivables and other financial assets.

The following table summarises the impacts of transition to HKFRS 9 on accumulated losses and reserves at 1 April 2018.

	HK$'000
Accumulated losses	
Recognition of additional expected credit losses on	
— Trade receivables	(3,500)
— Loans and interest receivables	(4,540)
Net increase in accumulated losses at 1 April 2018	(8,040)

The following table reconciles the closing allowance for impairment of trade receivables, loan and interest receivables determined in accordance with HKAS 39 as at 31 March 2018 with the opening allowance for impairment of trade receivables, loan and interest receivables determined in accordance with HKFRS 9 as at 1 April 2018.

	Impairment allowances under HKAS39 as at 31 March 2018 HK$'000	**Re-measurement** HK$'000	**ECL allowances under HKFRS9 as at 1 April 2018** HK$'000
Trade receivables	1,280	3,500	4,780
Loans and interest receivables	–	4,540	4,540
Receivables for default guarantee payments and receivables from guarantee customers	37,869	–	37,869
Prepayments, other receivables and other assets	4,904	–	4,904

For trade receivables, the Group applies a simplified model of recognising lifetime ECLs as these items do not have a significant financing component. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. For loan and interest receivables, the Group applies a general model of recognising ECLs in 2 stages. As at 1 April 2018, an additional credit loss allowance of HK$3,500,000 and HK$4,540,000 has been recognised against accumulated losses and respective assets.

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

Except as described above, the application of HKFRS 9 has had no material impact on the amounts reported set out in these consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction Contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18.

There is no significant impact of transition to HKFRS 15 on accumulated losses at 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts, loan interest income and provision of financing guarantee services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the timing of revenue recognition of the business of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) *(Continued)*

(ii) Timing of recognition of contract costs

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

The adoption of HKFRS 15 does not have a significant impact on the timing of recognition of contract costs.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS 15 does not have a significant impact on the presentation of contract assets and liabilities.

(c) HK(IFRIC)-Int 22, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

As the disclosure in note 37 the consolidated financial statements, as at 31 March 2019, the Group had future minimum lease payment under non-cancellable operating leases in aggregate of HK$466,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interests in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or joint controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold building	Over the lease term
Leasehold improvements	Over the lease term
Plant and machineries	10%
Furniture, fixture and equipment	10%–33%
Motor vehicles	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at lease at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)

(a) Classification

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

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

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading,this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

(c) Measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(Continued)*

(d) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("**OCI**") . Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(e) Equity instruments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(Continued)*

(f) Impairment

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

For trade receivables, retention money receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on financial assets measured at amortised cost other than trade receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

When there is a significant increase in credit risk or the proceeds receivables are not settled in accordance with the terms stipulated in the agreements, management considers these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit loss.

When management considers that there is no reasonable expectation of recovery, the financial assets measured at amortised cost will be written off.

Financial assets (policies under HKAS 39 applicable before 1 April 2018)

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (policies under HKAS 39 applicable before 1 April 2018) *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash, amount due from a substantial shareholder) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually. 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 receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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, other receivables and deposits, 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, other receivable or deposits are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables, secured bank borrowing, obligations under a finance lease are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Equity instruments

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

Derecognition

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial positions, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a guarantee, the fair value of the guarantee contract issued is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the consolidated statement of profit or loss on initial recognition of any deferred income. The fair value of the guarantee initially recognised as deferred income is amortised in the consolidated statement of profit or loss over the term of the guarantee as income from guarantees issued.

In addition, provisions are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 April 2018)*(Continued)*

(a) Sales of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

(b) Construction services

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time using the output method, i.e. based on direct measurements of the value of services delivered or surveys of work performed and the estimated total revenue for the contracts entered into by the Group.

If construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

The likelihood of contract variations, claims and liquidated damages are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Revenue for construction contracts was recognised on a similar basis in the comparative period under HKAS 11.

(c) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(d) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable before 1 April 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) Guarantee fee income, when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. Guarantee fee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the consolidated statement of profit or loss over the period of guarantee. Generally, the Group receives guarantee fee income in full at inception and records it as unearned income before amortising it throughout the period of guarantee; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets (applicable from 1 April 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Binominal model, further details of which are given in note 32 to the consolidated financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their consolidated statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitment — Group as a lessor

The Group had entered into commercial property lease on its investment property as at 31 March 2018. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains all the significant risks and rewards of ownership of this property which is leased out on an operating lease.

Classification between investment property and owner-occupied property

The Group determined whether a property qualifies as an investment property, and had developed criteria in making that judgement. Investment property was a property held to earn rentals or for capital appreciation or both. Therefore, the Group considered whether a property generates cash flows largely independently of the other assets held by the Group some properties comprise a portion that was held to earn rentals or for capital appreciation and another portion that was held for use in the production or supply of goods or services or for administrative purposes. If the portions could be sold separately or leased out separately under a finance lease, the Group accounted for the portions separately. If the portions could not be sold separately, the property was an investment property only if an insignificant portion was held for use in the production or supply of goods or services or for administrative purposes. Judgement was made on an individual property basis to determine whether ancillary services were so significant that a property did not qualify as an investment property.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Construction contracts revenue recognition

Revenue from construction contracts are recognised over time. Such revenue and profit recognition on incompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred. Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on revenue and profit recognised to date. In addition, actual outcomes in terms of total revenue or costs may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future periods as an adjustment to the amounts recorded to date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and related credit risk is disclosed in note 42 to the consolidated financial statements, respectively.

Estimation uncertainty

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, are described below.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Provisions for guarantee losses

The Group makes reasonable estimate on costs required to fulfil the relevant obligation of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as of the end of the reporting period and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provision would affect profit of loss in future years.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of loans and interest receivables

The Group reviews its loan portfolios to assess whether there is any objective evidence that the loans receivable is impaired at least on a yearly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans receivables before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methods and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The net carrying amount of loan and interest receivables at 31 March 2019 was approximately HK$152,753,000 (2018: HK$27,471,000). More details are given in note 20 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for impairment of amounts due from subsidiaries

The policy for the provision for impairment of amounts due from subsidiaries is based on the evaluation of recoverable of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of the amount.

Provision for impairment of investments in subsidiaries

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

4. OPERATING SEGMENT INFORMATION

The principal activities of the Group consisted of trading of aluminium products, supply of aluminium products in construction projects and provision of construction and engineering services, money lending and provision of financing guarantee services. During the year, the Group disposed of its financing guarantee services business which was completed on 4 June 2018. The Group also entered into an engineering, development and construction contract for a mining project in Pakistan in prior year. However, the Group has not yet commenced any engineering, development and construction of the mining project during the year.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) trading of aluminium products segment — sales of aluminium products;

(b) construction projects segment — supply of aluminum products in construction projects and extension to the provision of construction and engineering services;

(c) money lending segment — provision of loan financing; and

(d) financing guarantee services segment — provision of financing guarantee services, which has been discontinued during the year.

The Group's chairman, who is the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, dividend income from equity investments at fair value through profit or loss, fair value gains on equity investments at fair value through profit or loss, gain on disposal of property, plant and equipment, gain on disposal of subsidiaries, other interest income, impairment of associates, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged bank deposits, interests in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Continuing operations			Discontinued operation	
Year ended 31 March 2019	**Trading of aluminium products HK$'000**	**Construction projects HK$'000**	**Money lending HK$'000**	**Financing guarantee services HK$'000**	**Total HK$'000**
Segment revenue:					
Sales to external Customers	–	–	–	–	–
Construction projects	–	85,340	–	–	85,340
Loans interest income	–	–	11,463	–	11,463
Guarantee fee income	–	–	–	250	250
	–	85,340	11,463	250	97,053
Segment results	(279)	(3,404)	5,859	12,123	14,299
Interest income					35
Corporate and other unallocated income					220
Corporate and other unallocated expenses					(10,754)
Profit before tax					3,800
Segment assets	–	95,633	221,592	–	317,225
Corporate and other unallocated assets					233,335
Total assets					550,560
Segment liabilities	1,035	104,332	342	–	105,709
Corporate and other unallocated liabilities					1,972
Total liabilities					107,681
Other segment information:					
Depreciation of property, plant and equipment	–	1,132	56	18	1,206
Depreciation of investment property	–	–	–	12	12
Amortisation of intangible assets	–	257	–	–	257

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2018	Continuing operations: Trading of aluminium products HK$'000	Continuing operations: Construction projects HK$'000	Continuing operations: Money lending HK$'000	Discontinued operation: Financing guarantee services HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	–	8,254	–	–	8,254
Loans interest income	–	–	10,329	–	10,329
Guarantee fee income	–	–	–	2,282	2,282
	–	8,254	10,329	2,282	20,865
Segment results	(1,954)	(6,432)	7,010	(23,124)	(24,500)
Interest income					1,064
Corporate and other unallocated income					31,444
Corporate and other unallocated expenses					(4,173)
Profit before tax					3,835
Segment assets	8,501	57	80,152	53,789	142,499
Corporate and other unallocated assets					363,737
Total assets					506,236
Segment liabilities	1,085	316	308	48,640	50,349
Corporate and other unallocated liabilities					740
Total liabilities					51,089
Other segment information:					
Depreciation of property, plant and equipment	1	9	–	118	128
Depreciation of investment property	–	–	–	77	77

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	HK$'000
From continuing operations:		
Hong Kong	**85,232**	10,329
Macau	**11,571**	–
PRC	**–**	8,254
	96,803	18,583
From discontinued operation:		
Hong Kong	**–**	–
Macau	**–**	–
PRC	**250**	2,282
	250	2,282

The classification of the revenue arising from the trading of aluminium products segment and the financing guarantee services segment is based on the location of the customer's operation.

The classification of the revenue arising from the construction projects segment is based on the location of the construction projects.

The classification of the revenue arising from money lending segment is based on the location where the funds is first available to their borrowers.

(b) Non-current assets

	2019	2018
	HK$'000	HK$'000
Hong Kong	**22,239**	18,505
Macau	**6,003**	–
PRC	**–**	8,292
	28,242	26,797

The classification of non-current assets is based on the location of the assets (excluding goodwill).

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2019	2018
	HK$'000	HK$'000
Customer A*	**–**	2,729
Customer B*	**–**	2,047
Customer C**	**–**	8,254
Customer D**	**73,769**	–
Customer E**	**11,571**	–
	85,340	13,030

* Revenue from money lending segment

** Revenue from construction projects segment

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Trading of aluminium products	–	–
Construction projects	85,340	8,254
Loans interest income	11,463	10,329
Guarantee fee income	250	2,282
	97,053	20,865
Other income and gains		
Bank interest income	35	816
Dividend income from equity investments at fair value through profit or loss	211	106
Fair value gains on equity investments at fair value through profit or loss	–	32,125
Gain on disposal of property, plant and equipment	–	14
Gain on disposal of subsidiaries *(note 35(c))*	–	25
Gain on disposal of waste material	–	220
Gain on bargain purchase *(note 34(a))*	14	–
Rental income	9	113
Reversal of provision for impairment on other receivables *(note 23)*	236	–
Other interest income	–	248
Others	9	185
	514	33,852
Total revenue, other income and gains	97,567	54,717
Revenue:		
Attributable to continuing operations reported in the consolidated statement of profit or loss	96,803	18,583
Attributable to discontinued operation reported in the consolidated statement of profit or loss *(note 11)*	250	2,282
	97,053	20,865
Other income and gains:		
Attributable to continuing operations reported in the consolidated statement of profit or loss	504	32,508
Attributable to discontinued operation reported in the consolidated statement of profit or loss *(note 11)*	10	1,344
	514	33,852

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

(i) Disaggregated revenue information

	2019 HK$'000
Timing of revenue recognition	
Construction projects transferred over time	**85,340**
Loans interest income transferred over time	**11,463**
Guarantee fee income transferred over time	**250**
	97,053

(ii) Performance obligations

Information about the Group's performance obligation are summarised below:

Loan interest and guarantee fee income from clients

Interest income from clients represented interest income arising from its loan financing. The performance obligation is satisfied on an over-time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Guarantee fee income from clients represented guarantee fee income arising from its financing guarantee. The performance obligation is satisfied on an over-time basis, by reference to the total agreed fee in the guarantee contracts and period of guarantee.

Construction projects

A contract with a customer is classified by the Group as construction projects when the construction projects relate to work on assets under the control of the customer. The performance obligation is satisfied on an over time using the input method and output method. The contract revenue is recognised progressively over time using output method with reference to the surveyor's certificate either from its in-house surveyor or an independent surveyor appointed by the customer when the outcome of a construction projects can be reasonably measured. The revenue from variation orders is recognised progressively over time using input method with reference to the construction cost incurred upto the end of the period as a percentage of estimated total contract cost and to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax from continuing operations is arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000 (restated)
Cost of sales		
— cost of construction	**81,235**	7,508
Auditor's remuneration	**800**	750
Depreciation property, plant and equipment *(note 14)*	**1,206**	128
Amortisation of intangible asset *(note 16)*	**257**	–
Impairment of trade receivables *(note 19)*	**8**	1,280
Impairment of loan and interest receivables *(note 20)*	**1,013**	–
Impairment of contract assets *(note 22)*	**12**	–
Impairment of other receivables *(note 23)*	**–**	3,348
Impairment of amount due from associates *(note 17)*	**1,302**	1,240
Reversal of provision for impairment on other receivables *(note 23)*	**(236)**	–
Employee benefits expenses (including directors' remuneration *(note 8)*):		
Wages and salaries	**4,782**	5,270
Pension scheme contributions	**135**	356
Employee severance payment	**–**	1,096
	4,917	6,722
Minimum lease payments under operating leases on land and buildings	**1,008**	1,802
Bank interest income	**(35)**	(816)
Dividend income from equity investments at fair value through profit or loss	**(211)**	(106)
Fair value loss/(gain) on equity investments at fair value through profit or loss	**3,701**	(32,125)
Gain on disposal of property, plant and equipment	**–**	(14)
Gain on bargain purchases *(note 34(a))*	**(14)**	–
Other interest income	**–**	(248)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings, secured	**1,644**	–
Interest on bank overdrafts	**68**	–
	1,712	–

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2019 HK$'000	2018 HK$'000
Fees	**408**	350
Other emoluments:		
Salaries, allowances and benefits in kind	**1,347**	876
Pension scheme contributions	**47**	29
	1,394	905
	1,802	1,255

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
2019					
Executive directors					
Mr. Fung Kwok Kit	**–**	**527**	**18**	**–**	**545**
Mr. Zhong Can	**–**	**527**	**18**	**–**	**545**
Mr. Kwong Kin Fai, Eric *(note c)*	**–**	**293**	**11**	**–**	**304**
	–	**1,347**	**47**	**–**	**1,394**
Independent non-executive directors					
Mr. Kwok Lap Fung, Beeson	**120**	**–**	**–**	**–**	**120**
Mr. Li Kam Chung	**120**	**–**	**–**	**–**	**120**
Mr. Chan Yin Tsung	**168**	**–**	**–**	**–**	**168**
	408	**–**	**–**	**–**	**408**
	408	**1,347**	**47**	**–**	**1,802**
2018					
Executive directors					
Mr. Tung Yee Shing *(note a)*	–	464	13	–	477
Mr. Fung Kwok Kit *(note b)*	–	206	8	–	214
Mr. Zhong Can *(note b)*	–	206	8	–	214
	–	876	29	–	905
Independent non-executive directors					
Mr. Kwok Lap Fung, Beeson	100	–	–	–	100
Mr. Li Kam Chung	100	–	–	–	100
Mr. Chan Yin Tsung	150	–	–	–	150
	350	–	–	–	350
	350	876	29	–	1,255

Note:

(a) Resigned on 11 December 2017
(b) Appointed on 27 October 2017
(c) Appointed on 1 September 2018

There was no arrangement under which the Director(s) waived or agreed to waive any remuneration during the year (2018: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

During the year, no emolument has been paid to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2018: Nil).

The number of directors and chief executive, whose remuneration fell within the following bands is as follows:

	Number of directors	
	2019	2018
Nil to HK$1,000,000	**6**	6

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2018: one director) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2018: four) non-directors, highest paid employees for the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**1,489**	2,112
Pension scheme contributions	**36**	56
Equity-settled share option expenses	**–**	–
	1,525	2,168

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**2**	4

10. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5% during the year ended 31 March 2019. 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 had been provided at the rate of 16.5% on the estimated assessable profits arising from Hong Kong during the year ended 31 March 2018.

PRC corporate income tax is calculated at 25% (2018: 25%) on the estimated assessable profits arising in the PRC during the year.

Macau profits tax is calculated at 12% on the estimated assessable profits over MOP600,000 arising from Macau. Assessable profits below MOP600,000 is exempted for profits tax assessment. No Macau profits tax has been provided as no assessable profits was generated arising in Macau during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2019 **HK$'000**	2018 HK$'000 (restated)
Current tax — Hong Kong		
Charge for the year	**2,368**	1,231
Over-provision in previous year	**(70)**	–
Current tax — PRC		
Charge for the year	**–**	–
Under-provision in previous year	**–**	79
Total tax charge for the year	**2,298**	1,310

10. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to (loss)/profit before tax from continuing operations at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2019 HK$'000	**%**	2018 HK$'000 (restated)	%
(Loss)/Profit before tax from continuing operations	**(8,323)**		26,959	
Tax at the statutory tax rates	**(1,093)**	**13.1**	3,951	14.7
Income not taxable for tax	**(1,766)**	**21.3**	(5,326)	(19.8)
Expenses not deductible for tax	**4,403**	**(52.8)**	1,552	5.8
Tax losses not recognised	**818**	**(10.0)**	1,053	3.9
Temporary differences in respect of depreciable assets not recognised	**6**	**(0.1)**	1	–
Over-provision of Hong Kong profits tax in previous year	**(70)**	**0.9**	–	–
Under-provision of PRC income tax in previous year	**–**	**–**	79	0.3
Tax charge at effective tax rate	**2,298**	**(27.6)**	1,310	4.9

The Group had deferred tax benefits not recognised in respect of tax losses and decelerated depreciation available for offsetting future assessable profits and accelerated depreciation calculated at the rate applicable to the places where the companies operate as follows:

	2019 HK$'000	2018 HK$'000
Tax losses	**5,579**	4,777
Decelerated/(Accelerated) depreciation	**5**	(1)
	5,584	4,776

11. DISCONTINUED OPERATION

As detailed in note 35(a) to the consolidated financial statements, on 27 April 2018, the Group entered into an agreement (the "**Fu Ya Disposal Agreement**") with Deng Chunli (the "**Purchaser**"), an independent third party, pursuant to which, the Group disposed of (the "**Fu Ya Disposal**") (i) 100% equity interest in Fu Ya Investments Limited and its subsidiaries (collectively, the "**Fu Ya Group**"); and (ii) the amount due to the Group by the Fu Ya Group, for an aggregate consideration of HK$50,000,000, of which, as to HK$30,000,000 was satisfied by cash and the remaining balance of HK$20,000,000 was satisfied by way of issuing a promissory note by the Purchaser to the Group upon completion with 6 months maturity. The Fu Ya Disposal was completed on 4 June 2018 (the "**Fu Ya Disposal Date**").

The principal business and activity of the Fu Ya Group consisted of the provision of financing guarantee services. The results of the Fu Ya Group from 1 April 2018 to 4 June 2018, the Fu Ya Disposal Date, has been accounted for as discontinued operation in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 and the comparative figures for the preceding year have been restated accordingly.

11. DISCONTINUED OPERATION *(Continued)*

The profit/(loss) for the period/year from discontinued operation is analysed as follows:

	Period from 1 April 2018 to 4 June 2018 HK$'000	**Year ended 31 March 2018** HK$'000
Guarantee fee income *(note 5)*	250	2,282
Other income and gains *(note 5)*	10	1,344
General and administrative expenses	(1,839)	(26,750)
Loss before tax	(1,579)	(23,124)
Income tax expense	–	–
	(1,579)	(23,124)
Gain on disposal of subsidiaries	13,702	–
Loss for the period/year from discontinued operation	12,123	(23,124)
Profit/(Loss) per share:		
Basic from discontinued operation *(note 12)*	0.61 cents	(1.17) cents
Diluted from discontinued operation *(note 12)*	0.61 cents	(1.17) cents

The net cash flow incurred by the Fu Ya Group are as follows:

	Period from 1 April 2018 to 4 June 2018 HK$'000	**Year ended 31 March 2018** HK$'000
Operating activities	(1,849)	(8,273)
Investing activities	960	5,115
Financing activities	379	217

12. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic profit/(loss) per share are based on:

	2019 HK$'000	2018 HK$'000
Profit/(Loss)		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic profit per share calculation	**3,578**	2,525
Attributable to:		
Continuing operations	**(8,545)**	25,649
Discontinued operation	**12,123**	(23,124)
	3,578	2,525

	Number of shares 2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in basic profit per share calculation	**1,980,000,000**	1,980,000,000

The calculation of diluted profit/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic profit/(loss) per share calculation, as adjusted for the outstanding share options assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic profit/(loss) per share amounts presented for the years ended 31 March 2018 and 2019 in respect of the dilution as the share options have a diluted effect only when the average market price of ordinary shares exceeds the exercise price of the share options. During the years ended 31 March 2019 and 2018, there is no dilutive event as the average market price of ordinary shares did not exceed its exercise price of the share options.

13. DIVIDENDS

The directors did not recommend the payment of any dividend for the years ended 31 March 2019 and 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building HK$'000	Leasehold improvements HK$'000	Plant and machineries HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
31 March 2019						
At 1 April 2018:						
Cost	3,597	878	–	26	–	4,501
Accumulated depreciation	(103)	(48)	–	(8)	–	(159)
Net carrying amount	3,494	830	–	18	–	4,342
At 1 April 2018, net of accumulated depreciation	3,494	830	–	18	–	4,342
Additions	–	157	–	33	–	190
Acquisition of a subsidiary *(note 34)*	–	–	5,987	9	–	5,996
Depreciation provided during the year	(12)	(58)	(1,127)	(9)	–	(1,206)
Disposal of subsidiaries *(note 35(a))*	(3,200)	(758)	–	(10)	–	(3,968)
Exchange realignment	(282)	(67)	–	(1)	–	(350)
At 31 March 2019, net of accumulated depreciation	–	104	4,860	40	–	5,004
At 31 March 2019:						
Cost	–	156	11,337	49	–	11,542
Accumulated depreciation	–	(52)	(6,477)	(9)	–	(6,538)
Net carrying amount	–	104	4,860	40	–	5,004

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold building HK$'000	Leasehold improvements HK$'000	Plant and machineries HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
31 March 2018						
At 1 April 2017:						
Cost	3,277	801	727	49	40	4,894
Accumulated depreciation	(23)	(12)	(455)	(22)	(32)	(544)
Net carrying amount	3,254	789	272	27	8	4,350
At 1 April 2017, net of accumulated depreciation	3,254	789	272	27	8	4,350
Depreciation provided during the year	(77)	(35)	(5)	(8)	(3)	(128)
Disposal during the year	–	–	(294)	(4)	(6)	(304)
Exchange realignment	317	76	27	3	1	424
At 31 March 2018, net of accumulated depreciation	3,494	830	–	18	–	4,342
At 31 March 2018:						
Cost	3,597	878	–	26	–	4,501
Accumulated depreciation	(103)	(48)	–	(8)	–	(159)
Net carrying amount	3,494	830	–	18	–	4,342

15. INVESTMENT PROPERTY

	HK$'000
31 March 2019	
At 1 April 2018:	
Cost	**3,596**
Accumulated depreciation	**(103)**
Net carrying amount	**3,493**
At 1 April 2018, net of accumulated depreciation	**3,493**
Depreciation provided during the year	**(12)**
Disposal of subsidiaries *(note 35 (a))*	**(3,200)**
Exchange realignment	**(281)**
At 31 March 2019, net of accumulated depreciation	**–**
At 31 March 2019:	
Cost	**–**
Accumulated depreciation	**–**
Net carrying amount	**–**
31 March 2018	
At 1 April 2017:	
Cost	3,277
Accumulated depreciation	(23)
Net carrying amount	3,254
At 1 April 2017, net of accumulated depreciation	3,254
Depreciation provided during the year	(77)
Exchange realignment	316
At 31 March 2018, net of accumulated depreciation	3,493
At 31 March 2018:	
Cost	3,596
Accumulated depreciation	(103)
Net carrying amount	3,493

15. INVESTMENT PROPERTY *(Continued)*

The Group's investment property represented of a commercial property in Guizhou, the PRC (the "**Guizhou Property**"), held under medium term lease and was for generating rental income or for capital appreciation.

Impairment assessment of the Guizhou Property

The recoverable amount of the Guizhou Property had been assessed by an independent valuer, LCH as at 31 March 2018. No impairment of the Guizhou Property had been provided as the recoverable amount of the Guizhou Property was higher than its carrying amount as at 31 March 2018.

Pursuant to LCH's valuation report dated 29 June 2018, the recoverable amount of the Guizhou Property in PRC was approximately RMB3,000,000 (equivalent to approximately HK$3,720,000), which were measured using income approach.

Fair value hierarchy

Details of the Guizhou Property and information about the fair value hierarchy used in LCH's valuation report as at 31 March 2018 is as follows:

	Fair value measurement as using			
	Quoted prices in active markets (level 1)	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2018				
Guizhou Property	–	–	3,720	3,720

Key assumption for determining the recoverable amount

Below is a summary of the valuation technique used and the key inputs to LCH'S valuation report of the Guizhou property:

Description	**Fair value at 31 March 2018**	**Valuation technique**	**Unobservable inputs**	**Relationship of unobservable Inputs to fair value**
Commercial property	HK$3,720,000	Income approach	Estimated rental income (per square metre and per month) with RMB44	The higher the rental income the higher the fair value
			Reversion yield at 7%	The higher the reversion yield the lower the fair value

16. INTANGIBLE ASSET

	2019 HK$'000
At 1 April 2018, net of accumulated depreciation	–
Acquisition of a subsidiary *(note 34(a))*	800
Amortisation provided during the year	(257)
At 31 March 2019, net of accumulated amortisation	543
At 31 March 2019:	
Cost	800
Accumulated amortisation	(257)
Net carrying amount	543

As detailed in note 34(a) to the consolidated financial statements, the intangible asset represented a construction contract awarded from Governo Da Raem (澳門特區政府) with a contract sum of MOP26,695,520 to iTong Engineering Company Limited, one of the counterparties of the construction contract, which is a contract based intangible asset.

The directors of the Company are of the opinion that the intangible asset is considered to have a useful life, which is reference to the percentage of completion of such construction contract. The intangible asset is carried at cost less accumulated amortisation and impairment, if any. The directors of the Company have assessed the intangible asset at end of the reporting period and no impairment was provided during the year as they are of the opinion that the recoverable amount is higher than its carrying amount.

17. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Unlisted shares, at cost	181	181
Share of net assets	–	
Less: Impairment	(181)	(181)
	–	–
Due from associates	19,819	19,819
Less: Impairment	(2,621)	(1,319)
	17,198	18,500
Total interests in associates	17,198	18,500

17. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
I Fun International (Holdings) Limited	Ordinary shares	British Virgin Islands	46.5%	Investment holding
I Fun (HK) Limited	Ordinary shares	Hong Kong	46.5%	Investment holding
貴州愛紡實業有限公司* (“**愛紡**”)	Capital contribution	PRC	46.5%	Trading of bedroom textiles business

These associates were acquired on 24 March 2017 at a consideration of approximately HK$181,000. Pursuant to the shareholder agreement, the Group shall provide a shareholder’s loan of HK$20,000,000 to the associates as their working capital. As at 31 March 2018 and 2019, the shareholder’s loan in the amount of approximately HK$19,819,000 has been provided by the Group.

The following table illustrates the summarised financial information in respect of I Fun International (Holdings) Limited and its subsidiaries (collectively, the “**I Fun Group**”) adjusted for any differences in accounting policies and reconciled to the carrying amount in the unaudited consolidated financial statements:

	2019 **HK$’000**	2018 HK$’000
Non-current assets	**8,108**	–
Current assets	**35,243**	42,692
Current liabilities	**(3,362)**	(1,401)
Non-current liabilities	**(42,610)**	(42,610)
Net liabilities	**(2,621)**	(1,319)
The Group’s interest in the associates		
Proportion of the Group’s ownership	**46.5%**	46.5%
The Group’s share of net liabilities of the associates	**(1,219)**	(613)
Revenue	**–**	2
Loss for the year	**(1,302)**	(1,654)
Other comprehensive income	**–**	504

17. INTERESTS IN ASSOCIATES *(Continued)*

On 2 July 2018, I Fun (HK) Limited entered into a sale and purchase agreement (the "**愛紡Disposal Agreement**") for the disposal of 愛紡 (the "**愛紡Disposal**") at a consideration of HK$5,350,000. As at the date of these consolidated financial statements, the 愛紡Disposal has not been completed.

For the year ended 31 March 2019, the associates incurred a loss for the year of approximately HK$1,302,000 (2018: HK$1,654,000) and nil other comprehensive income (2018: approximately HK$504,000). Since the Group only shared of the losses of the associates up to its investment cost which has been fully impaired in prior year, no loss for the year was shared by the Group during the year ended 31 March 2019.

18. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials for its construction contracts	**5,461**	–

19. TRADE RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**19,573**	9,780
Less: Impairment	**(4,788)**	(1,280)
Net carrying amounts	**14,785**	8,500

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES *(Continued)*

The Group allows a credit period normally 0 to 90 days to its trade customers. An aging analysis of the trade receivables as at the end of the reporting period, based on the date of invoice and net of loss allowance, is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 month	**7,095**	–
1 to 2 months	**1,072**	–
2 to 3 months	**–**	–
Over 3 months	**6,618**	8,500
	14,785	8,500

The movement in the loss allowance for the impairment of trade receivables during the reporting period are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 April	**1,280**	–
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**3,500**	–
At 1 April (restated)	**4,780**	–
Impairment losses recognised *(note 6)*	**8**	1,280
At 31 March	**4,788**	1,280

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

19. TRADE RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019

		Past due					
	Current	**Within 1 month**	**1 to 2 months**	**2 to 3 months**	**Over 3 months**	**Over 2 year**	**Total**
Expected credit loss rate	0.057%					100%	
Gross carrying amount (HK$'000)		7,099	1,072	–	6,622	4,780	19,573
Expected credit losses (HK$'000)		(4)	(1)	–	(3)	(4,780)	(4,788)
		7,095	1,071	–	6,619	–	14,785

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK$1,280,000 with a carrying amount before provision of HK$1,280,000.

The individually impaired trade receivable relate to a customer that was in default in principal payments.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2018 HK$'000
Neither past due nor impaired	–
Less than 1 month past due	–
1 to 3 months past due	–
Over 3 months past due	8,500
	8,500

Receivable that was neither past due nor impaired related to one single customer for whom there was no recent default history.

Receivable that was past due but not impaired related to one single customer and the Group has a high concentration of credit risk accordingly. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

20. LOAN AND INTEREST RECEIVABLES

The loan receivables represented outstanding loans arose from the money lending business during the year.

Loan receivables bear interest at fixed rates in the range from 5% to 16% (2018: 5% to 18%) per annum, and with credit periods mutually agreed between the contracting parties. Loan receivables are secured by the pledge of debtors' assets. Overdue balances are reviewed regularly and handled closely by senior management.

	2019 HK$'000	2018 HK$'000
Loan receivables *(note)*	**151,000**	24,400
Interest receivables	**7,306**	3,071
	158,306	27,471
Less: Impairment	**(5,553)**	–
Net carrying amounts	**152,753**	27,471
Less: Current portion of loan and interest receivables	**(152,753)**	(27,471)
Non-current portion of loan and interest receivables	**–**	–

Note:

Included in loan receivables were:

(i) HK$20,000,000 (the "**Loan A**") due from a borrower ("**Borrower A**"), an independent third party, which was secured by 20% equity interest in a secondary school in the PRC (the "**Underlying Securities**") and was repayable on or before 5 November 2016. Upon maturity, the repayment of Loan A was defaulted. Subsequently, the Group commenced a legal proceeding against Borrower A since 5 April 2018. Further to a judgment (the "**Judgment**") issued by 福建省泉州市中級人民法院 (the "**District Court**") in July 2018, the District Court has made an order that Borrower A is required to perform his deputy to repay the Loan A immediately and certain of his properties and properties owned by his spouse were frozen (the "**Frozen Properties**") since then. Borrower A filed an appeal against the Judgment but the appeal had been dismissed by 福建省泉州市高級人民法院 in October 2018. In addition, a deed of guarantee was obtained from an independent third party for the recoverability of Loan A.

Based on the valuation of the Underlying Securities, the assessment of the recoverable amount of the Frozen Properties and a deed of guarantee obtained, the directors of the Company were of the opinion that the Loan A will be fully recoverable and therefore, no impairment was provided as at 31 March 2019; and

(ii) HK$20,000,000 (the "**Loan B**") due from a company ("**Borrower B**"), an independent third party, which was secured by, among other things, 100 shares (the "**Share Charge**") (representing 10%) of a company ("**Company B**") which is principally engaged in property development and is repayable on or before 30 October 2019. Subsequently, Borrower B failed and default to make any interest payments.

Subsequent to the end of the reporting period on 5 June 2019, the Group entered into a settlement deed (the "**Settlement Deed**") with Borrower B and Company B and other parties concerned, pursuant to which, among other terms of the settlement, the Share Charge and a shareholder's loan of approximately HK$31,700,000 were transferred and assigned to the Group for settlement of the outstanding amount owed by Borrower B. Upon the completion of the Settlement Deed, the Group shall release and discharge all covenants, liabilities and obligations of Borrower B relating to the loan agreement. Based on the financial position of Company B, the directors of the Company were of the opinion that the Loan B is fully recoverable and therefore, no impairment was provided as at 31 March 2019.

20. LOAN AND INTEREST RECEIVABLES *(Continued)*

The loan and interest receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2019 **HK$'000**	2018 HK$'000
Loan receivables:		
Past due	**30,934**	23,061
Within 3 months	**638**	–
3 months to 1 year	**121,181**	4,410
	152,753	27,471
Less: Current portion of loan and interest receivables	**(152,753)**	(27,471)
Non-current portion of loan and interest receivables	**–**	–

The movement in the loss allowance for impairment of loan and interest receivables during the reporting period are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 April	**–**	–
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**4,540**	–
At 1 April (restated)	**4,540**	–
Impairment losses recognised *(note (6))*	**1,013**	–
At 31 March	**5,553**	–

20. LOAN AND INTEREST RECEIVABLES *(Continued)*

Impairment under HKFRS 9 for the year ended 31 March 2019

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Impairment under HKAS 39 for the year ended 31 March 2018

The aging analysis of the loan and interest receivables that are not individually nor collectively considered to be impaired is as follows:

	2018 HK$'000
Neither past due nor impaired	4,410
Less than 1 month past due	–
1 to 3 months past due	–
Over 3 months past due	23,061
	27,471

Loan and interest receivables that were neither past due nor impaired relate to two debtors for whom there was no recent history of default. Loan and interest receivables that were past due but not impaired relate to one debtor and the Group has a high concentration of credit risk accordingly. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

21. RECEIVABLES FOR DEFAULT GUARANTEE PAYMENTS AND RECEIVABLES FROM GUARANTEE CUSTOMERS

The receivables from default guarantee payments and receivables from guarantee customers represented the corresponding receivables in respect of a provision that the holder of the financial guarantee contract probably called upon the Group or the claims on the Group is expected to exceed the amount currently carried in deferred income regarding the guarantee during the year.

	2019 **HK$'000**	2018 HK$'000
Receivables for default guarantee payments	–	44,713
Less: Impairment	–	(33,944)
	–	10,769
Receivables from guarantee customers	–	8,026
Less: Impairment	–	(3,925)
	–	4,101
	–	14,870
Premium receivables from guarantee customers	–	755
Net carrying amounts	–	15,625
Less: Current portion of the receivables for default guarantee customers and receivables from guarantee customers	–	(15,625)
Non-current portion of the receivables for default guarantee customers and receivables from guarantee customers	–	–

21. RECEIVABLES FOR DEFAULT GUARANTEE PAYMENTS AND RECEIVABLES FROM GUARANTEE CUSTOMERS *(Continued)*

An aging analysis of the receivables for default guarantee payments and receivables from guarantee customers at the end of the reporting period, based on the date the guarantee being defaulted and net of provision, is as follows:

(i) Receivables for default guarantee payments

	2019 **HK$'000**	2018 HK$'000
Default:		
Less than 6 months past due	**–**	10,769
6 to 12 months past due	**–**	–
Over 1 year past due	**–**	–
	–	10,769

(ii) Receivables from guarantee customers

	2019 **HK$'000**	2018 HK$'000
Neither past due nor impaired	**–**	4,101

The movement in the provision for the impairment for receivables for default guarantee payments and receivables from guarantee customers, are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 April	**37,869**	11,846
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**–**	–
At 1 April	**37,869**	11,846
Impairment losses recognised *(note 6)*	**–**	24,870
Exchange realignment	**–**	1,153
Release upon the disposal of subsidiaries	**(37,869)**	–
At end of year	**–**	37,869

Impairment under HKAS 39 for the year ended 31 March 2018

Impairment losses in respect of receivables for default guarantee payments and receivables from guarantee customers are recorded using an allowance unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against receivables for default guarantee payments and receivables from guarantee customers.

22. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Contract assets arising from construction contracts	**22,489**	–
Less: Impairment of contract assets	**(12)**	–
	22,477	–
Less: Contract assets classified as non-current portion	**(5,497)**	–
Contract assets classified as current portion	**16,980**	–

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the end of the reporting period.

Retention receivables of approximately HK$5,497,000 are included in contract assets until the end of the retention period as the Group's entitlement to the final payment is conditional on the Group's work satisfactorily passing inspection.

The expected timing of recovery or settlement for contract assets, net of loss allowance as at 31 March 2019 is as follows:

	HK$'000
Within one year	**5,497**
More than one year	**16,980**
	22,477

Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

The movement in the loss allowance for the impairment of contract assets during the reporting period are as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	**–**	–
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**–**	–
At 1 April	**–**	–
Impairment loss recognised *(note 5)*	**12**	–
At 31 March	**12**	–

23. PREPAYMENTS, OTHER RECEIVABLES AND ASSETS

	2019 HK$'000	2018 HK$'000
Prepayments	**1,599**	754
Trade deposits	**1,556**	1,556
Utility and other deposits	**6,394**	757
Other receivables *(note (a))*	**43,011**	33,094
Deposit for the mining project *(note (b))*	**43,131**	43,131
Promissory note receivable *(note (c))*	**20,000**	–
	115,691	79,292
Less: Impairment		
Trade deposits	**(1,556)**	(1,556)
Other receivables	**(2,897)**	(3,348)
	(4,453)	(4,904)
	111,238	74,388
Less: Non-current portion of prepayments	**–**	(462)
Current portion of prepayments, deposits and other receivables	**111,238**	73,926

The movement in the loss allowance for the impairment of prepayments, other receivables and other assets during the reporting period are as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	**4,904**	1,556
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**–**	–
At 1 April	**4,904**	1,556
Impairment losses recognised *(note 6)*	**–**	3,348
Reversal of impairment loss recognised *(notes 5 and 6)*	**(236)**	–
Exchange realignment	**(215)**	–
At 31 March	**4,453**	4,904

Notes:

(a) Included in other receivables was amount due from a director of a subsidiary of the Company of approximately MOP39,369,000 (equivalent to approximately HK$38,188,000) (2018: Nil) arising from acquisition of the subsidiaries which is unsecured, interest-free and has no fixed terms of repayment. The directors of the Company are of the opinion that the amount receivable is fully recoverable and no impairment was provided as at 31 March 2019.

(b) Amount represented deposit paid for sourcing and acquisition of certain project machines for engineering, development and construction of the mining project in Pakistan which has been fully refunded subsequent to the end of the reporting period.

(c) As detailed in note 35(a) to the consolidated financial statements, the amount represented the promissory note issued by the purchaser for partial settlement of the consideration for acquisition of the Fu Ya Group which was originally due for settlement on 3 December 2018 and was further extended to 3 July 2019.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed equity investments, at market value	**68,341**	51,980

The above equity investments as at 31 March 2019 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**133,531**	265,630
Time deposits	**19,229**	35,823
	152,760	301,453
Less: Pledged bank deposits*	**(7,541)**	(35,823)
Cash and cash equivalents	**145,219**	265,630

As at the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$511,000 (2018: HK$2,381,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

* Amount represents bank deposits pledged as security for the interest bearing bank and other borrowings (note 30(a)(iii)).

26. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	**17,590**	–
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	–
	17,590	–

The trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.

27. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables	**1,329**	1,322
Accruals	**1,011**	1,410
	2,340	2,732

28. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Deposits received from construction contracts	**38,605**	–

The contract liabilities primarily relate to the consideration received in advance from its customers, for which revenue is recognised based on the progress of the related services provided.

29. LIABILITIES FROM GUARANTEES

	2019 HK$'000	2018 HK$'000
Deferred income	–	475
Provisions for guarantee losses *(note 21)*	–	47,882
	–	48,357

The movement in the provision for guarantee losses, is as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	–	37,383
Provision for the year	–	10,499
At end of year	–	47,882

Where the Group issued a guarantee, the fair value of the guarantee contract issued was initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance was determined by reference to fees charged in an arm's length transaction for similar services (i.e. the premium received). The fair value of the guarantee initially recognised as deferred income was amortised in profit or loss over the term of the guarantee as income from guarantees issued.

The provisions for guarantee losses are recognised when (i) it became probable that the holder of the guarantee was called upon the Group under the guarantee, and (ii) the amount of that claim on the Group was expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	**2019 HK$'000**	2018 HK$'000
Current				
Bank overdrafts — secured *(note a)*	Macau prime rate + 1%	On demand	**1,938**	–
Bank loan— secured *(note a)*	The Macau Interbank Offer Rate ("**MIBOR**") + 3% p.a.	2019	**4,850**	–
Bank loan — secured *(note a)*	MIBOR + 3% p.a.	2019	**16,975**	–
Bank loan — secured *(note a)*	MIBOR + 3.25% p.a.	2022	**5,820**	–
Bank loan — secured *(note a)*	MIBOR +3.25% p.a.	2026	**13,580**	–
Bank loan — secured *(note a)*	MIBOR +3.5% p.a.	2029	**2,512**	–
Other borrowings — secured *(note b)*	7%	2019	**785**	–
			46,460	–
Less: Non-current portion			**(13,913)**	–
			32,547	–
Analysed into:				
Bank loans, other borrowings and overdrafts repayable:				
Within one year or on demand			**28,667**	–
Carrying amount of bank loans that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)			**3,880**	–
In the second year			**2,179**	–
In the third to fifth years, inclusive			**6,538**	–
Beyond five years			**5,196**	–
Total borrowings			**46,460**	–
Less: Classified as non-current portion			**(13,913)**	–
			32,547	–

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The Group's bank loans and bank overdrafts are secured by:

(i) certain properties situated in Macau, which are owned by a director of a subsidiary and his close family member;

(ii) personnel guarantee provided by a director of a subsidiary amounting to approximately MOP99,220,000 (equivalent to approximately HK$96,243,000);

(iii) pledge of a subsidiary's bank deposits amounting to approximately HK$2,032,000 and MOP5,680,000 (equivalent to HK$5,509,000) (note 25);

(b) The Group's other borrowings are secured by a director of a subsidiary, bear interest at 7% per annum and repayable within 6 months.

31. SHARE CAPITAL

	2019 **HK$'000**	2018 HK$'000
Authorised:		
2,800,000,000 ordinary shares of HK$0.01 each	**28,000**	28,000
850,000,000 preference shares of HK$0.01 each	**8,500**	8,500
	36,500	36,500
Issued and fully paid:		
1,980,000,000 (2018: 1,980,000,000) ordinary shares of HK$0.01 each	**19,800**	19,800

32. SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was newly approved and adopted by the shareholders on 31 August 2015. The Share Option Scheme is valid and effective for a period of 10 years after the date of adoption. The purpose of the Share Option Scheme is to provide incentives to the employee or consultant of the Group including any executive director of any nationality of the Company and any subsidiary (the "**Participants**") to enable the Group to recruit and/or retain high-calibre individuals and attract human resources that are valuable to the Group. Under the Share Option Scheme, the Board may grant options to the Participants to subscribe for shares of the Company. On 2 March 2016, the Group granted 131,299,998 share options (the "**Share Options**") to their directors and employees for a term of 5 years.

The consideration of HK$1 is payable on the grant date of the Share Options. Share Options may be exercised by the grantees at any time before its expiry. The exercise price is determined by the directors of the Company (the "**Directors**"), and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of the outstanding Share Options during the year ended 31 March 2019 are as follows:

	Date of grant	Exercise period	Outstanding as at 1 April 2018	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2019	Exercise price HK$
Directors							
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Employees *(Note b)*	2 March 2016	2 March 2016 to 1 March 2021	39,600,000	–	(19,800,000)	**19,800,000**	1.2
			52,099,998	–	(19,800,000)	**32,299,998**	

	Date of grant	Exercise period	Outstanding as at 1 April 2017	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2018	Exercise price HK$
Directors							
Tung Yee Shing *(Note a)*	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	–	(19,800,000)	**–**	1.2
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Employees *(Note b)*	2 March 2016	2 March 2016 to 1 March 2021	79,200,000	–	(39,600,000)	**39,600,000**	1.2
			111,499,998	–	(59,400,000)	**52,099,998**	

32. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) Mr. Tung Yee Shing resigned as an executive director of the Company on 11 December 2017. The Share Options granted to him were lapsed as a result of his resignation.

(b) One employee (2018: Two employees) resigned during the year and the Share Options granted to him were lapsed as a result of his resignation.

(c) Except for the above, no Share Options were granted, exercised, lapsed or cancelled during the years ended 31 March 2019 and 2018.

Fair value of Share Options

The fair value of the Share Options was calculated by using a binomial option pricing model (the "**Binomial Model**"). Where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over past years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after the vesting date when the share price was one and a half or two and a half times the respective exercise price.

Inputs in the model:

Date of grant	2 March 2016
Grant date share price	HK$1.20
Exercise price	HK$1.20
Expected volatility	100%
Option life	5 years
Risk-free interest rate	1.08%
Fair value per Share Option	HK$0.536

The Binomial Model has been used to estimate the fair value of the Share Options. The variables and assumptions used in computing the fair value of the Share Options are based on director best estimates. The value of the Share Option varies with different variables in certain subjective assumptions.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 37 of the consolidated financial statements.

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value. The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Laws and the Companies Act 1981 of Bermuda (the "**Companies Act**").

33. RESERVES *(Continued)*

(ii) Capital reserve

The capital reserve represented the difference between the proceeds from disposal of 49% equity interest in Fast Excel Limited ("**Fast Excel**") and its proportionate share of the carrying amount of Fast Excel. Such disposal is considered as a deemed partial disposal which did not result in any loss of control and was accounted for as an equity transaction.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the consolidated financial statements.

(iv) Share options reserve

Share options reserve comprises the portion of grant date fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments.

(v) Regulatory reserve

According to the Interim Measures for the Administration of Financial Guarantee Companies ("**Interim Measures**") issued at 8 March 2010 by the relevant government authorities in the PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. The Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from the date of acquisition of the subsidiary. According to the details implementation guidance No.(2010)96 issued by the People's Government of Guizhou Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guizhou Province.

34. BUSINESS COMBINATION

31 March 2019

Acquisition of iTong Engineering Company Limited

On 18 May 2018 and 25 May 2018, the Group entered into a sale and purchase agreement and a supplementary agreement, respectively (collectively, the "**iTong S&P Agreements**") with Mr. Chang Tong Keng and Miss. Lei Mio Un, independent third parties, (collectively, the "**Vendors**"), pursuant to which, the Group acquired (the "**iTong Acquisition**") 51.84% equity interest in iTong Engineering Limited ("**iTong**") from the Vendors at a cash consideration of HK$180,000. The Acquisition has been completed on 1 July 2018 (the "**iTong Acquisition Date**").

The Group has elected to measure the non-controlling interest in iTong at the non-controlling interest's proportionate share its identifiable net assets.

34. BUSINESS COMBINATION *(Continued)*

31 March 2019 *(Continued)*

Acquisition of iTong Engineering Company Limited *(Continued)*

Details of the fair value of the identifiable assets and liabilities of iTong at the iTong Acquisition Date are as follows:

	Previous carrying amount HK$'000	**Fair value recognised on the Acquisition Date** HK$'000
Property, plant and equipment *(note 14)*	5,996	5,996
Intangible assets*	–	800
Prepayments, other receivables and other assets	3,461	3,461
Due from director	36,782	36,782
Pledged bank deposits	4,342	4,342
Cash and cash equivalents	4,415	4,415
Other payables and accruals	(1)	(1)
Bank borrowings, secured	(54,820)	(54,820)
Retention payables	(601)	(601)
Net assets of iTong acquired		374
Non controlling interest		(180)
		194
Less: Consideration — satisfied by cash		180
Gain on bargain purchase *(note 5)*		14

* The intangible asset represented the fair value of a construction contract awarded by the Governo Da Raem (澳門特區政府) with a contract sum of MOP26,695,520.

An analysis of the net inflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000
Cash consideration	(180)
Cash and bank balances acquired	4,415
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,235

Since the iTong Acquisition, iTong attributed approximately HK$11,571,000 to the Group's revenue and loss of approximately HK$10,438,000 to the consolidated loss for the year ended 31 March 2019.

Had the iTong Acquisition taken place at the beginning of the year, the revenue and the loss of iTong for the period from 1 April 2018 to 30 June 2018 of Nil and HK$468,000, respectively, will be further attributed to the Group's revenue and loss for the year.

35. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2019

(a) Disposal of Fu Ya Investments Limited and its subsidiaries (collectively, the "Fu Ya Group")

On 27 April 2018, the Group entered into the Fu Ya Disposal Agreement, pursuant to which, the Group disposed of (the "**Fu Ya Disposal**") (i) 100% equity interest in the Fu Ya Group; and (ii) amount due to the Group by the Fu Ya Group of approximately HK$76,449,000, for an aggregate consideration of HK$50,000,000, of which, as to HK$30,000,000 was satisfied by cash and the remaining balance of HK$20,000,000 was satisfied by way of issuing a promissory note by the Purchaser to the Group upon completion with 6 months maturity. The Fu Ya Disposal was completed on 4 June 2018 (the "**Fu Ya Disposal Date**").

The assets and liabilities of the Fu Ya Group as at the Fu Ya Disposal Date were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment *(note 14)*	3,968
Investment property *(note 15)*	3,200
Receivables from guarantees	15,363
Prepayments, other receivables and other assets	29,009
Pledged bank deposits	31,794
Cash and bank balances	1,696
Liabilities from guarantee	(46,083)
Due to immediate holding company	(76,126)
Due to ultimate holding company	(323)
Other payables	(274)
	(37,776)
Add: Amount due from the Fu Ya Group to the Group disposed of	76,449
Net assets of the Fu Ya Group disposed of	38,673
Less: Consideration of the Fu Ya Disposal	
— satisfied by cash	30,000
— satisfied by the promissory note	20,000
	50,000
	(11,327)
Add: Release of translation reserve	(2,375)
Gain on disposal of subsidiaries *(note 11)*	(13,702)

An analysis of the net inflow of cash and cash equivalents in respect of the Fu Ya Disposal is as follows:

	HK$'000
Cash consideration	30,000
Cash and bank balances disposed of	(1,696)
Net inflow of cash and cash equivalent included in cash flows from investing activities	28,304

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2019 *(Continued)*

(b) Disposal of Fast Excel Limited and its subsidiaries (collectively, the "Fast Excel Group")

On 30 April 2018, the Group entered into an agreement (the "**Fast Excel Disposal Agreement**") with Fortune Engineering & Consultants Limited, an independent third party, pursuant to which, the Group disposed of (the "**Fast Excel Disposal**") 49% equity interest in the Fast Excel Group for a consideration of HK$49. The Fast Excel Disposal was completed on 4 May 2018 (the "**Fast Excel Completion Date**").

The assets and liabilities of the Fast Excel Group as at the Fast Excel Disposal Date were as follows:

	HK$'000
Net liabilities disposed of:	
Due to ultimate holding company	(23)
Net liabilities of the Fast Excel Group	(23)
Portion attributable to the non-controlling interests of the Fast Excel Group	(11)
Less: Consideration of the Fast Excel Disposal	–
Gain on disposal of subsidiaries	(11)

As the above changes in equity interests in the Fast Excel Group held by the Group did not result in a loss of control of in the Fast Excel Group and therefore, the gain on disposal of subsidiaries of approximately HK$11,000 was directly recognised as an equity transaction in the consolidated statement of changes in equity.

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2018

(c) Disposal of Noble Dynasty Holdings Limited

On 19 June 2017, the Group entered into a sale and purchase agreement (the "**Noble Dynasty S&P Agreement**") with Star Century Ventures Corp., an independent third party, pursuant to which, the Group disposed of (the "**Noble Dynasty Disposal**") 100% equity interest in Noble Dynasty Holdings Limited and its subsidiaries (collectively, the "**Noble Dynasty Group**") for a cash consideration of HK$25,210. The Noble Dynasty Disposal was completed on 19 June 2017 (the "**Noble Dynasty Disposal Date**").

The assets and liabilities of the Noble Dynasty Group as at the Noble Dynasty Disposal Date was as follows:

	HK$'000
Net liabilities disposed of:	
Due to ultimate holding company by the Noble Dynasty Group	(31)
	(31)
Add: Waiver of amount due to ultimate holding company	31
Net assets of the Noble Dynasty Group	–
Less: Consideration	(25)
Gain on disposal of subsidiaries *(note 5)*	(25)

An analysis of the net inflow of cash and cash equivalents in respect of the Noble Dynasty Disposal is as follows:

	HK$'000
Cash consideration	25
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalent included in cash flows from investing activities	25

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

The Group did not have any major non-cash transaction during the year.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its investment property to independent third party under operating lease arrangement with lease negotiated for terms of 5 years.

At 31 March 2019, the Group had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	–	113
2–5 years, inclusive	–	274
	–	387

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Lease for properties are negotiated for terms ranging from 1 to 3 years.

At 31 March 20 19, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**375**	1,828
2–5 years, inclusive	**91**	3,311
	466	5,139

38. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following capital commitments at the end of the reporting period:

	2019	2018
	HK$'000	HK$'000
Contracted, but not provided for:		
Shareholder's loan provides to associates *(note 17)*	**–**	181
Capital contribution payable to a non-wholly owned subsidiary	**5,500**	–
	5,500	181

39. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel of the Group:

	2019	2018
	HK$'000	HK$'000
Short term employee benefits	**3,326**	2,878
Post-employment benefits	**–**	–
Equity-settled share option expenses	**–**	–
Total compensation paid to key management personnel	**3,326**	2,878

Further details of directors' and the chief executive's emoluments are included in notes 7 and 8 to the consolidated financial statements.

The number of directors, chief executive and key management personnel of the Group, whose remuneration/compensation fell within the following bands is as follows:

	Number of directors, chief executive and key management personnel	
	2019	2018
Nil to HK$1,000,000	**8**	8

40. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings HK$'000
At 1 April 2018	–
Increase in interest-bearing bank and other borrowings through acquisition of a subsidiary	54,820
Interest expenses for the year	1,712
	56,532
Changes from financing cash flows:	
— Inception of interest-bearing bank and other borrowings	2,723
— Repayment of interest-bearing bank and other borrowings	(11,083)
— Interest paid	(1,712)
	(10,072)
At 31 March 2019 (note 30)	46,460

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 March 2019

Financial assets

	Financial assets at fair value through profit or loss under HKFRS 9 equity investment HK$'000	Financial assets at amortised cost under HKFRS 9 HK$'000	Total HK$'000
Trade receivables	–	14,785	14,785
Loan and interest receivables	–	152,753	152,753
Financial assets included in prepayments, other receivables and other assets	–	109,639	109,639
Equity investments at fair value through profit or loss	68,341	–	68,341
Pledged bank deposits		7,541	7,541
Cash and bank balances	–	145,219	145,219
	68,341	429,937	498,278

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 March 2018

Financial assets

	Financial assets at fair value through profit or loss — held for trading under HKAS 39 HK$'000	Loans and receivables under HKAS 39 HK$'000	Total HK$'000
Trade receivables	–	8,500	8,500
Loans and interest receivables	–	27,471	27,471
Receivables for default guarantee payments and receivables from guarantee customers	–	15,625	15,625
Financial assets included in prepayments, deposits and other receivables	–	73,634	73,634
Equity investments at fair value through profit or loss	51,980	–	51,980
Pledged bank deposits	–	35,823	35,823
Cash and cash equivalents	–	265,630	265,630
	51,980	426,683	478,663

Financial liabilities

	Financial liabilities at amortised cost under HKFRS 9 2019 HK$'000	Financial liabilities at amortised cost under HKAS 39 2018 HK$'000
Trade payables	**17,590**	–
Financial liabilities included in other payables and accruals	**2,340**	2,732
Liabilities from guarantees	**–**	48,357
Interest-bearing bank and other borrowings	**46,460**	–
	66,390	51,089

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents and pledged bank deposits, financial assets included in prepayments, other receivables and other assets, trade receivables, loan and interest receivables, receivables for default guarantee payments and receivables from guarantee customers contract assets, financial liabilities included other payables and accruals, trade payables and liabilities from guarantees approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Quoted prices in active markets (level 1)		Significant observable inputs (level 2)		Significant unobservable inputs (level 3)		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Equity investments at fair value through profit or loss	**68,341**	51,980	**–**	–	**–**	–	**68,341**	51,980

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade payables, other payables and accruals, and liabilities from guarantees. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables, loan and interest receivables, financial assets included in prepayments, other receivables and other assets, receivables for default guarantee payments and receivables from guarantee customers, and cash and cash equivalents and pledged bank deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group's exposure to the risks of changes in market interest rates primarily to the Group's bank overdrafts and bank loans with a floating interest rate.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax (through the impact on floating rate bank overdrafts and bank loans) and the Group's equity.

	Increase/ (decrease) in basis points %	**Increase/ (decrease) in loss before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2018			
MOP loan	1%	457	–
MOP loan	(1%)	(457)	–
2017			
MOP loan	1%	–	–
MOP loan	(1%)	–	–

* Excluding accumulated losses

Foreign currency risk

The Directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated in HKD, United States Dollar ("**USD**"), Macau Pataca ("**MOP**") or Renminbi ("**RMB**") during the years ended 31 March 2019 and 2018. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure should the need arise.

During the year, the Group's foreign currency risk arising from MOP is not material as the exchange rate of HKD against USD, MOP is quite stable. The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

	Increase/ (decrease) in Exchange rate %	**Increase/ (decrease) in profit /(loss) before tax** HK$'000	**Increase/ (decrease) in in equity*** HK$'000
31 March 2019			
If the Hong Kong weakens against RMB	(5)	15	–
If the Hong Kong dollar strengthens against the RMB	5	(15)	–
31 March 2018			
If the Hong Kong weakens against RMB	(5)	1,795	–
If the Hong Kong dollar strengthens against the RMB	5	(1,795)	–

* Excluding accumulated losses

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group's credit risk is primarily attributable to trade receivables, loan and interest receivables, prepayments, other receivables and other assets, receivables for default guarantee payments and receivables from guarantee customers and cash and bank balances and pledged bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables.

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as of the end of the reporting periods. In addition to guarantees issued as disclosed below, the Group has no credit risk arising from any other guarantee.

Credit risk arising from guarantees issued:

The Group had taken measures to identify credit risks arising from guarantees issued. The Group managed credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducted customer acceptance and due diligence by business department and risk management department during the pre-approval process. All transactions should be subject to the review and approval of assessment committee ("**擔保評審委員會**").

During the post-transaction monitoring process, the Group conducted on-site inspection and ongoing post-transaction reviews focus on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks. The Group took proactive preventive actions based on the risk analysis and design contingency plans accordingly.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operated its financing guarantee businesses in the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the PRC economic conditions.

Guarantees issued: As at 31 December 2018, the total maximum guarantees issued arising from the outstanding guarantees contracts (including the amount of certain guarantees were defaulted as detailed in note 29 to the consolidated financial statement) are as follows:

	2018 HK$'000
Financing guarantee	133,429
Less: Pledged bank deposits	(35,823)
Total	97,606

Upon the disposal of Fu Ya Group, the provision of financing guarantee services have been discontinued.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The total maximum financing guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

Except for the above, there are no significant concentrations of credit risk within the Group in relation to other financial assets.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans or other interest-bearing loans.

The maturity of the financial liabilities of the Group at the end of each of the reporting period is as follows:

31 March 2019

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	17,590	–	–	–	–	17,590
Other payables and accruals	2,340	–	–	–	–	2,340
Liabilities from guarantees	–	–	–	–	–	–
Contract liabilities	38,605	–	–	–	–	38,605
Retention payables	–	–	–	1,246	–	1,246
Interest-bearing bank and other borrowings	7,758	16,975	7,814	8,717	5,196	46,460
	66,293	16,975	7,814	9,963	5,196	106,241

31 March 2018

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Other payables and accruals	2,732	–	–	–	–	2,732
Liabilities from guarantees	48,357	–	–	–	–	48,357
	51,089	–	–	–	–	51,089

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net cash divided by the total capital plus net cash. Net cash includes trade payables, other payables and accruals, contract liabilities, retention payables, liabilities from guarantees, interest-bearing bank and other borrowings less cash and cash equivalents and pledged bank deposits. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2019 HK$'000	2018 HK$'000
Trade payables	**17,590**	–
Other payables and accruals	**2,340**	2,732
Contract liabilities	**38,605**	–
Retention payables	**1,246**	–
Liabilities from guarantees	**–**	48,357
Interest-bearing bank and other borrowings	**46,460**	–
Less: Cash and cash equivalents	**(145,219)**	(265,630)
Pledged bank deposits	**(7,541)**	(35,823)
Net cash	**(46,519)**	(250,364)
Total capital:		
Equity attributable to equity holders	**444,797**	455,147
Capital and net cash	**398,278**	204,783
Gearing ratio	**N/A**	N/A

44. COMPARATIVE AMOUNTS

The Group has initially adopted HKFRS 9 and HKFRS 15 as at 1 April 2018. Under the transition method chosen, comparative information is not restated. Further details of changes in accounting policies are disclosed in note 2.2.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investment in subsidiaries	**6,066**	6,066
Due from subsidiaries	**429,114**	364,031
Total non-current assets	**435,180**	370,097
CURRENT ASSETS		
Prepayments, deposits and other receivables	**244**	170
Cash and cash equivalents	**7,695**	41,760
Total current assets	**7,939**	41,930
CURRENT LIABILITY		
Other payables	**332**	739
Total current liability	**332**	739
NET CURRENT ASSETS	**7,607**	41,191
TOTAL ASSETS LESS CURRENT LIABILITY	**442,787**	411,288
NON-CURRENT LIABILITY		
Due to subsidiaries	**36,692**	170
Total non-current liability	**36,692**	170
Net assets	**406,095**	411,118
EQUITY		
Share capital	**19,800**	19,800
Reserves *(Note)*	**386,295**	391,318
Total equity	**406,095**	411,118

Fung Kwok Kit
Chairman

Zhong Can
Director

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Share option reserve HK$'000 *(note 32)*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	485,679	59,764	(130,239)	415,204
Loss for the year and total comprehensive income for the year	–	–	(23,886)	(23,886)
Transfer of share option reserve upon lapsing of share options	–	(31,838)	31,838	–
At 31 March 2018 and at 1 April 2018	485,679	27,926	(122,287)	391,318
Loss for the year and total comprehensive income for the year	–	–	(5,023)	(5,023)
Transfer of share option reserve upon lapsing of share options	–	(10,613)	10,613	–
At 31 March 2019	485,679	17,313	(116,697)	386,295

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2019.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**96,803**	18,583	23,437	64,999	96,515
Cost of sales	**(81,235)**	(7,508)	(7,489)	(57,283)	(85,833)
Gross profit	**15,568**	11,075	15,948	7,716	10,682
Other income and gains	**504**	32,508	5,568	307	122
Impairment of goodwill	**–**	–	–	–	(573)
Impairment of intangible asset	**–**	–	–	–	(252)
Impairment of trade receivables	**(8)**	(1,280)	–	–	–
Impairment of other receivables	**–**	(3,348)	–	–	–
Impairment of contract assets	**(12)**	–			
Impairment of receivables for default guarantee payments and receivables from guarantee customers	**–**	–	(11,846)	–	–
Impairment of investment in associates	**–**	–	(181)	–	–
Impairment of amount due from associates	**(1,302)**	(1,240)	(79)	–	–
Impairment of loan and interest receivables	**(1,013)**				
Written off of retention receivables	**–**	–	–	–	(6,222)
Equity-settled share option expenses	**–**	–	–	(70,377)	–
General and administrative expenses	**(20,348)**	(10,756)	(14,445)	(10,772)	(9,799)
Finance costs	**(1,712)**	–	–	–	–
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(8,323)**	26,959	(5,035)	(73,126)	(6,042)
Income tax expense	**(2,298)**	(1,310)	(8,589)	(547)	(723)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(10,621)**	25,649	(13,624)	(73,673)	(6,765)
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**(1,579)**	(23,124)	–	–	–
Gain on disposal of subsidiaries	**13,702**	–	–	–	–
	12,123	(23,124)	–	–	–
PROFIT FOR THE YEAR	**1,502**	2,525	(13,624)	(73,673)	(6,765)
Attributable to:					
Owners of the Company	**3,578**	2,525	(13,624)	(73,673)	(6,765)
Non-controlling interests	**(2,076)**	–	–	–	–
	1,502	2,525	(13,624)	(73,673)	(6,765)

FIVE YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**550,560**	506,236	489,673	462,938	143,656
TOTAL LIABILITIES	**(107,681)**	(51,089)	(43,465)	(3,423)	(4,998)
NON-CONTROLLING INTERESTS	**1,918**	–	–	–	30
	444,797	455,147	446,208	459,515	138,688