Vision Fame International Holding Limited

允升國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1315

2019 ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS

Chau Chit *(Chairman and Chief Executive Officer)*
(re-designated as the Chairman and ceased to act as the Co-Chairman on 7 September 2018)
Dai Jialong *(Co-Chairman) (resigned on 7 September 2018)*
Xie Xiaotao
Zhu Xiaodong *(appointed on 2 September 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan

COMPANY SECRETARY

Cheung Yiu Kuen *(appointed on 6 July 2018)*
Au-yeung Lok Man *(resigned on 6 July 2018)*

AUDIT COMMITTEE

Tam Tak Kei Raymond *(Chairman)*
Wong Kai Tung Simon
Wong Wai Kwan

REMUNERATION COMMITTEE

Wong Kai Tung Simon *(Chairman)*
Chau Chit
Dai Jialong *(resigned on 7 September 2018)*
Tam Tak Kei Raymond
Wong Wai Kwan
Xie Xiaotao

NOMINATION COMMITTEE

Chau Chit *(Chairman)*
Dai Jialong *(resigned on 9 September 2018)*
Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan
Xie Xiaotao

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2001 & 10, 20/F,
No. 118 Connaught Road West
Hong Kong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
DBS Bank Limited
Chong Hing Bank Limited

Corporate Information (Continued)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited (Previously known as
"Estera Trust (Cayman) Limited")
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F, Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

COMPANY WEBSITE

www.visionfame.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I present the annual results of Vision Fame International Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2019 ("Fy2019").

The Group recorded total turnover of approximately HK$1,237 million for Fy2019, representing a slight increase of approximately 2% or HK$28 million as compared to the financial year ended 31 March 2018 ("Fy2018"). Loss attributable to shareholders of the Company for Fy2019 is approximately HK$145.5 million (Fy2018: approximately HK$22.4 million).

Basic loss per share for Fy2019 is approximately HK2.42 cent (Fy2018: approximately HK0.37 cent). The Board does not recommend any payment of dividends for Fy2019 (Fy2018: Nil).

Further analysis of the Group's results is set out in the "Management Discussion and Analysis" section.

BUSINESS OVERVIEW AND PROSPECT

Construction related businesses

The Hong Kong construction market recorded a decline in 2019. The outbreak of the coronavirus has made the already bad situation worse. The building industry, particularly the private sector, would remain in recession in 2020. To overcome this downturn the Group will control its operating costs within desirable levels and we also actively secure further business opportunities to keep the Group moving forward.

For the past couple of months, the entire world has been battling with the coronavirus which has disrupted supply chains and manpower flow in Singapore. There are several challenges faced and the Group in Singapore has developed preventive action plan and business continuity plan to deal with the situation. The action plan which includes health declaration and temperature taking has been implemented company-wide at every project site as well as the headquarters. For business continuity, the Group is actively sourcing for alternative material supplies, managing its manpower resources and limiting risk exposure by setting up emergency protocol. The Group is staying agile and observing both Singapore and global developments closely, and adapting itself to the situation accordingly.

Graphene production and trading of material business

After the resignation of the Company's former executive director, Mr. Dai Jialong ("Mr. Dai") on 7 September 2018, and the revelation of the pledge of bank deposit of RMB100 million of Wuxi Taike Nano New Material Co. Ltd ("Wuxi Taike") * (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, without the acknowledgement and authorization of the Board, in favor of a company controlled by Mr. Dai, the Company's attention and efforts were drawn to the relevant investigation, and the release of the deposit pledge.

Chairman's Statement (Continued)

The deposit pledge in the sum of RMB100 million was subsequently released on 23 August 2019 and Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company ("Resumption Conditions"), (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Target Company by the Group to an third party (together, the "Prior Announcements"). Further details of the transactions undertaken are included in the section of "Connected Transactions" below.

The Company has appointed Mr. Zhu Xiaodong as executive director on 2 September 2019 and the Group would explore and strive to diversify its trading businesses in 2020.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to our shareholders and business partners for their support to and trust in the Board. My gratitude also extends to our management and staff for their loyalty and diligence in the achievements of the Group.

Chau Chit
Chairman and Chief Executive Officer
Vision Fame International Holding Limited
13 May 2020

Management Discussion and Analysis

RESULTS OF THE GROUP

The Group recorded total turnover of approximately HK$1,237 million for the financial year ended 31 March 2019 ("Fy2019"), compared to turnover of approximately HK$1,209 million for the financial year ended 31 March 2018 ("Fy2018"). The Group recorded an decrease in gross profit, from approximately HK$68.7 million in Fy2018 to approximately HK$57.7 million in Fy2019, which is mainly attributable to the decrease in gross profit margin contributed by the building construction segment for the year.

The fluctuations in revenue and segment results are further discussed in the Results of Operations section below.

The loss attributable to shareholders of the Company for Fy2019 is approximately HK$145.5 million (Fy2018: approximately HK$22.4 million). The significant deterioration in the result for the year was mainly attributable to the following factors:

(i) The increase in impairment losses on property, plant and equipment and trade receivables of approximately HK$101.4 million;

(ii) Increase in administrative expenses of approximately HK$15.4 million mainly due to increased rental expenses and staff costs; and

(iii) decrease in gross profit of approximately HK$11 million.

Basic loss per share for Fy2019 is approximately HK2.42 cent (Fy2018: approximately HK0.37 cent). The Board does not recommend any payment of dividends for Fy2019 (Fy2018: Nil).

RESULTS OF OPERATIONS

(i) Building Construction

Building construction segment recorded revenue of approximately HK$278 million (Fy2018: approximately HK$285 million) for Fy2019. Segment profit decreased from approximately HK$28.7 million in Fy2018 to approximately HK$25.8 million in Fy2019.

The decrease in the segment revenue and segment profit were mainly attributable to the recovery of considerable amounts of variation orders from a large scale building construction project in Fy2018 and a full swing operation of a large scale building construction project in Singapore in Fy2018 that had also contributed more segment revenue and segment profit in Fy2018.

(ii) Alterations, Renovation, Upgrading and Fitting-out ("A&A") Works

Revenue for the A&A works segment for Fy2019 was approximately HK$422 million (Fy2018: approximately HK$245 million) and segment profit was approximately HK$7.1 million (Fy2018: approximately HK$13.3 million).

The increase in segment revenue was mainly attributable to the recognition of more revenue from a large scale project secured in early 2018 in Hong Kong which was in full swing operation in Fy2019. This large scale project had contributed approximately 67% of segment revenue during Fy2019.

On the contrary, decline in segment profit was mainly attributable to additional construction costs for completion of a large scale project in Fy2019.

Management Discussion and Analysis (Continued)

(iii) Property Maintenance

Revenue for the property maintenance segment increased from approximately HK$433 million in Fy2018 to approximately HK$538 million in Fy2019 and segment profit increased from approximately HK$29.7 million in Fy2018 to approximately HK$31.3 million in Fy2019.

The property maintenance projects mainly included maintenance works for public sectors. The increase in segment revenue was in line with the increase in number of property maintenance projects in progress during the Period. The average contract sum of property maintenance projects in progress for the Period was amounted to approximately HK$2,097 million (Prior Interim Period: approximately HK$1,991 million).

The increase in segment revenue was partly attributable to the expiration of two large scale long term property maintenance contracts in March 2017 which had contributed less segment revenue in Fy2018. The increase in segment revenue was also attributable to the full swing operations of two large scale long term property maintenance projects in Hong Kong in Fy2019.

The increase in segment profit was mainly attributable to the full swing operations of one of the abovementioned large scale long term property maintenance project in Fy2019 with contract value of approximately HK$780 million secured in first quarter of Fy2017.

(iv) Graphene Production and Trading of Materials

Revenue for this segment for Fy2019 included sales of graphene of approximately HK$66,000 (Fy2018: approximately HK$0.5 million) and sales of materials of approximately HK$NIL (Fy2018: approximately HK$246.0 million).

The sales of graphene for Fy2019 and Fy2018 mainly represented sales to research institutes and manufacturers in the nanometer-scaled/metals material industry for application test purposes. For trading of materials business, the Group mainly sells titanium dioxide, which was widely used in pigment, sunscreen, food coloring.

Segment loss was approximately HK$140.9 million (Fy2018: approximately HK$19.2 million), which was mainly attributable to the recognition of impairment losses of property, plant and equipment of approximately HK$49.9 million and trade receivable of approximately HK$62.5 million respectively, and the recognition of administrative expenses and research and development costs totaling approximately HK$28.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong and healthy financial position. As at 31 March 2019, the current assets and current liabilities were stated at approximately HK$669.1 million (as at 31 March 2018: approximately HK$718.9 million) and approximately HK$319.7 million (as at 31 March 2018: approximately HK$263.7 million), respectively. The current ratio maintained at 2.09 times as at 31 March 2019 (as at 31 March 2018: 2.73 times). The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective period. As at 31 March 2019, the Group had total cash and bank deposits of approximately HK$258.5 million (as at 31 March 2018: approximately HK$303.3 million).

Management Discussion and Analysis (Continued)

As at 31 March 2019, total interest-bearing loans and zero-coupon convertible bond amounted to approximately HK$248.0 million (as at 31 March 2018: approximately HK$273.3 million) and approximately HK$18.7 million (as at 31 March 2018: approximately HK$16.4 million) respectively. The Group's net cash balance (the sum of pledged bank deposits and restricted cash and cash and cash equivalents less interest-bearing bank and other borrowings in current portion) has decreased from approximately HK$273.0 million as at 31 March 2018 to approximately HK$253.4 million as at 31 March 2019.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As at 31 March 2019, the Group had obtained credit facilities from various banks up to a maximum amount of approximately HK$200 million (as at 31 March 2018: approximately HK$162.0 million) and approximately HK$24.7 million (as at 31 March 2018: approximately HK$34.8 million) of the credit facilities has been utilized.

As at 31 March 2019, the gearing ratio of the Group was approximately 33.8% (as at 31 March 2018: approximately 32.6%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total assets as at the reporting date multiplied by 100%. With its available bank balances and cash and existing available bank credit facilities, the Group has sufficient liquidity and financial resources to satisfy the financial requirements of its existing businesses.

PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and insurance companies to secure the banking facilities and performance bonds granted to the Group, as well as to secure the bank facilities of a relate party:

	31 March 2019 HK$'000	31 March 2018 HK$'000
Pledged for securing the Group's banking facilities and performance bond		
Property, plant and equipment	–	24,790
Trade receivables	–	10,283
Other receivables	6,277	21,793
Available-for-sale investments	–	20,033
Financial assets at fair value through profit or loss	11,675	–
Bank deposits	57,974	57,305
Cash at bank	–	346
	75,926	134,550
Pledged for securing the banking facilities of a related party		
Bank deposits	116,960	–
Total	192,886	134,550

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020. Details could be referred to the “Business overview and prospect” of Chairman’s Statement of this annual report.

Except for the above disclosed, there was no material acquisition or disposal of subsidiaries or associated companies by the Group in Fy2019.

USE OF PROCEEDS FROM ISSUE OF SHARES AND A CONVERTIBLE BOND

On 16 December 2015, the Company entered into:

(i) a subscription agreement with Mr. Dai Jialong (“Mr. Dai”), an independent third party at that time, pursuant to which the Company will allot and issue, and Mr. Dai will subscribe for, 120,000,000 subscription shares* at the subscription price of approximately HK$0.3 per share (the “Subscription Price”);

(ii) a subscription agreement with Mega Start Limited (“Mega Start”), a substantial shareholder and a company wholly owned by Mr. Chau Chit (“Mr. Chau”) (being the Co-Chairman of the Company and an executive Director), pursuant to which, the Company will allot and issue, and Mega Start will subscribe for, 90,000,000 subscription shares* at the Subscription Price;

(iii) a convertible bond agreement with Mega Start, pursuant to which, the Company will issue, and Mega Start will subscribe for, a convertible bond in a principal amount of approximately HK$24,000,000 (the “Convertible Bond”); and

(iv) subscription agreements with eight investors (the “Investors”), each of whom is an independent third party and not related to each other, respectively, pursuant to which, the Company will allot and issue, and the Investors will subscribe for, a maximum of 690,000,000 subscription shares* at the Subscription Price (collectively, the “Shares and Convertible Bond Subscriptions”).

On 3 February 2016, the Company completed the Shares and Convertible Bond Subscriptions. As a result, a total of 900,000,000 subscription shares* with aggregate nominal value of HK$9,000,000 have been subscribed for cash and duly allotted and issued to the subscribers, included Mr. Dai, Mega Start and the Investors, and the Convertible Bond in the principal amount of HK$24,000,000 has been subscribed for cash and duly issued to Mega Start. The aggregate net proceeds from the Shares and Convertible Bond Subscriptions are approximately HK$289,000,000 after deducting relevant expenses raised. Details of the Shares and Convertible Bond Subscriptions and the intended uses of the net proceeds therefrom are set out in the Company’s announcements dated 16 December 2015 and 3 February 2016 and the Company’s circular dated 15 January 2016.

* The number of subscription shares represented the ordinary shares of the Company of HK$0.01 each to be issued before the share subdivision as set out below. As set out in note 25, the conversion condition of the convertible bond was not satisfied that the mandatory conversion of the convertible bond shall not take place. The convertible bond shall be redeemed in full on the maturity date.

Management Discussion and Analysis (Continued)

As of 31 March 2019, the net proceeds received were utilised as follows:

Intended application of the net proceeds	**Amount to be utilised** (HK$ million)	**Amount utilised at 31 March** (HK$ million)	**Unutilised as at 31 March** (HK$ million)
Setting up of the production plant and ancillary facilities for the new graphene production business	20	(17)	3
Installation of production lines	110	(48)	62
Establishment of the product quality control and testing centre	60	(19)	41
Recruitment of professional staff for the graphene production business, and establishments of scientific laboratories jointly with governmental institutes and universities	20	(9)	11
General working capital for the Group	79	(79)	—
Total	289	(172)	117

As mentioned in "EVENTS AFTER THE REPORTING PERIOD" in this annual report, Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020. In view of the current business operation and funding needs of the Company, the net proceeds unutilized of approximately HK$117 million had been reallocated and fully utilized as working capital of the Group.

SHARE SUBDIVISION

By an ordinary resolution passed at the extraordinary general meeting on 29 April 2016, each of the existing issued and unissued ordinary shares of approximately HK$0.01 each in the share capital of the Company was subdivided into five ordinary shares of approximately HK$0.002 each (the "Subdivided Shares") (the "Share Subdivision"). Upon the Share Subdivision having became effective on 3 May 2016 and at the date of this announcement, the Company's authorised share capital was approximately HK$20,000,000 divided into 10,000,000,000 ordinary shares of approximately HK$0.002 each, of which 6,000,000,000 ordinary shares were in issue and fully paid. Details of the Share Subdivision are set out in the Company's announcements dated 23 March 2016 and 29 April 2016 and the Company's circular dated 13 April 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Management Discussion and Analysis (Continued)

Risks relating to constructions related segments

(i) The Group's construction works are labour-intensive in nature. In the event that there is a significant increase in the costs and demand of labour, the Group's staff cost and/or subcontracting cost will increase and thus lower its profitability. On the other hand, if the Group or its subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, the Group's operations and profitability may be adversely affected.

(ii) The Group needs to estimate the time and costs involved in projects in order to determine the fee. There is no guarantee that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the jobs may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

(iii) The projects undertaken by the Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after the completion of the current projects. The Group has to go through the competitive tendering process to secure new project works. In the event we are unable to maintain business relationship with existing customers or unable to price our tender competitively, our business and hence our revenue will be adversely affected.

Risks relating to graphene production segment

(i) Wuxi Taike, which had been the principal subsidiary for carrying out the graphene production business, was disposed to an independent third party on 20 January 2020 and the transaction was completed on 28 February 2020. Details could be referred to the "Business overview and prospect" of Chairman's Statement of this annual report.

Financial Risk

(i) The Group adheres to prudent financial management principle in order to control and minimise financial and operational risks. The Group has certain portion of bank balances and cash denominated in currencies other than the functional currencies of the relevant entities to which they relate. In addition, the Group's sales and purchases are mainly transacted in Hong Kong dollar, United States dollar, Singapore dollar and Renminbi. The Group will, from time to time, review its foreign exchange position and market conditions to determine if any hedging is required. Similarly, the Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

(ii) As at 31 March 2019, bank deposit in the sum of HK$116,960,000 had been pledged to guarantee the indebtedness of a company that is established in PRC and owned by a related party for a period from 17 August 2018 to 17 August 2019. The pledge of deposit was subsequently released on 23 August 2019.

The financial risk management objectives and policies of the Group are shown in note 42 to the financial statements.

Management Discussion and Analysis (Continued)

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the end of each reporting period, the Group had provided the following guarantees:

	31 March 2019 HK$'000	31 March 2018 HK$'000
Guarantees in respect of performance bonds in favor of its clients	121,258	116,298

At the end of each reporting period, the Group had the following capital commitments:

	31 March 2019 HK$'000	31 March 2018 HK$'000
Contracted, but not provided for:		
Land and buildings	–	–
Plant and machinery	11,781	34,649
	11,781	34,649

MOVEMENT OF INCOMPLETE CONTRACTS FOR THE YEAR ENDED 31 MARCH 2019

	31 March 2018 HK$'000	Contracts Secured HK$'000	Contracts Completed HK$'000	31 March 2019 HK$'000
Building Construction	920,264	392,741	(308,847)	1,004,158
Property Maintenance	2,139,873	923,625	(1,008,852)	2,054,646
Alteration, Renovation, Upgrading and Fitting-Out Works	585,895	142,682	(308,214)	420,363
	3,646,032	1,459,048	(1,625,913)	3,479,167

Management Discussion and Analysis (Continued)

Building Construction segment

Contracts secured for the year ended 31 March 2019

Contracts	Commencement date	Contract value HK$'000
Design, supply & install of covered linkway of Land Transport Authority of Singapore	August 2018	219,473
Design and build upgrading projects for Housing Development Board, Singapore	December 2018	173,268
Total		392,741

Property Maintenance segment

Contracts secured for the year ended 31 March 2019

Contract	Commencement date	Contract value HK$'000
Term contract for minor works 2018 for Kowloon East and Kowloon Central Clusters, Hospital Authority, Hong Kong	June 2018	915,039
Renovation works of VP office, lift lobby and automated swing door for disabilities usage at Marina Bay Sands, Singapore	April 2018	494
Wall protection for Grande Theatre, wardrobe rooms, dressing room at Marina Bay Sands, Singapore	April 2018	455
Alterations and addition works security outdoor canopy at Marina Bay Sands, Singapore	April 2018	2,699
Renovation of the shop houses from unit 227 to 231 South Bridge Road, Singapore	May 2018	2,930
Safety enhancement works to Bin Centre at the Development, Singapore	September 2018	508
Supply and installation of turnstiles at casino entrance at Marina Bay Sands, Singapore	January 2019	905
Supply and installation of safety enhancement works at Marina Bay Sands, Singapore	January 2019	595
Total		923,625

Management Discussion and Analysis (Continued)

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts secured for the year ended 31 March 2019

Contracts	Commencement date	Contract value HK$'000
Alterations & additions works for toilets and drainage diversion of the University Student Halls of Residence, Hong Kong Polytechnic University, Hong Kong	April 2018	5,239
Design and construction of Visitor Centre for Organic Resources Recovery Centre, Hong Kong	May 2018	13,819
Fire services and improvement direction for Block A of Caritas House at Canine Road, Hong Kong	August 2018	16,321
Alteration & fitting-out works for setting up 4 nursing laboratories at SCE Tower, Hong Kong Baptist University, Hong Kong	July 2018	6,532
Renovation works of Endoscopy Unit at OPD Block, Our Lady of Maryknoll Hospital, Hong Kong	August 2018	8,925
Repartition of shops at Smartland at Tsuen Wan Road, Hong Kong	September 2018	4,150
Renovation works to Pure Yoga (HK) Limited at The Centrium, Wyndham Street, Central, Hong Kong	October 2018	4,917
Middle School annex reconversion for Hong Kong International School at Tai Tam Reservoir Road, Hong Kong	October 2018	31,762
Provision of public toilets for MTR Corporation Ltd, Hong Kong	October 2018	16,627
Renovation works at Monte Bello, Plantation Road, Hong Kong	November 2018	5,704
Structural repair works on damaged lamp posts for Yau Yat Chuen Tennis Court, Hong Kong	February 2019	1,769
Major renovation work for Chan Kwan Tung Inter-University Hall for the Chinese University of Hong Kong	March 2019	16,919
Renovation works of restaurant block and Lai Mei House at Lai Kok Estate, Cheung Sha Wan, Kowloon, Hong Kong	March 2019	9,998
Total		142,682

Management Discussion and Analysis (Continued)

Building Construction segment

Contract completed for the year ended 31 March 2019

Contract	Commencement date	Completion date	Contract value HK$'000
Revitalization of Haw Par Mansion, Hong Kong	June 2016	June 2018	119,800
Design and build of upgrading projects for G18F, Singapore	January 2015	September 2019	152,745
Proposed additions and alterations to existing St Gabriel's Primary School at 220 Lorong Chuan, Singapore	November 2016	January 2020	36,302
Total			308,847

Property Maintenance segment

Contracts completed for the year ended 31 March 2019

Contracts	Commencement date	Completion date	Contract value HK$'000
Term contract for the maintenance of slopes for Kowloon and Lantau Island, Hong Kong	April 2013	April 2018	280,912
Term contract for minor works 2015 for Kowloon East and Kowloon Central Cluster, Hospital Authority Hong Kong	June 2015	September 2018	726,483
Wall protection for Grande Theatre, wardrobe rooms, dressing room at Marina Bay Sands, Singapore	April 2018	Jun 2018	455
Renovation works of VP office, lift lobby and automated swing door for disabilities usage at Marina Bay Sands, Singapore	April 2018	September 2018	494
Safety enhancement works to Bin Centre at the Development, Singapore	September 2018	October 2018	508
Total			1,008,852

Management Discussion and Analysis (Continued)

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts completed for the year ended 31 March 2019

Contracts	Commencement date	Completion date	Contract value HK$'000
Public toilet fit-out works for West Kowloon Terminus MTR, Hong Kong	September 2013	April 2018	53,100
Renovation and repair works at Grand Garden (Phase 2) at South Bay Road, Hong Kong	March 2016	September 2018	126,421
Retail expansion of G/F to 1/F Ocean Centre, Kowloon, Hong Kong	March 2017	April 2018	6,288
Main contract for asset enhancement works at Sam Shing Commercial Centre, Hong Kong	June 2017	April 2018	24,480
Main contract for renovation works at Hin Keng Shopping Centre, Hong Kong	August 2017	April 2018	26,648
Fit-out works for airport staff resting lounges and relaxation corner in Terminal 1, Hong Kong International Airport, Hong Kong	July 2017	April 2018	3.786
Rectification works for houses at Tuen Mun, N.T., Hong Kong	January 2018	April 2018	3,980
Replacement of external wall tiles at public transport interchange at Yeung Uk Road, Tsuen Wan, Hong Kong	February 2018	October 2018	4,977
Design and build contract for alteration and addition works for Hung Hom Bay Campus and West Kowloon Campus, Hong Kong	March 2018	August 2018	4,773
Relocation of facilities from Kowloon Station Concourse to Elements, Hong Kong	March 2018	May 2018	1,161
Alteration & addition cum fitting out works contract for the University Student Halls of Residence, Hong Kong	April 2018	August 2018	5,239
Alteration & fitting-out works for setting up 4 nursing laboratories at SCE Tower, Hong Kong Baptist University, Hong Kong	July 2018	September 2018	6,532
Repartition of shops at Smartland at Tsuen Wan Road, Hong Kong	September 2018	December 2018	4,150
Renovation works to Pure Yoga (HK) Limited at The Centrium, Wyndham Street, Central, Hong Kong	October 2018	November 2018	4,917
Middle School annex reconversion for Hong Kong International School at Tai Tam Reservoir Road, Hong Kong	October 2018	January 2019	31,762
Total			308,214

Management Discussion and Analysis (Continued)

Overall

Contracts secured subsequent to 31 March 2019 and up to the date of the report

Contracts	Commencement Date	Contract value HK$'000
Construction of new storage buildings at Tseung Kwan O Store and Shek Wu Hui Depot, CLP Hong Kong Limited, Hong Kong	August 2019	14,745
Tuen Mun building and bus depot toilets refurbishment for MTR Corporation Limited, Hong Kong	June 2019	9,990
Renovation, alterations and additions works for Belt & Road Resources Centre for Li Po Chun United World College, Hong Kong	June 2019	18,223
Improvement of lecture theatres at Tai Po campus for The Education University of Hong Kong	August 2019	19,127
Improvement works to lecture theatres at The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong	June 2019	22,390
Renovation for office at Hong Kong International School at Red Hill Road, Tai Tam, Hong Kong	June 2019	12,309
Fitting-out works for modern office of Contract Advisory Unit at EMSD Headquarter, Hong Kong	June 2019	4,700
Renovation of meeting rooms, To Yuen Building for City University of Hong Kong	August 2019	2,980
Renovation of Lee On Shopping Centre, New Territories, Hong Kong	August 2019	5,290
Replacement of solar water heaters for Tung Chung Municipal Services Building of EMSD, Hong Kong	August 2019	1,840
Repartitioning and fitting-out term contract for City University of Hong Kong	August 2019	16,500
Renovation of DTD Office of EMSD Hong Kong	September 2019	2,428
Alteration and addition works of Kim Lam Shopping Centre at Tseung Kwan O, Hong Kong	November 2019	17,680
Refurbishment to Tseung Kwan O and Shatin public toilets, Hong Kong	December 2019	3,494
Renovation and modernization of Electric Tower Warehouse for The Hong Kong Electric Co Ltd, Hong Kong	December 2019	42,098
Renovation works for InnoStudio of EMSD Headquarters, Hong Kong	January 2020	5,842
Fitting-out works of wet laboratories of City University of Hong Kong	February 2020	17,921
Improvement works of teaching venues of The Education University of Hong Kong	March 2020	16,993
Alterations, additions and improvements of common washrooms of Hong Kong Baptist University	March 2020	33,257
Term contract for the alterations, additions, maintenance and repair of buildings and lands and other properties for designated contract area Sham Shui Po, Tsuen Wan and Kwan Tsing of Kowloon, Hong Kong	April 2020	1,147,322
Renovation works to multi-purpose area of new annex for Baptist Lui Ming Choi Secondary School, Shatin, Hong Kong	May 2020	13,270
Windows replacement and upgrading works for Hong Kong International School at Tai Tarn, Hong Kong	June 2020	13,695
New temporary leisure farm at Kennedy Town, Hong Kong	May 2020	33,846
Subdividing works and mechanical, electrical and plumbing upgrading works at Marina Bay Sands, Singapore	September 2019	418
Construction of vehicle shelters, pass office extension & ancillary works at camps, Singapore	November 2019	46,205
Proposed additions and alterations to existing 2 primary schools in Singapore	January 2020	207,922
Alteration works at Skypark Pools at Marina Bay Sands, Singapore	March 2020	421
Alteration works at Spago Lounge at Marina Bay Sands, Singapore	April 2020	693
Total		1,731,599

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 261 staff (as at 31 March 2018: 248 staff) which included Hong Kong, Macau, Singapore and Mainland China employees. The total remuneration for staff was approximately HK$ 90 million for Fy2019 (Fy2018: approximately HK$87 million).

The Group establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package consist of basic salary, allowances, benefit-in-kind, fringe benefits including medical insurance and contributions to mandatory provident funds, as well as incentives like discretionary bonus. The Group also provides external training programmes which are complementary to certain job functions.

The remuneration packages of the senior management are recommended by the managing director of the respective company and approved by the Board by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the directors of the respective company.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy"). Under the Dividend Policy, the Board may declare dividends to the Shareholders from time to time but no dividends shall exceed the amount recommended by the Board subject to approval at general meeting, the Company's articles of association and the Companies Law of the Cayman Islands.

In accordance with the applicable requirements of the Company's articles of association and the Companies Law of the Cayman Islands, no dividend shall be declared or paid otherwise than out of profits. No distribution or dividend may be paid to the Shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

The declaration of dividends is subject to the discretion of the Board, which will take into account, inter alia, the following factors when considering the payment or declaration of dividends:

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

(b) the shareholder's interests;

(c) the retained earnings and distributable reserves of the Company and each of the members of the Group;

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

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

(f) statutory and regulatory restrictions;

Management Discussion and Analysis (Continued)

(g) general economic conditions and other internal or external factors that may have any impact on the business or financial performance and position of the Company; and

(h) any other factors that the Board deems appropriate.

The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continue to review the Dividend Policy and reserve the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Details of important event of the Group after the financial year are set out in note 43 of the financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chau Chit ("Mr. Chau"), aged 55, was appointed as an executive Director of the Company on 22 July 2015 and the Chairman of the Board on 23 September 2015. On 1 March 2017, he was re-designated as co-chairman of the Board and was appointed as the chief executive officer of the Company. On 7 September 2018, he was re-designated as chairman of the Board. Mr. Chau is also the chairman of the nomination committee, a member of the remuneration committee, one of the authorised representatives and the director of certain subsidiaries of the Company. Mr. Chau currently serves as the chairman of the Hong Kong Jiangyin Trade Association and the vice president of Federation of HK Jiangsu Community Organisations Limited. He holds a bachelor's degree in Chemistry from Zhejiang University and an EMBA degree (Executive Master of Business Administration) from Zhejiang University. Mr. Chau has extensive experience in operation management. He was an executive director, the managing director, and the chairman of the executive committee and a member of the investment committee of Shougang Concord Technology Holdings Limited (Now known as HNA International Investment Holdings Limited) (stock code: 0521) during June 2006 to October 2013. He has been an executive director of Starlight Culture Entertainment Group Limited ("Starlight Culture", Formerly known as Jimei International Entertainment Group Limited (stock code: 1159) since July 2013 and was appointed as the chairman of the nomination committee of Starlight Culture on 31 May 2017.

Mr. Xie Xiaotao ("Mr. Xie"), aged 40, was appointed as an executive Director on 3 October 2016 and member of both the nomination committee and the remuneration committee of the Company on 3 October 2016. Mr. Xie holds a double bachelor degree in International Economy and Trade and Energy and Power Engineering from Shanghai Jiao Tong University and a master degree in Finance and Economics from the University of Manchester. Currently, Mr. Xie is the deputy general manager of Jiangyin City Li Shang Transportation Services Co., Ltd. Mr. Xie has extensive working experience in the equity investment and consulting area.

Mr. Zhu Xiaodong ("Mr. Zhu"), aged 48, was appointed as an executive Director on 2 September 2019. Mr. Zhu obtained a bachelor degree in Russian language from Beijing Foreign Studies University in July 1995. Mr. Zhu has extensive experience in the iron and steel industry, including the import and export of steel products, the trading of raw materials for iron and steel making, and developing business relations with suppliers and customers in China and wider Asia regions. He was the trading manager of Baoshan Iron & Steel Company Ltd, a company established in the People's Republic of China engaging in the steel-making business, from July 1995 to May 2009. Mr. Zhu worked as the trading manager of H&C S Holdings Pte Ltd, a company incorporated in Singapore engaging in the iron and steel industry, from June 2009 to April 2011. He was the trading manager of SPR Resources Pte Ltd, a company incorporated in Singapore engaging in the iron and steel industry, from May 2011 to April 2012. Mr. Zhu served as the deputy general manager of H&C S Holding Pte Ltd. from May 2012 to August 2019.

Biographical Details of Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Tak Kei Raymond ("Mr. Tam"), aged 57, was appointed as an independent non-executive Director on 19 December 2011. Mr. Tam is also the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. Mr. Tam obtained a Bachelor of Arts degree in Accounting with Computing from University of Kent at Canterbury, the United Kingdom in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since August 1990 and an associate of the Hong Kong Society of Accountants since January 1995.

Mr. Tam acted as the financial controller at international law firms for nine years and has over 30 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company and the company secretary of China Tian Lun Gas Holdings Limited (stock code: 1600). Mr. Tam also acted as the company secretary of Branding China Group Limited (stock code: 863) during the period from April 2012 to April 2018, and was an independent non-executive director of Li Bao Ge Group Limited (stock code:1869) during the period from June 2016 to February 2020. The shares of the above-mentioned three companies are listed on the Main Board of the Stock Exchange.

Mr. Tam has also acted as an independent non-executive director of, MEIGU Technology Holding Group Limited since December 2016 (stock code: 8349), a company listed on the Growth Enterprise Market of Stock Exchange, CNQC International Holding Limited since September 2012 (stock code: 1240), a company listed on the Main Board of the Stock Exchange.

Mr. Wong Kai Tung Simon ("Mr. Simon Wong"), aged 52, was appointed as an independent non-executive Director on 12 November 2013. Mr. Simon Wong is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Simon Wong is the Founder and Partner of Tawau Capital Partners Limited, a company principally engaged in private equity/venture capital investments, management consultancy. Mr. Simon Wong is an experienced banker and has over 20 years' experience in the corporate and investment banking sector in Asia with Deutsche Bank AG, Hong Kong Branch, DBS Bank Limited, Hong Kong Branch, and Daiwa Securities SMBC Hong Kong Limited, where Mr. Simon Wong was responsible for investment banking services in the Greater China Region. Mr. Simon Wong was an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited) (stock code: 108) from February 2014 to February 2015, and was the General Manager of Mergers and Acquisitions Department and the Head of Investor Relations of Brightoil Petroleum (Holdings) Limited (stock Code: 0933) from September 2011 to September 2012, the shares of both companies are listed on the Stock Exchange. Mr. Simon Wong gained corporate finance, mergers and acquisitions and investor relations experience from a listed company perspective. Mr. Simon Wong received an Executive MBA degree from Tsinghua University (Beijing, China) in 2013, Mr. Simon Wong has also participated in the Young Managers Programme held at INSEAD (Fontainebleau, France) in 1998. Mr. Simon Wong received a Bachelor of Arts degree and a Graduate Diploma in Management Consulting and Change from The University of Hong Kong in 1990 and 2008, respectively. Mr. Simon Wong is a Certified Management Consultant (CMC), awarded by the Institute of Management Consultants Hong Kong (IMCHK).

Biographical Details of Directors and Senior Management (Continued)

Mr. Wong Wai Kwan ("Mr. WK Wong"), aged 52, was appointed as an independent non-executive Director, a member of the audit committee and the nomination committee of the Company on 22 July 2015. Mr. WK Wong holds a bachelor's degree in Accountancy from City University of Hong Kong and a master's degree in Business Administration from Washington University in St. Louis, U.S.A. He is a member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of Certified Practising Accountants (Australia). Mr. WK Wong has extensive working experience in auditing and consulting areas, particularly in IPO exercise, risk management and mergers and acquisitions. During the period from August 1992 to March 2000 Mr. WK Wong was first employed by Ernst & Young's Hong Kong office as Senior Accountant in its Assurance Department and then served in Ernst & Young's Shanghai office as Manager in its Assurance Department. Mr. WK Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 0656) from December 2011 to June 2016. Mr. WK Wong was a consultant of VideoMobile Co., Ltd (a former holding company of Vobile Group Limited (Stock Code: 3738), which is listed on the Stock Exchange) from July 2016 to June 2017. Currently Mr. WK Wong is the chief financial officer of ThinkTank Learning Holding Company.

Mr. WK Wong was an independent non-executive director, and a member of the audit committee, nomination committee and remuneration committee of Shougang Concord Technology Holdings Limited (Now known as HNA International Investment Holdings Limited) (Stock code: 0521) during the period from June 2010 to October 2013 and Mr. WK Wong was also an independent non-executive director and member of the audit committee, nomination committee, remuneration committee, and the investment steering committee of Starlight Culture from September 2013 to November 2014. On 31 May 2017, he was again appointed as independent non-executive director of Starlight Culture and was appointed as the chairman of the audit committee, a member of the nomination committee, the remuneration committee, the investment steering committee and the anti-money laundering committee of that company on the same date. On 21 June 2017, Mr. WK Wong was appointed as a non-executive director and a member of the audit committee of Vobile Group Limited (Stock Code: 3738).

SENIOR MANAGEMENT

Mr. Wong Law Fai ("Mr. LF Wong"), aged 60, is the managing director of Wan Chung Construction Company Limited. Mr. LF Wong was appointed as a director of the Company on 31 May 2011 and redesignated as an executive Director of the Company on 19 December 2011. Later Mr. LF Wong resigned as an executive Director, the chairman of the Board and authorised representative of the Company on 28 May 2013, and the chief executive officer of the Company on 10 September 2013. Mr. LF Wong has over 30 years of experience in the building construction industry of Hong Kong. Mr. LF Wong is a registered professional engineer (building) in Hong Kong, a registered professional surveyor (quantity surveying) in Hong Kong, a member of The Hong Kong Institution of Engineers, a member of The Hong Kong Institute of Surveyors, a member of The Chartered Institute of Building (the United Kingdom) and a member of The Royal Institution of Chartered Surveyors (the United Kingdom).

Biographical Details of Directors and Senior Management (Continued)

Mr. So Kwok Lam ("Mr. So"), aged 59, is the project director of Wan Chung Construction Company Limited and is a director of Wan Chung Construction Company Limited and Wan Chung Engineering Co., Limited. He was appointed as an executive Director on 19 December 2011 and resigned on 28 May 2013. Mr. So is responsible for formulating strategic planning, business development of the Group, reviewing and improving the internal management systems, management of construction projects in Hong Kong. Mr. So has over 30 years of experience in the building construction industry of Hong Kong. Mr. So was a member of the Contractors Registration Committee Panel and was also a member of the Contractors Registration Committee of the Buildings Department under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong), (the "Building Ordinance") from January 2009 to December 2012. Mr. So is a member of the Registered Contractors' Disciplinary Board Panel of the Planning and Lands Branch, Development Bureau under the Building Ordinance since June 2014. Prior to joining the Group in 1993, Mr. So had been the project manager of Chevalier (Construction) Co Ltd from 1990 to 1993. He had also been working in Hsin Chong Construction Co Ltd from 1985 and left as an assistant contracts manager in 1990. Mr. So is fellow members of The Hong Kong Institute of Construction Managers and the Chartered Institute of Building (the United Kingdom). Mr. So obtained a professional diploma in occupational safety and health from the School of Continuing Education of Hong Kong Baptist University in 2008, a postgraduate diploma in arbitration and dispute resolution from City University of Hong Kong in 2004, a master of arts in English for the professions from The Hong Kong Polytechnic University in 2007, and an associateship in building technology and management from Hong Kong Polytechnic (now renamed the Hong Kong Polytechnic University) in 1984.

Mr. Wong Chi Kin, Jesse ("Mr. Jesse Wong"), aged 57, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group's strategic planning, corporate business development and management of construction projects in Hong Kong. Mr. Jesse Wong has been the representative of our Group in the Hong Kong Construction Association since 1999. Mr. Jesse Wong has been elected as the 68th and 69th council member of the Hong Kong Construction Association for 2015/2017 and 2017/2019 respectively. Mr. Jesse Wong has over 30 years of experience in the building construction industry of Hong Kong. Prior to joining the Group in 1996, Mr. Jesse Wong had held various positions in quantity surveying, including senior quantity surveyor of H.A. Brechin & Co between 1990 and 1994, quantity surveyor of Franklin & Andrews Construction Cost Management Consultants between 1989 and 1990 and trainee of Kumagai Gumi (H.K.) Limited between 1982 and 1985. Mr. Jesse Wong is a registered professional surveyor (Quantity Surveying) in Hong Kong and a fellow member of The Hong Kong Institute of Surveyors. Mr. Jesse Wong obtained a bachelor degree of science in quantity surveying from Southbank Polytechnic of London in 1989. Mr. Jesse Wong also received a master degree of business administration (executive) from the City University of Hong Kong in 2010.

Ms. Ma Pik Fung ("Ms. Ma"), aged 56, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group's strategic planning, corporate business development, and management of construction projects in Hong Kong. Ms. Ma is also a director of Wan Chung Engineering (Macau) Company Limited and a director of Wan Chung Construction (Singapore) Pte. Ltd.. Ms. Ma is a registered professional surveyor (Quantity Surveying) in Hong Kong, a member of Hong Kong Institute of Surveyors and a professional associate of the Royal Institution of Chartered Surveyors (the United Kingdom).

Biographical Details of Directors and Senior Management (Continued)

Mr. Datuk Eng Son Yam ("Mr. Datuk Eng"), aged 67, is the managing director of Wan Chung Construction (Singapore) Pte. Ltd. ("Wan Chung Singapore"), responsible for the strategic planning and development of the Wan Chung Singapore. Mr. Datuk Eng has more than 30 years of experience in the building industry of Singapore and Malaysia. Mr. Datuk Eng had undertaken construction projects in housing, hospital, integrated resort and religious establishment. Mr. Datuk Eng has also endeavored in property development ventures in Singapore and Malaysia. Over the years, Mr. Datuk Eng has built up a strong network with key players in this industry. Mr. Datuk Eng was also active in social work particularly education for the young in Malacca (Datuk Eng's birth place). In recognition of his contribution towards the local school, Mr. Datuk Eng was conferred "DSM Datuk" by the Governor of Malacca, Malaysia. Mr. Datuk Eng obtained a diploma in business administration from the Singapore Chinese Chamber Institute of Business in 2008. Mr. Datuk Eng completed an Executive Program on Oriental-Western Wisdom and Business Management at the School of Continuing Education, Tsinghua University in October 2013.

Mr. Tan Chwee Kee ("Mr. Tan"), aged 64, is the deputy managing director of Wan Chung Construction (Singapore) Pte. Ltd.. Mr. Tan has more than 30 years of experience in project management, property development, building design and construction. Prior to joining Wan Chung Singapore in August 2011, Mr. Tan was the project director of HLH Development Pte Ltd, a property development arm of SGX-ST listed group, HLH Group Limited. From 2005–2007, Mr. Tan was with Chip Eng Seng Corporation Ltd, a construction and property development group listed on the SGX-ST, as the assistant general manager of The Pinnacle@Duxton project, the first 50-storey high dense public housing project launched by the government. It was the winning design of an international design competition and features the sky gardens at mix storeys and top storey linking all the blocks together. Mr. Tan led the technical team and was instrumental in addressing the design issues of the technically challenging sky-gardens construction. Between 1995–2004, Mr. Tan was the CEO of Hong Lai Huat Construction Pte Ltd. Mr. Tan started his career as a structural engineer in The Housing and Development Board in 1982. Mr. Tan has a Bachelor Degree in Civil Engineering from The National University of Singapore and is a registered Professional Engineer with the Singapore Professional Engineer Board.

Directors' Report

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Room 2001 & 10, 20/F, No. 118 Connaught Road West, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise (i) provision of building construction services, property maintenance services, alterations, renovation, upgrading and fitting-out works services, and (ii) materials trading. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out on pages 4 to 5 and pages 6 to 19 of this annual report, respectively. This discussion forms part of this directors' report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out in the five year financial summary on page 148 of this annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2019 and the Group's financial position as at 31 March 2019 are set out in the financial statements on pages 54 to 56.

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

CONVERTIBLE BOND, INTEREST-BEARING BANK AND OTHER BORROWINGS

Particulars of a convertible bond, interest-bearing bank and other borrowings of the Group as at 31 March 2019 are set out in notes 25 and 24 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

There were no movement in the Company's share capital and share option during the year.

Directors' Report (Continued)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 March 2019, as the accumulated losses of the Company exceeds the share premium account, there is no reserves available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 78.5% of the total sales. The top five suppliers accounted for approximately 40.5% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 51.2% of the total sales and the Group's largest supplier accounted for approximately 13.1% of the total purchases for the year.

At no time during the year ended 31 March 2019 have the then and current Directors of the Company, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CHARITABLE DONATIONS

During the year ended 31 March 2019, the Group made charitable donations amounting to HK$79,000.

Directors' Report (Continued)

DIRECTORS

The directors of the Company during the year ended 31 March 2019 and up to the date of this Directors' report are:

Executive Directors:

Chau Chit *(Chairman) (re-designated as the Chairman and ceased to act as the Co-Chairman on 7 September 2018)*
Dai Jialong *(Co-Chairman) (resigned on 7 September 2018)*
Xie Xiaotao
Zhu Xiaodong *(appointed on 2 September 2019)*

Independent Non-executive Directors:

Mr. Tam Tak Kei, Raymond
Mr. Wong Kai Tung, Simon
Mr. Wong Wai Kwan

By virtue of articles 108(a), 108(b) and 112 of the articles of association of the Company, Mr. Zhu, Mr. Chau and Mr. WK Wong will retire. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

PERMITTED INDEMNITY PROVISION

Permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company are currently in force and was in force during the year and at the date of this report.

DIRECTORS' SERVICE AGREEMENTS

Both Mr. Chau, an executive Director, and Mr. WK Wong, an independent non-executive Director, have entered into service agreements with the Company for a term of three years commencing from 22 July 2015, which may be terminated by either the Company or the other party by giving six months written notice or otherwise in accordance with the terms of the service agreements.

Mr. Tam, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 19 January 2017, which may be terminated by either the Company or Mr. Tam by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Simon Wong, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 12 November 2016, which may be terminated by either the Company or Mr. Simon Wong by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Xie Xiaotao, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 3 October 2016, which may be terminated by either the Company or Mr. Xie by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Zhu Xiaodong, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 2 September 2019, which may be terminated by either the Company or Mr. Zhu by giving three months written notice or otherwise in accordance with the terms of the service agreement.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended 31 March 2019 are set out in notes 8 and 9 to the financial statements. The remuneration policy for Directors and senior management is set out in the Corporate Governance Report on page 38 of this annual report.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme adopted by the written resolutions of the sole Shareholder passed on 19 December 2011 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

(b) Participants of the Share Option Scheme

The Board may, at its absolute discretion grant any employee (full-time or part-time), director (including executive, non-executive or independent non-executive directors), consultant or adviser of any member of the Group, or any substantial shareholder of any member of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group and any company wholly owned by one or more persons belonging to any of the aforesaid participants, options to subscribe for Shares at a price calculated in accordance with the paragraph below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Directors' Report (Continued)

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date.

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 600,000,000 Shares, representing 10% of the issued share capital of the Company.

(d) The maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(e) Timing for exercising option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(f) Period of acceptance of option

An offer made to a participant shall remain open for acceptance by the participant concerned for a period of 7 days from and inclusive of the date on which an option is offered to a participant.

(g) Payment of acceptance of option

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) The basis of determining the exercise price of option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a Share on the date of grant of the option.

Directors' Report (Continued)

(i) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 March 2019.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 2.4 to the financial statements.

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 and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

Name of Directors	**Capacity**	**Number of shares held** (note 1)	**Percentage of the issued share capital of the Company** (note 1)
Mr. Chau Chit (note 2)	Interest of Controlled Corporation	600,000,000 (L)	10.00%
Mr. Xie Xiaotao	Beneficial owner	50,000,000 (L)	0.83%
Mr. Wong Wai Kwan	Beneficial owner	5,000,000 (L)	0.08%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2019 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2019.

2. Mr. Chau Chit, the executive Director, is the ultimate beneficial owner of Mega Start Limited ("Mega Start"). By virtue of the SFO, Mr. Chau Chit is deemed to be interested in the 600,000,000 Shares held by Mega Start.

Directors' Report (Continued)

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended 31 March 2019 was the Company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 March 2019, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

Name of Shareholders	**Capacity**	**Number of Shares held** (note 1)	**Percentage of the issued share capital of the Company** (note 1)
Mega Start Limited	Beneficial owner	600,000,000 (L)	10.00%
Fount Holdings Limited	Beneficial owner	475,000,000 (L)	7.92%
Mr. Tang Hao (note 2)	Interest of controlled corporation	475,000,000 (L)	7.92%
Earnstar Holding Limited	Beneficial owner	350,000,000 (L)	5.83%
Dungbao Limited (note 3)	Interest of controlled corporation	350,000,000 (L)	5.83%
Mr. Ma Zenglin (note 4)	Interest of controlled corporation	350,000,000 (L)	5.83%
Zhongtai Financial Investment Limited (note 5)	Person having a security interest in shares interest in shares	300,000,000 (L)	5.00%
Zhongtai Financial International Limited (note 5)	Interest of corporation controlled by you	300,000,000 (L)	5.00%
Zhongtai Securities Company Limited (note 5)	Interest of corporation controlled by you	300,000,000 (L)	5.00%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2018 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2018.

2. Mr. Tang Hao owns the entire issued share capital of Fount Holdings Limited. By virtue of the SFO, Mr. Tang Hao is deemed to be interested in the 475,000,000 Shares held by Fount Holdings Limited.

3. Dungbao Limited owns the entire issued share capital of Earnstar Holding Limited. By virtue of the SFO, Dungbao Limited is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.

4. Mr. Ma Zenglin owns the entire issued share capital of Dungbao Limited. By virtue of the SFO, Mr. Ma Zenglin is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.

5. Based on the information available to the Company, Zhongtai Financial Investment Limited has a security interest in 300,000,000 shares and is directly wholly owned by Zhongtai Financial International Limited, which is wholly owned by Zhongtai Securities Company Limited. Zhongtai Financial International Limited and Zhongtai Securities Company Limited are therefore deemed to be interested in all the shares in which Zhongtai Financial Investment Limited is interested under the SFO.

Save as disclosed above, as at 31 March 2019, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares, underlying shares and debentures 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 16 December 2015, the Company entered into a subscription agreement and a convertible bond agreement with Mega Start, a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the chairman and chief executive officer of the Company and an executive Director of the Company). Further details of the transactions undertaken are included in the section of "Connected Transactions" below.

On 23 August 2018, Wuxi Taike Nano New Material Co. Ltd* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, pledged the bank deposit in the sum of RMB100 million (the "Secured Deposits") under deposit pledge contracts (the "Deposit Pledge Contracts") to guarantee the indebtedness of Jiangyin Youjia Pearlescent Mica Co., Ltd* (江陰市友佳珠光雲母有限公司) ("Jiangyin Youjia"), a company established in the PRC, for the opening bank acceptance bill contracts (《開立銀行承兑匯票合同》) (the "Opening Bank Acceptance Bill Contracts") entered into between Jiangyin Youjia and a PRC bank (the "Pledgee Bank") to obtain credit facilities of up to an aggregate amount of RMB100 million (the "Credit Facilities") for a period from 17 August 2018 to 17 August 2019. As of the date of the Opening Bank Acceptance Bill Contracts, the legal representative of Jiangyin Youjia was the late Mr. Dai Jialong, a former executive Director of the Company and a then substantial shareholder of the Company holding approximately 12.17% of the issued share capital of the Company.

Directors' Report (Continued)

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company ("Resumption Conditions"), (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Target Company by the Group to an third party (together, the "Prior Announcements"). Further details of the transactions undertaken are included in the section of "Connected Transactions" below.

Save as disclosed above, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2019.

CONTRACT OF SIGNIFICANCE

Save as disclosed in notes 37 and 38 to the financial statements, no contract of significance in relation to the Group's in which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the independent non-executive Directors during the reporting period namely, Mr. Tam, Mr. Simon Wong and Mr. WK Wong, pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended 31 March 2019.

Directors' Report (Continued)

CONNECTED TRANSACTIONS

Save as disclosed in notes 37 and 38 to the financial statements, there was no connected transaction during the year.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 48. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year ended 31 March 2019 and as at the date of this annual report as required under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 43 to the financial statements.

AUDITORS

Ernst & Young ("EY") will retire at the conclusion of the forthcoming annual general meeting of the Company ("AGM") and being eligible, offer themselves for re-appointment at the AGM. A resolution for the reappointment of EY as auditors of the Company will be proposed at the forthcoming annual general meeting.

Independent Auditor's Report on the Company's Consolidated Financial Statements for the year ended 31 March 2019

As disclosed in sections headed "Basis for Disclaimer of Opinion" and "Disclaimer of Opinion" in independent auditor's report contained on pages 49 to 53 of this report, the auditor of the Company did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2019 as the auditor encountered certain scope limitations in respect of Wuxi Taike Nano New Material Company Limited ("Wuxi Taike"), a major wholly-owned subsidiary of the Company, which contributed net assets of RMB124,035,000 (equivalent to HK$145,070,000) and a loss for the year of RMB118,354,000 (equivalent to HK$138,746,000) to the Group's total net assets of HK$151,283,000 as at 31 March 2019 and a total loss of HK$145,451,000 for the year then ended, respectively.

THE BOARD'S RESPONSE TO THE AUDITOR'S OPINION

In regard to the matters described in the section headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report, the Board would like to take this opportunity to provide the Board's response and other relevant information, as well as measures taken or to be taken by management of the Company for information purpose.

The Board's response to the delay in publication of the annual results for the year ended 31 march 2019 and the Board response to the basis for disclaimer of opinion

As disclosed in the Company's previous announcements in relation to, among other things, suspension of trading in the Company's Shares and update of the development in relation thereto, the Board had been actively working with the auditor in relation to the preparation of the Company's consolidated annual results for the year ended 31 March 2019.

1. In November 2018, shortly after the Board became aware of the Deposit Pledge Contracts, the audit committee of the Company, consisting of three independent non-executive Directors, has appointed an independent forensic accounting expert, PricewaterhouseCoopers Management Consulting (Shanghai) Limited (the "Forensic Team"), to conduct the forensic review with objectives to identify how the Deposit Pledge Contracts were entered into, who was involved and/or has knowledge of the matter; to verify the status of Wuxi Taike's other major assets, including machinery and trade receivables; and where possible, to identify any potential unrecorded contingent liabilities and/or undisclosed related party transactions.

   As disclosed in the Company's announcement dated 13 March 2020 (the "Key Findings Announcement"), the Forensic Team has completed the procedure for the forensic review. The Company published the Key Findings Announcement which discloses the key findings of the forensic review. The audit committee has reviewed the findings of the Forensic Team and provided its view on the adequacy of the forensic review, key findings of the forensic review and integrity of the Directors as disclosed in the Company's announcement dated 12 May 2020.

2. In May 2019, the Company engaged an internal control consultant (the "Internal Control Consultant") to conduct an internal control review on the Company's risk management process; the entity level control environment; resources, qualification, and experience of staff of accounting, internal audit and financial reporting functions; and Wuxi Taike's sales process, procurement process, cash management process, bank borrowing management process and property, plant and equipment management process from 1 January 2019 to 30 April 2019. The material findings or deficiencies identified by the Internal Control Consultant and the remedial actions taken or to be taken by the Company based on the recommendations of the Internal Control Consultant to address the internal control concerns revealed from the forensic review are set out in the announcements of the Company dated 13 March and 20 April 2020.

   The Company has instructed the Internal Control Consultant to conduct a follow-up internal control review (the "Follow-up Review") on the status of the implementation of the remedial actions taken by the Group, which was completed in the first half of May 2020. Based on the Follow-up Review, the Company has adopted and implemented the remedial measures recommended by the Internal Control Consultant at the entity level (in particular, the internal control to detect and manage related party transactions/connected transactions), save that the continuing improvement on the documentation of risk monitoring activities and reporting of risk management actions being undertaken and the communication of corporate governance policies to employees are in progress. The Follow-up Review did not cover the implementation of remedial actions in connection with the internal control weaknesses identified for Wuxi Taike because Wuxi Taike has been disposed of by the Group.

Directors' Report (Continued)

3. The Company has negotiated with the Pledgee Bank in respect of the release of the deposit pledge under the Deposit Pledge Contracts after the Board was aware of the Deposit Pledge Contracts. The deposit pledge in the sum of RMB100 million under the Deposit Pledge Contracts were released on 23 August 2019.

4. Since the Board was informed of the Deposit Pledge Contracts, the Company has engaged its PRC counsel to advise on the appropriate legal actions to be taken by the Group in respect of the Deposit Pledge Contracts and instructed the PRC counsel to gather information in order to prepare the necessary documents for commencing legal proceedings against Jiangyin Youjia and the relevant parties. In view of the release of the deposit pledge under the Deposit Pledge Contracts in August 2019, the Company decided not to proceed further to commence legal proceedings against Jiangyin Youjia and the relevant parties in respect of the recovery of the Secured Deposits.

5. Subsequent to the uncovering of the unauthorised deposit pledge contracts (the "Former Deposit Pledge Contracts") entered into between Wuxi Taike and another bank (the "Second Pledgee Bank") in August 2016 and August 2017 by the Forensic Team as disclosed in the Key Findings Announcement, the Company has engaged a PRC counsel to advise on the legal effect of these contracts. Having considered the facts surrounding the entering into of the Former Deposit Pledge Contracts, the Company's PRC counsel is of the view that there were uncertainties as to the authenticity of the Former Deposit Pledge Contracts, and based on the precedent cases, the Former Deposit Pledge Contracts had no legal effect and could be declared void by the PRC court.

6. As disclosed in the Company's announcements dated 3 September 2019, 20 January 2020 and 13 March 2020, the Group has commenced legal proceedings against one of the customers of Wuxi Taike (the "Customer") for payment of the trade receivables payable by the Customer to Wuxi Taike. Following the commencement of the legal proceedings at the Jiangyin City People's Court (江陰市人民法院) (the "Court") on 27 August 2019, the Customer did not attend the court hearing or defend the legal proceedings. On 21 February 2020, a judgment was handed down by the Court which was received by the Company on 6 March 2020 (the "Judgment"). Pursuant to the Judgment, Wuxi Taike succeeded in its claim and it was held that the Customer is ordered to pay the trade receivables of RMB62.1 million together with interests to Wuxi Taike within 10 days of the date of the Judgment. As at the date of this report, Wuxi Taike has not received any payment from the Customer.

7. Mr. Dai, the then executive Director of the Company who was in charge of the operation of Wuxi Taike, has resigned as a director of the Company with effect from 7 September 2018 (which was before the Board was informed about the deposit pledge) and passed away. After the Board was aware of the incident of the deposit pledge, the Board assigned the deputy finance controller of the Group to take charge of the finance department of Wuxi Taike in November 2018, and replaced Wuxi Taike's then executive director and legal representative by the chief operating officer of the Group in late December 2018.

8. As disclosed in the announcements of the Company dated 20 and 22 January 2020, the Company entered into a sale and purchase agreement with an independent third party on 20 January 2020 in relation to the disposal of the entire issued share capital of the indirect holding company of Wuxi Taike (the "Disposal"). Completion of the Disposal had already taken place on 28 February 2020.

9. Additionally, the Board has set up a risk management committee (the "Risk Management Committee") which comprises two executive Directors, namely Mr. Chau Chit and Mr. Zhu Xiaodong, and one independent non-executive Director, namely Mr. Wong Wai Kwan, on 20 April 2020 to assist the Board to oversee the design, implementation and review of the risk management policies and procedures of the Group. On the same date, Dr. Zhang Wan, the Company's investment manager, has been appointed as the compliance officer of the Company (the "Compliance Officer") to advise on and assist the Board in overseeing the compliance of laws and regulations by the Group.

Directors' Report (Continued)

10. Based on the findings of the Forensic Team, the Board assessed and analysed the transactions taken by Wuxi Taike to consider whether such transactions constitute notifiable transactions and/or connected transactions for the Company. The Company published a discloseable and continuing connected transaction announcement dated 24 March 2020 in relation to the provision of the deposit pledge. Please refer to the Company's announcement dated 24 March 2020 for more details.

The management of the Company had made their efforts to provide all necessary information and documents to the auditor and assisted the auditor to complete the audit procedures of the annual results for the year ended 31 March 2019.

The Directors have discussed with the auditor in relation to the audit qualifications, and the Directors understand that the audit qualifications are unavoidable due to the limitations encountered by the Forensic Team and the auditor. The view of the Audit Committee on the adequacy of the forensic review is set out in the Company's announcement dated 12 May 2020.

As stated above, the deposit pledge under the Deposit Pledge Contracts was released on 23 August 2019 and Wuxi Taike was disposed of to an independent third party on 28 February 2020. Mr. Dai and the then management of Wuxi Taike have left the Group in 2018. As such, the major audit issues surrounding Wuxi Taike, including the incident relating to the Deposit Pledge Contracts and various transactions with the potential related parties, do not have impact on the Group since the disposal of Wuxi Taike and accordingly, the impact of Wuxi Taike's business and operations is no longer of concern to the Company.

The Company has also completed the internal control review and implemented enhanced internal control measures based on the recommendations of the Internal Control Consultant to improve the Company's controls surrounding the audit issues in the disclaimer of opinion, including the adoption of corporate governance code and connected transactions policy, establishment of the Risk Management Committee and the appointment of the Compliance Officer in April 2020.

Based on the above, the Board is of the view that the audit issues underlying the basis of the disclaimer of opinion have been addressed and resolved.

On behalf of the Board

Chau Chit
Co-Chairman and Chief Executive Officer

Hong Kong, 13 May 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. During the year ended 31 March 2019, the Board had adopted the principles and the code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference and made such terms of reference available on the websites of the Stock Exchange and the Company.

Save as disclosed below, during the year ended 31 March 2019, the Company had complied with the CG Code as set out in Appendix 14 to the Listing Rules.

Roles of the chairman and the chief executive

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. During the period from 1 April 2018 to 6 September 2018, Mr. Chau Chit was the co-chairman of the Board of Directors of the Company and the chief-executive officer of the Company.

The Co-Chairmen were the positions in the Board to execute the administrative functions designated to the Co-Chairmen by the Board from time to time. As decided by the Board, Mr. Chau and Mr. Dai would take up the administrative functions of the Board in ensuring that the Board works effectively and performs its responsibilities. They acted together to carry out and shared the responsibilities of the role of the chairman of the Board. When a Co-Chairman proposed any matters to be considered in a Board meeting, the other Co-Chairman shall be responsible for, amongst other things, drawing up and approving the agenda for such Board meeting, presiding the Board meeting and encouraging all directors to make a full and active contributions to the Board's affairs to ensure that Board decisions fairly reflected Board consensus and the Board acted in the best interests of the Group. In respect of other duties and responsibilities of the chairman of the Board contemplated under the articles of association of the Company, A.2 of the CG Code and the Listing Rules (including Rule B.8 of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules), these would be taken up by Mr. Chau.

Besides, Mr. Dai (resigned on 7 September 2018), the other co-chairman, was primarily responsible for providing overall strategic plan in the development of the graphene business of the Group and Mr. Chau, who is the chief executive officer of the Company, carries out executive functions including day-to-day business and operations management of the Group.

Part A.2 of the CG Code set out the principle and code provision of the chairman and chief executive. It stipulated that there should be a clear division of the two key aspects of management, the management of the Board and the day-to-day management of business.

Corporate Governance Report (Continued)

Based on this principle, the Company adopted the above corporate governance measures to ensure a balance of power and authority, so that power was not concentrated in any one individual. The Board believes that the Co-Chairmen each acted as a check and balance on each other and that there is a clear understanding and expectation of the Board and within the Company as to the separation of roles and responsibilities of Mr. Chau and Mr. Dai. The Board also considered the composition of the Board and senior management of the Company, which comprises experienced and high calibre individuals. In view of the above, the Board believes that the balance of power and authority was adequately maintained to ensure that the overall interests of the Company and its shareholders were protected.

Under the code provision A.2.1, the roles of chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing.

The roles of the chairman and the CEO of the Company were not separated and were performed by the same individual, Mr. Chau Chit (re-designated as Chairman on 7 September 2018) during the period from 7 September 2018 to 31 March 2019.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

Financial reporting, Risk management and internal control

On 23 August 2018, Wuxi Taike Nano New Material Co. Ltd* (無錫泰科納米新材料有限公司), a wholly foreign-owned subsidiary of the Company in the People's Republic of China, pledged the bank deposit in the sum of RMB100 million (the "Secured Deposits") under deposit pledge contracts (the "Deposit Pledge Contracts") to guarantee the indebtedness of Jiangyin Youjia Pearlescent Mica Co., Ltd* (江陰市友佳珠光雲母有限公司) ("Jiangyin Youjia"), a company established in the PRC, for the opening bank acceptance bill contracts (《開立銀行承兌匯票合同》) (the "Opening Bank Acceptance Bill Contracts") entered into between Jiangyin Youjia and a PRC bank (the "Pledgee Bank") to obtain credit facilities of up to an aggregate amount of RMB100 million (the "Credit Facilities") for a period from 17 August 2018 to 17 August 2019. As of the date of the Opening Bank Acceptance Bill Contracts, the legal representative of Jiangyin Youjia was the late Mr. Dai Jialong, a former executive Director of the Company and a then substantial shareholder of the Company holding approximately 12.17% of the issued share capital of the Company.

Further details should be referred to (i) the announcements of the Company dated 16, 19 and 30 November 2018, 24 January 2019 and 23 August 2019 in relation to the pledge of bank deposit of Wuxi Taike in the sum of RMB100 million under the Deposit Pledge Contracts to guarantee the indebtedness of Jiangyin Youjia for the Opening Bank Acceptance Bill Contracts entered into between Jiangyin Youjia and the Pledgee Bank, (ii) the announcement of the Company dated 9 January 2019 in relation to the conditions for the resumption of trading in the shares of the Company ("Resumption Conditions"), (iii) the announcements of the Company dated 8 March 2019, 6 and 13 June 2019, 3 September 2019, 3 December 2019 and 6 March 2020 relation to the update on progress of the Resumption Conditions, (iv) the announcement of the Company dated 6 January 2020 in relation to the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2019, and (v) the announcements of the Company dated 20 and 22 January 2020 in relation to the disposal of the Target Company by the Group to an third party (together, the "Prior Announcements").

Corporate Governance Report (Continued)

For the above matters as disclosed in the Prior Announcements, the Board considered the followings:

— the management of the Group had not provided sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval in violation to code provision C.1.1 of the CG Code; and

— according to the principle and code provisions of C2 of CG Code The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems; and the Board acknowledged weaknesses in the above.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they had complied with the Model Code during the year ended 31 March 2019.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at the date of this annual report, the Board consisted six Directors comprising three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Chau Chit *(Chairman and Chief Executive)*
Mr. Xie Xiaotao
Mr. Zhu Xiaodong

Independent non-executive Directors

Mr. Tam Tak Kei Raymond
Mr. Wong Kai Tung Simon
Mr. Wong Wai Kwan

The biographical details of all current Directors and senior management of the Company are set out on pages 20 to 24 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.

Corporate Governance Report (Continued)

Functions of the Board

The principal functions of the Board are to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business, the Board delegates the authority and responsibility for implementing the Group's policies and strategies.

Board Meetings and Board Practices

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

Directors' Re-election

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of article 112 of the articles of association of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring director shall be eligible for re-election.

Independent non-executive Directors

The Company has three independent non-executive Directors to comply with Rule 3.10(1) and 3.10A of the Listing Rules. Furthermore, among the three independent non-executive Directors, both Mr. Tam and Mr. WK Wong have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance to Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmation, considers, Mr. Tam, Mr. Simon Wong and Mr. WK Wong to be independent.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. During the year ended 31 March 2019, the chairman had met the non-executive Director and the independent non-executive Directors respectively and individually without the presence of other executive Directors.

Corporate Governance Report (Continued)

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

Continuing Professional Development

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Directors are continually updated on the legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

All Directors during the reporting period have participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 19 December 2011 with written terms of reference which were revised on 23 September 2015 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information and risk management of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tam (the chairman of the Audit Committee), Mr. Simon Wong and Mr. WK Wong.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the interim financial information for the six months ended 30 September 2018 and the consolidated financial statements and annual results for the year ended 31 March 2019.

Corporate Governance Report (Continued)

During the year ended 31 March 2019, the Audit Committee held three meetings.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

As at the date of this report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. Simon Wong (the chairman of the Remuneration Committee) and Mr. WK Wong, and two executive Directors, namely Mr. Chau and Mr. Xie.

During the year ended 31 March 2019, the Remuneration Committee held one meeting to, inter alia, review the remuneration packages of all Directors and senior management of the Company.

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The share option scheme of the Company (the "Share Option Scheme") was adopted by the sole Shareholder by way of written resolution on 19 December 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons will have additional incentives to improve the Company's performance.

Details of the fees and other emoluments paid or payable to the Directors and the remuneration of the members of senior management by band for the year ended 31 March 2019 are set out in notes 8 and 9 to the consolidated financial statements contained in this Annual Report.

Corporate Governance Report (Continued)

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 and 26 August 2013 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession.

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or, as an additional member of the Board. The Company has formulated the nomination policy, and factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for director include, inter alia, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

The Nomination Committee formulated the board diversity policy of the Company (the "Board Diversity Policy"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

As at the date of this report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. Simon Wong and Mr. WK Wong, and two executive Directors, namely Mr. Chau (the chairman of the Nomination Committee), and Mr. Xie.

During the year ended 31 March 2019, the Nomination Committee held one meeting to, inter alia, review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board on the appointment of Directors and assess the Board Diversity Policy.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the policies and practices on corporate governance of the Group and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management; and
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

Corporate Governance Report (Continued)

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2019 is set out in the table below:

	Number of meetings attended/entitled to attend						
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**	**Extraordinary General Meeting**	**Type of training**
Executive directors							
Mr. Chau Chit	12/13	n/a	1/1	1/1	1/1	n/a	B
Mr. Dai Jialong (resigned on 7 September 2018)	0/3	n/a	0/1	0/1	n/a	n/a	B
Mr. Xie Xiaotao	11/13	n/a	1/1	1/1	0/1	n/a	B
Independent Non-executive Directors							
Mr. Tam Tak Kei Raymond	13/13	3/3	1/1	1/1	1/1	n/a	A and B
Mr. Wong Kai Tung Simon	12/13	3/3	1/1	1/1	1/1	n/a	A and B
Mr. Wong Wai Kwan	13/13	3/3	1/1	1/1	0/1	n/a	A and B

Note:

Types of Training

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

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

Apart from regular Board meetings, the co-chairmen also held meetings with the independent non-executive Directors without the presence of executive Directors during the year ended 31 March 2019.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to 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 the consolidated financial statements for the year ended 31 March 2019, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. 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 statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report (Continued)

Auditor's Remuneration

During the year ended 31 March 2019, the remuneration paid or payable to the auditor of the Company, Ernst & Young, in respect of their audit and non-audit services was as follows:

	HK$
Audit service fee	1,908,000
Non-audit service fee	445,000
Total	2,353,000

The amount of fee incurred for the non-audit services arises from (i) tax services; and (ii) the review of interim financial information for the six months ended 30 September 2018.

Risk Management and Internal Control Responsibility

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained. Management is responsible for designing, implementing and monitoring the risk management and internal control systems to manage risks. Sound and effective risk management and internal control systems are designed to identify and manage the risk of failure to achieve business objectives. The Group's risk management process include risk assessment, which constitutes the sub-processes of risk identification, analysis, evaluation, mitigation, reporting and monitoring. The Group also adopt a risk whistle-blowing policy to uphold honesty, integrity and fair play as our core values of the Group at all times.

Review of Risk Management and Internal Control System

Reference is made to the "Financial reporting, Risk management and internal control" of this report regarding the deposit pledge of Wuxi Taike.

In May 2019, the Company has engaged an internal control consultant ("Internal Control Consultant") to conduct an internal control review on, among other things, the Company's controls in place for risk management process, resources, qualification, and experience of staff of accounting, internal audit and financial reporting functions, the entity level control environment, and Wuxi Take's sales process, procurement process, cash management process, bank borrowing management process and property, plant and equipment management process.

Following this review, the Company has implemented a number of internal control measures to enhance the Company's internal control systems. The Internal Control Consultant is in the process of a follow-up review on the remedial actions taken by the Company.

Corporate Governance Report (Continued)

INVESTORS AND SHAREHOLDERS RELATIONS

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the company secretary of the Company (the "Company Secretary"):

1. By mail to the Company's principal place of business at Room 2001 & 10, 20/F, No. 118 Connaught Road West, Hong Kong;

2. By telephone number 2180 6139;

3. By fax number 2180 6125; or

4. By email at info@visionfame.com

The Company uses a number of formal communications channels to account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channels between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely mannered and on a regular basis information of the Group to Shareholders through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairmen of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 64 of the articles of association of the Company, one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may request an extraordinary general meeting. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Corporate Governance Report (Continued)

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's head office and principal place of business of the Company at Room 2001 & 10, 20/F, No. 118 Connaught Road West, Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company at Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong:

- a notice in writing by the Shareholder indicating the intention to propose a person for election as a Director; and

- a notice in writing by the person proposed by the Shareholder for election as a Director indicating his/her willingness to be elected.

The minimum length of the period, during which such notices may be given, will be at least 7 days.

The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The Board has established a shareholders' communication policy on 28 March 2012 and reviews it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains a website (www.visionfame.com) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY'S TRAINING

During the year ended 31 March 2019, Mr. Cheung Yiu Kuen has received no less than 15 hours of relevant professional training to refresh his skills and knowledge.

Independent Auditor's Report

EY 安永

To the shareholders of Vision Fame International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Vision Fame International Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 147, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Group and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

As set out in note 39 to the consolidated financial statements, Wuxi Taike Nano New Material Company Limited ("Wuxi Taike") was a major wholly-owned subsidiary of the Company as at 31 March 2019 which contributed net assets of RMB124,035,000 (equivalent to HK$145,070,000) and a loss for the year of RMB118,354,000 (equivalent to HK$138,746,000) to the Group's total net assets of HK$151,283,000 as at 31 March 2019 and total loss of HK$145,451,000 for the year then ended, respectively. The statement of profit or loss and statement of financial position of Wuxi Taike are set out in note 39. During the course of our audit of Wuxi Taike for the year ended 31 March 2019, we encountered certain scope limitations in our audit of various account balances and transactions of Wuxi Taike as set out below.

1. Potential related party transactions of Wuxi Taike

We noted the following transactions between Wuxi Taike and certain companies which appeared unusual in the circumstances and may indicate the existence of a relationship with Wuxi Taike. However, the transactions between Wuxi Taike and these companies were not considered by the Group as related party transactions.

1.1 Transfer of funds to Jiangyin Youjia

During the year ended 31 March 2019 and subsequent to 31 March 2019, Wuxi Taike conducted various transactions with Jiangyin Youjia Pearlescent Mica Co., Ltd ("Jiangyin Youjia"), whose legal representative was

Independent Auditor's Report (Continued)

Mr. Dai Jialong, a former director and substantial shareholder of the Company. As set out in note 38 to the consolidated financial statements, the directors of the Company regarded Jiangyin Youjia as a related party up to 31 December 2018 and only the related transactions with Jiangyin Youjia for that period have been disclosed as related party transactions.

1.1.1 Transfer to Jiangyin Youjia of a purchase deposit returned from Jiangyin Xinchaoshun Mica Productions Co., Ltd ("Xinchaoshun")

As further mentioned in section 1.3 below, as at 31 March 2019, Wuxi Taike had a purchase deposit of RMB7,020,000 (equivalent to HK$8,210,000) due from Xinchaoshun in relation to the purchase of inventories. Subsequent to 31 March 2019, Xinchaoshun returned the purchase deposit of RMB7,020,000 to Wuxi Taike. However, the same amount was then transferred to Jiangyin Youjia as settlement of an amount due to Jiangyin Youjia.

According to the State Administration for Market Regulation (the "SAMR") website, Xinchaoshun had the same contact phone number as Wuxi Taike and an identical email address as Jiangyin Ruijia Mica Technologies Co., Ltd ("Jiangyin Ruijia"), the holding company of Jiangyin Youjia. Management was not able to provide us with a satisfactory explanation of the reason for the above return of deposits from Xinchaoshun and the transfer of such purchase deposits returned to Jiangyin Youjia. We were unable to determine whether the amount of RMB7,020,000 stated as a purchase deposit for inventories as at 31 March 2019 had been properly classified and disclosed in the consolidated financial statements for the year ended 31 March 2019.

1.1.2 Transfer to Jiangyin Youjia of proceeds receivable from disposal of a motor vehicle

During the year ended 31 March 2019, Wuxi Taike disposed of a motor vehicle with a net book value of RMB5,576,000 (equivalent to HK$6,522,000) for RMB6,300,000 (equivalent to HK$7,368,000), including value-added tax ("VAT") of RMB869,000 (equivalent to HK$1,016,000). Management of Wuxi Taike represented that the sale was made to a third party, through a company ("Co A") and a sales person of Wuxi Taike. Wuxi Taike recorded other receivables from Co A and the sales person for the amounts of RMB1,800,000 (equivalent to HK$2,105,000) and RMB4,500,000 (equivalent to HK$5,263,000), respectively as at 31 March 2019. Management further represented that neither Co A nor the sales person was the ultimate buyer and the disposal arrangement was instructed by the former management of Wuxi Taike.

Wuxi Taike did not receive any proceeds from this disposal. Subsequent to 31 March 2019, the total outstanding receivables of RMB6,300,000 were transferred to Jiangyin Youjia as settlement of an amount due to Jiangyin Youjia.

We were unable to obtain sufficient and adequate documentary evidence for the disposal of the motor vehicle. As a result, we were unable to confirm whether the disposal had been properly conducted and accounted for and whether the sale of the motor vehicle by Wuxi Taike with a net book value of RMB5,576,000, the consideration for the sale of RMB5,431,000 (equivalent to HK$6,352,000), net of VAT, and the loss on disposal of RMB145,000 (equivalent to HK$169,000) had been properly measured and presented in the Group's consolidated financial statements for the year ended 31 March 2019. We were unable to obtain a satisfactory explanation of the reason for the transfer of the other receivables to Jiangyin Youjia subsequent to 31 March 2019. We were also unable to determine whether the amount of RMB6,300,000 stated as other receivables from the respective parties as at 31 March 2019 had been properly classified and disclosed, or whether the receivables and the disposal transaction should be disclosed as an amount due from Jiangyin Youjia and a related party transaction, respectively, in the consolidated financial statements for the year ended 31 March 2019.

Independent Auditor's Report (Continued)

1.2 Acquisition of equipment from Wuxi Taiaoyi Trading Co., Ltd ("Wuxi Taiaoyi")

Wuxi Taike procured equipment from Wuxi Taiaoyi totaling RMB29,490,000 (equivalent to HK$34,492,000), and made payments of RMB15,590,000 (equivalent to HK$18,234,000) and RMB11,100,000 (equivalent to HK$13,871,000) to Wuxi Taiaoyi during the years ended 31 March 2019 and 2018, respectively. According to the SAMR website, Wuxi Taiaoyi had the same phone number as Jiangyin Youjia and the same email address as Jiangyin Ruijia, the holding company of Jiangyin Youjia.

Moreover, as detailed in the Company's announcement dated 13 March 2020, based on the representations made by the then finance manager of Wuxi Taike (the "Finance Manager"), Wuxi Taiaoyi was previously managed by Mr. Dai Jialong and was then managed by Mr. Dai Jialong's daughter, and the payment amount and payment method made by Wuxi Taike to Wuxi Taiaoyi were decided by Mr. Dai Jialong and executed by the Finance Manager.

As we were unable to obtain satisfactory explanation of the reason for the above relationship between Wuxi Taiaoyi and Wuxi Taike or its related party, we were unable to determine whether the above acquisition of equipment from Wuxi Taiaoyi should be disclosed as a related party transaction in the consolidated financial statements for the year ended 31 March 2019.

1.3 Purchases of raw materials from and deposits paid to Jiangyin Xinchaoshun Mica Productions Co., Ltd ("Xinchaoshun")

Xinchaoshun was one of the major vendors of Wuxi Taike. Wuxi Taike made purchases of RMB11,638,000 (equivalent to HK$13,643,000) (2018: RMB116,475,000 (equivalent to HK$136,431,000) from Xinchaoshun for the year ended 31 March 2019. As at 31 March 2019, a deposit paid to Xinchaoshun amounting to RMB7,020,000 (equivalent to HK$8,210,000) for raw materials had not been utilised and was recorded as a purchase deposit in the consolidated statement of financial position. As mentioned in section 1.1.1 above, according to the SAMR website, Xinchaoshun had the same phone number as Wuxi Taike and the same email address as Jiangyin Ruijia.

We were unable to obtain satisfactory explanation of the reason for the above relationship between Xinchaoshun and Wuxi Taike or its related party. In addition, we were unable to determine whether the above purchases from Xinchaoshun should be disclosed as a related party transaction in the consolidated financial statements for the year ended 31 March 2019 and whether the purchase deposit receivable from Xinchaoshun should be disclosed as an amount due from a related party.

1.4 Receivable from Wuxi Qikai Mica Material Co., Ltd ("Wuxi Qikai")

Wuxi Qikai was a major customer of Wuxi Taike. The gross balance of trade receivables due from Wuxi Qikai as at 31 March 2019 was RMB62,141,000 (equivalent to HK$73,478,000) (2018: RMB68,158,000 (equivalent to HK$85,174,000)), before provision for impairment. During the year, due to a significant delay in settlement by Wuxi Qikai, Wuxi Taike recorded a further impairment of HK$62,478,000 (2018: HK$11,000,000).

According to the SAMR website, the former contact phone number of Wuxi Qikai belonged to the Finance Manager until 2016. The contact phone number of Wuxi Qikai was changed in 2016.

We were unable to obtain a satisfactory explanation as to the relationship between Wuxi Qikai and Wuxi Taike or its related party, and in particular, we were unable to obtain sufficient explanation of the reasons for the arrangement of allowing excessive credit to Wuxi Qikai during the year which was different from the prior years. As a result, we were unable to determine whether the above receivable from Wuxi Qikai should be disclosed as an amount due from a related party in the consolidated financial statements for the year ended 31 March 2019.

Independent Auditor's Report (Continued)

Although management represented to us that the transactions with Jiangyin Youjia as set out in 1.1 above are not related party transactions as Jiangyin Youjia was no longer a related party subsequent to 31 December 2018 and that the entities in 1.2 to 1.4 above were not related to the Group; due to the reasons set out in the preceding paragraphs above, we were not able to ascertain whether the companies mentioned above were related parties and whether the transactions with the above entities should be disclosed as related party transactions in the consolidated financial statements pursuant to Hong Kong Accounting Standard 24 *Related Party Disclosures* ("HKAS 24").

In view of the identification of various potential related parties which were not identified as related parties by the management, we were unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions in the consolidated financial statements, and whether there were any further related party transactions that would require disclosure. As a result, in light of the significance of the above transactions conducted by Wuxi Taike which constituted a significant part of the Group's consolidated net assets and loss for the year, we were unable to satisfy ourselves as to: (i) the completeness and adequacy of the disclosures of the Group's related party transactions under HKAS 24 in the current and prior years; and (ii) whether the impact of any unidentified related party transactions have been properly accounted for in the assets and liabilities of Wuxi Taike, and the resulting impact on the loss for the year of Wuxi Taike.

2. Impairment of property, plant and equipment

As at 31 March 2019, the carrying value of property, plant and equipment of Wuxi Taike amounted to HK$50,014,000, after a provision for impairment of HK$49,915,000. During the year, the management of the Company considered that the recoverable amount of the property, plant and equipment of Wuxi Taike was less than the carrying amount and recorded a provision for impairment of HK$49,915,000 based on a valuation determined by a valuer appointed by the Company. In accordance with Hong Kong Accounting Standard 36 *Impairment of Assets*, 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. According to the valuation report prepared by the valuer, the replacement cost model was adopted for the estimation of the fair value less costs of disposal of the property, plant and equipment as the value in use of the property, plant and equipment was not applicable. However, due to the specialised nature of the property, plant and equipment of Wuxi Taike, and the absence of additional audit evidences, we were unable to determine whether it is appropriate to use the valuation determined by the valuer using the replacement cost model as the recoverable amount of the property, plant and equipment of Wuxi Taike. Accordingly, we were unable to determine whether the fair value less costs of disposal of the property, plant and equipment of Wuxi Taike had been properly measured and whether the resulting provision for impairment loss of HK$49,915,000 had been properly measured and recorded in the consolidated financial statements.

3. Pledge of prior year's time deposits

As detailed in note 21 to the consolidated financial statements and the Company's announcement dated 13 March 2020, Wuxi Taike entered into four deposit pledge contracts (the "Pledged Contracts") with a bank in the People's Republic of China in the prior years to guarantee the indebtedness of Jianyin Youjia without evidence of approval by the Company's board of directors. Two of such contracts dated August 2016 totalling RMB107 million had expired in August 2017 and two others dated August 2017 totalling RMB105.4 million had expired in August 2018. The management of the Company, based on legal advice, was of the opinion that the Pledged Contracts were not legally enforceable and could be revoked should Wuxi Taike take legal action against any claims under the Pledged Contracts, and accordingly, had recorded the time deposits of RMB105.4 million (equivalent to HK$126.8 million) as cash and cash equivalents instead of as pledged deposits in the consolidated statement of financial position as at 31 March 2018. However, we were not able to ascertain the legal enforceability of the Pledged Contracts, and accordingly, we were unable to determine whether the time deposits had been properly classified in the consolidated statement of financial position as at 31 March 2018 or whether proper disclosures had been included in the consolidated financial statements as at 31 March 2018.

Independent Auditor's Report (Continued)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. 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. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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

Ernst & Young
Certified Public Accountants

22/F
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

13 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**1,237,444**	1,209,103
Cost of sales		**(1,179,735)**	(1,140,357)
Gross profit		**57,709**	68,746
Other income and gains, net	5	**16,249**	10,268
Administrative expenses		**(79,966)**	(64,569)
Research and development costs		**(10,547)**	(9,109)
Other operating expenses		**(113,525)**	(15,756)
Finance costs	7	**(12,140)**	(8,340)
LOSS BEFORE TAX	6	**(142,220)**	(18,760)
Income tax expense	10	**(3,231)**	(3,612)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(145,451)**	(22,372)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	14	**–**	(2,098)
Reclassification adjustment for losses included in the consolidated statement of profit or loss and other comprehensive income: — impairment losses		**–**	91
		–	(2,007)
Exchange differences:			
Exchange differences on translation of foreign operations		**(18,244)**	33,764
Reclassification adjustment for deregistration of foreign operations during the year		**(889)**	–
		(19,133)	33,764
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(19,133)**	31,757
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(19,133)**	31,757
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(164,584)**	9,385
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic		**(HK2.42 cents)**	(HK0.37 cent)
Diluted		**(HK2.42 cents)**	(HK0.37 cent)

Consolidated Statement of Financial Position

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**57,611**	100,401
Equity investments at fair value through other comprehensive income	13	**6,000**	—
Available-for-sale investments	14	**—**	3,530
Prepayments, deposits and other receivables	19	**555**	14,842
Total non-current assets		**64,166**	118,773
CURRENT ASSETS			
Inventories	15	**355**	345
Gross amount due from contract customers	16	**—**	9,741
Trade receivables	17	**93,736**	295,413
Contract assets	18	**232,542**	—
Prepayments, deposits and other receivables	19	**68,743**	89,955
Financial assets at fair value through profit or loss	20	**14,922**	—
Available-for-sale investments	14	**—**	20,033
Tax recoverable		**291**	125
Pledged bank deposits and restricted cash	21	**174,934**	57,651
Cash and cash equivalents	21	**83,537**	245,619
Total current assets		**669,060**	718,882
CURRENT LIABILITIES			
Gross amount due to contract customers	16	**—**	12,267
Trade payables	22	**164,178**	195,676
Other payables and accruals	23	**143,428**	22,512
Amounts due to related parties	37(b)	**7,069**	39
Loan from a related party	37(b)	**5,033**	20,559
Tax payable		**—**	2,917
Interest-bearing bank and other borrowings	24	**—**	9,759
Total current liabilities		**319,708**	263,729
NET CURRENT ASSETS		**349,352**	455,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**413,518**	573,926
NON-CURRENT LIABILITIES			
Convertible bond	25	**18,739**	16,383
Loans from a related party	37(b)	**243,009**	243,009
Other payables and accruals	23	**487**	487
Total non-current liabilities		**262,235**	259,879
Net assets		**151,283**	314,047

Consolidated Statement of Financial Position (Continued)

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**12,000**	12,000
Equity component of a convertible bond	25	**11,746**	11,746
Other reserves	30	**127,537**	290,301
Total equity		**151,283**	314,047

Chau Chit
Director

Xie Xiaotao
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2019

	Notes	Issued capital	Share premium account	Equity component of a convertible bond	Exchange reserve	Capital reserve	Legal reserve	Available-for-sale investments revaluation reserve	Other reserve	Accumulated losses	Total equity
			(note i)			(note ii)	(note iii)		(note iv)		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017		12,000	300,824	11,746	(14,980)	3,642	12	2,007	22,000	(32,589)	304,662
Loss for the year		–	–	–	–	–	–	–	–	(22,372)	(22,372)
Other comprehensive income/(loss) for the year:											
Change in fair value of available-for-sale investments		–	–	–	–	–	–	(2,007)	–	–	(2,007)
Exchange differences on translation of foreign operations		–	–	–	33,764	–	–	–	–	–	33,764
Total comprehensive income/(loss) for the year		–	–	–	33,764	–	–	(2,007)	–	(22,372)	9,385
At 31 March 2018		12,000	300,824*	11,746	18,784*	3,642*	12*	–*	22,000*	(54,961)*	314,047
Effect of adoption of HKFRS 15	2.2	–	–	–	21	–	–	–	–	1,799	1,820
At 1 April 2018 (restated)		12,000	300,824	11,746	18,805	3,642	12	–	22,000	(53,162)	315,867
Loss for the year		–	–	–	–	–	–	–	–	(145,451)	(145,451)
Other comprehensive loss for the year:											
Reclassification adjustments for foreign operations deregistered during the year		–	–	–	(889)	–	–	–	–	–	(889)
Exchange differences on translation of foreign operations		–	–	–	(18,244)	–	–	–	–	–	(18,244)
Total comprehensive loss for the year		–	–	–	(19,133)	–	–	–	–	(145,451)	(164,584)
At 31 March 2019		12,000	300,824*	11,746	(328)*	3,642*	12*	–*	22,000*	(198,613)*	151,283

* These reserve accounts comprise the consolidated other reserves of approximately HK$127,537,000 (2018: approximately HK$290,301,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 March 2019

Notes:

(i) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Capital reserve comprises the following in prior years:

- Wan Chung Construction Company Limited ("Wan Chung Construction") acquired the entire equity interest in Wan Chung Property Company Limited from its then shareholder at a discount of approximately HK$2,776,000 which was deemed to be capital contribution from the owners of the Company.

- Wan Chung Construction recovered indemnified taxation of approximately HK$866,000 from its former shareholder pursuant to the deed of indemnity which was deemed to be capital contribution from the owners of the Company.

(iii) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders. No transfer was made in current and prior years as the subsidiary incurred a loss for both years.

(iv) Other reserve represents the difference between the nominal value of the issued share capital of the subsidiaries acquired and the consideration paid pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in January 2012.

Consolidated Statement of Cash Flows

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(142,220)**	(18,760)
Adjustments for:			
Finance costs	7	**12,140**	8,340
Bank interest income	5	**(3,696)**	(3,380)
Interest income from sub-contractors	5	**(6,552)**	(4,591)
Investment income from available-for-sale investments	5	**—**	(266)
Investment income from financial assets	5	**(242)**	—
Gain on disposal of subsidiaries	5	**(2,057)**	—
Gain on deregistration of subsidiaries	5	**(35)**	—
Loss on disposal of items of property, plant and equipment	6	**169**	728
Fair value gains, net:			
Financial assets at fair value through profit or loss	5	**(1,685)**	—
Depreciation	6	**7,899**	10,812
Impairment loss on available-for-sale investments	6	**—**	3,474
Impairment loss on property, plant and equipment	6	**49,915**	—
Impairment loss on trade receivables	6	**62,478**	11,000
Impairment loss on prepayments	6	**961**	—
		(22,925)	7,357
Increase in inventories		**(32)**	(326)
Decrease in a gross amount due from contract customers		**—**	1,795
Decrease/(increase) in trade receivables		**(65,401)**	67,680
Increase in contract assets		**(9,816)**	—
Decrease in prepayments, deposits and other receivables		**26,353**	35,762
Increase in a gross amount due to contract customers		**—**	4,462
Increase/(decrease) in trade payables		**60,237**	(160,690)
Increase/(decrease) in other payables and accruals		**6,267**	(55,788)
Cash used in operations		**(5,317)**	(99,748)
Hong Kong tax paid		**(6,483)**	(587)
Overseas tax paid		**—**	(12)
Net cash flows used in operating activities		**(11,800)**	(100,347)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(50,816)**	(62,074)
Proceeds from disposal of items of property, plant and equipment		**6,367**	1,127
Interest received		**3,696**	3,380
Disposal of a subsidiary	31	**26,971**	—
Decrease/(increase) in non-pledged time deposits with original maturity of over three months when acquired		**135,112**	(14,551)
Purchase of Investment in financial assets at fair value through other comprehensive income/available-for-sale investments		**(6,000)**	(20,033)
Proceeds from disposal of financial assets at fair value through other comprehensive income/available-for-sale investment		**20,275**	14,365
Purchase of financial assets at fair value through profit or loss		**(383)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**1,881**	—
Increase/(decrease) in time deposits with original maturity of over three months when acquired, pledged as security for bank facilities		**(117,629)**	(36,339)
Net cash flows from/(used in) investing activities		**19,474**	(114,125)

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan		–	9,120
Repayment of bank and other borrowings		**(9,789)**	(1,743)
Interest paid		**(206)**	(55)
Movement in balances with related parties		**(18,009)**	(22,018)
Net cash flows used in financing activities		**(28,004)**	(14,696)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(20,330)**	(229,168)
Cash and cash equivalents at beginning of year		**102,276**	323,456
Effect of foreign exchange rate changes, net		**1,591**	7,988
CASH AND CASH EQUIVALENTS AT END OF YEAR		**83,537**	102,276
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**36,137**	42,076
Non-pledged time deposits with original maturity of less than three months when acquired		**47,400**	60,200
Non-pledged time deposits with original maturity of over three months when acquired		–	143,689
Restricted cash with original maturity of less than three months when acquired, restricted for bank facilities	21	–	(346)
Cash and cash equivalents stated in the consolidated statement of financial position	21	**83,537**	245,619
Restricted cash with original maturity of less than three months when acquired, restricted for banking facilities	21	–	346
Non-pledged time deposits with original maturity of over three months when acquired		–	(143,689)
Cash and cash equivalents as stated in consolidated statement of cash flows		**83,537**	102,276

Notes to Financial Statements

31 March 2019

1. CORPORATE AND GROUP INFORMATION

Vision Fame International Holding Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Provision of building construction services, property maintenance services, alterations, renovation, upgrading and fitting-out works services; and
- Establishing a graphene production

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Prosper Ace Investments Limited*	British Virgin Island ("BVI")	US$10,000	100	—	Investment holding
Wan Chung Construction Company Limited	Hong Kong	HK$88,000,000	—	100	(note i)
Wan Chung Engineering (Macau) Company Limited*	Macau	MOP25,000	—	100	Dormant
Wan Chung Construction (Singapore) Pte. Limited*	Singapore	SGD14,700,000	—	100	(note i)
Wan Chung Engineering Company Limited	Hong Kong	HK$10,000	—	100	(note ii)
Vision Foundation Pte. Ltd.*	Singapore	SGD500,000	—	100	Provision of foundation and building construction works
Greatwall Energy Holdings (Hong Kong) Limited	Hong Kong	HK$10,000	—	100	Investment holding
China Estate International Limited	Hong Kong	HK$1	—	100	Investment holding

Notes to Financial Statements (Continued)

31 March 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued/registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
中置國際(青島)地產管理有限公司 China Worth International (Qingdao) Real Estate Management Limited (note iii)*	PRC/Mainland China	US$500,000	—	100	Dormant
無錫泰科納米新材料有限公司 Wuxi Taike Nano New Material Co. Ltd (note iii)*	PRC/Mainland China	HK$500,000,000	—	100	Graphene production and trading of materials
China Carbon Valley Technology Group Limited	Hong Kong	HK$1	—	100	Investment holding and provision of management services

Notes:

(i) The principal activities of these subsidiaries consisted of the provision of property maintenance services, building construction works, and alterations, renovation, upgrading and fitting-out works.

(ii) The principal activities of this subsidiary consisted of the provision of building construction works and alterations, renovation, updating and fitting-out works.

(iii) Wholly-foreign-owned enterprises under laws of the People's Republic of China (the "PRC").

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements (Continued)

31 March 2019

2.1 BASIS OF PREPARATION

These 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These 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 (including a structured 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.

Notes to Financial Statements (Continued)

31 March 2019

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 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 of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, the adoption of the above new and revised HKFRSs has had no significant financial effect of these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following 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").

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Classification and measurement (Continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount HK$'000	Re-classification HK$'000	HKFRS 9 measurement Amount HK$'000	HKFRS 9 measurement Category
Financial assets						
Available-for-sale investments		AFS[1]	23,563	(23,563)	—	N/A
To: Financial assets at fair value through profit or loss	(i), (ii)			(3,530)		
To: Debt investments at fair value through other comprehensive income	(iii)			(20,033)		
Debt investments at fair value through other comprehensive income		N/A	—	20,033	20,033	FVOCI[3] (debt)
From: Available-for-sale investments	(iii)			20,033		
Trade receivables	(iv)	L&R[4]	96,297	—	96,297	AC[5]
Financial assets included in prepayments, deposits and other receivables		L&R	58,616	(11,320)	47,296	AC
Financial assets at fair value through profit or loss		N/A	—	14,850	14,850	FVPL
From: Financial assets included in prepayments, deposits and other receivables	(v)			11,320		
Available-for-sale investment	(i), (ii)			3,530		

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Classification and measurement (Continued)

		HKAS 39 measurement			HKFRS 9 measurement	
	Notes	Category	Amount HK$'000	Re-classification HK$'000	Amount HK$'000	Category
Pledged deposits		L&R	57,651	—	57,651	AC
Cash and cash equivalents		L&R	245,619	—	245,619	AC
			303,270	—	303,270	
Other assets						
Contract assets	(iv)		222,666	—	222,666	
Total assets			837,655	—	733,226	
Financial liabilities						
Trade payables		AC	195,676	—	195,676	AC
Financial liabilities included in other payables and accruals		AC	13,424	—	13,424	AC
Interest-bearing bank and other borrowings		AC	9,759	—	9,759	AC
Loans from related parties		AC	263,568	—	263,568	AC
Due to related parties		AC	39	—	39	AC
Convertible bond		AC	16,383	—	16,383	AC
			498,849	—	498,849	
Total liabilities			523,608	—	581,943	

1 AFS: Available-for-sale investments
2 FVPL: Financial assets at fair value through profit or loss
3 FVOCI: Financial assets at fair value through other comprehensive income
4 L&R: Loans and receivables
5 AC: Financial assets or financial liabilities at amortised cost

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Classification and measurement (Continued)

Notes:

(i) The Group has classified its listed equity investments of HK$3,212,000 previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss.

(ii) As of 1 April 2018, the Group has assessed its listed debt investment of HK$318,000 which had previously been classified as available-for-sale investment. The Group held the debt investment with trading purpose, accordingly, the Group has classified the investment as debt investment measured at fair value through profit or loss.

(iii) As of 1 April 2018, the Group has assessed its investment in debt investments which had previously been classified as AFS debt investments. The objective of the Group in holding this investment is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

(iv) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(b) to the financial statements.

(v) The unlisted investment on a life insurance policy on a key management at 1 April 2018 was reclassified from financial assets at amortised cost to financial assets at fair value through profit or loss. Such investment does not meet the HKFRS 9 criteria for classification at amortised cost and fair value through other comprehensive income because the cash flows do not represent solely payments of principal and interest.

Impairment

The Group has applied the simplified approach to recognise lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all accounts receivable and contract assets. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered that no adjustment is necessary as of 1 April 2018.

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of accumulated losses as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** HK$'000
Assets		
Gross amount due from contract customers	(i)	(9,741)
Trade receivables	(iii),(iv)	(199,116)
Contract assets	(i),(ii),(iii),(iv)	222,666
Tax recoverable	(v)	(19)
Total assets		13,790
Liabilities		
Gross amount due to contract customers	(i)	(12,267)
Other payables and accruals	(i),(ii),(iii)	114,911
Trade payables	(iii)	(90,824)
Tax payable	(v)	150
Total liabilities		11,970
Equity		
Accumulated losses	(i),(ii),(v)	1,799
Exchange reserve	(i)	21
		1,820

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 March 2019:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	HK$'000	HK$'000	HK$'000
Revenue	(i),(ii)	1,237,444	1,248,421	(10,977)
Cost of sales	(i),(ii)	(1,179,735)	(1,190,029)	10,294
Gross profit		57,709	58,392	(683)
Loss before tax		(142,220)	(141,537)	(683)
Income tax expense	(v)	(3,231)	(3,297)	66
Loss for the year		(145,451)	(144,834)	(617)
Loss per share attributable to ordinary equity holders of the company				
Basic				
— For loss for the year		(HK2.42 cents)	(HK2.41 cents)	(HK0.01 cent)

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Consolidated statement of financial position as at 31 March 2019:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	HK$'000	HK$'000	HK$'000
Gross amount due from construction contracts	(i),(ii)	—	36,429	(36,429)
Trade receivables	(ii),(iii),(iv)	93,736	285,566	(191,830)
Contract assets	(i),(ii),(iii),(iv)	232,542	—	232,542
Tax recoverable	(v)	291	394	(103)
Total assets		733,226	729,046	4,180
Gross amount due to construction contracts	(i)	—	10,478	(10,478)
Other payables and accruals	(i),(ii),(iii)	143,428	49,415	94,013
Trade payable	(iii)	164,178	244,704	(80,526)
Total liabilities		581,943	578,934	3,009
Net assets		151,283	150,112	1,171
Accumulated losses	(i),(ii),(v)	(198,613)	(199,795)	1,182
Total equity		151,283	150,112	1,171

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 and the statement of profit or loss for the year ended 31 March 2019 are described below:

(i) Construction services

Before the adoption of HKFRS 15, the Group mainly accounted for revenue from construction contracts using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost. Profit is only recognised when the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Contract balances relating to construction contracts in progress were presented in the statement of financial position under "gross amount due from contract customers" or "gross amount due to contract customers" respectively.

Under HKFRS 15, revenue from construction contracts will continue to be recognised over time when the Group creates or enhances an asset that the customer controls overtime in accordance with the direct measurements of the value transferred by the Group to the customer with reference to the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers for reimbursement of costs and margins for scope of work not included in the construction contract are accounted for as variable consideration under HKFRS 15. The Group adopted the expected value method to estimate the amount of claims entitled and amount of variable consideration to recognise.

The adoption of HKFRS 15 resulted in increase in contract assets of HK$16,690,000, increase in accrued construction costs included in other payables and accruals of HK$17,724,000, decrease in gross amount due from contract customers of HK$9,741,000 and a decrease in gross amount due to contract customers of HK$12,267,000. Accordingly, the decrease in accumulated losses and the increase in exchange reserve as at 1 April 2018 were HK$1,471,000 and HK$21,000, respectively.

As at 31 March 2019, the adoption of HKFRS15 resulted in an increase in contract assets of HK$38,542,000, increase in accrued construction costs included in other payables and accruals of HK$11,807,000, decrease in gross amount due from contract customers of HK$36,169,000, and decrease in amount due to contract customers of HK$10,478,000.

For the year ended 31 March 2019, the adoption of HKFRS 15 resulted in decrease in revenue of HK$6,026,000 and decrease in cost of sales of HK$5,610,000.

As a result of these adjustments, accumulated losses as at 1 April 2018 decreased by HK$1,471,000, exchange reserve as at 1 April 2018 increased by HK$21,000, exchange reserve was decreased by HK$32,000 and accumulated losses was increased by HK$416,000 for the year ended 31 March 2019.

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

(ii) Alterations, renovation, upgrading and fitting-out works and property maintenances

Before the adoption of HKFRS 15 the Group mainly accounted for revenue from property maintenance works under term contracts upon the completion of services rendered. Revenue from other RMAA services is recognised using the percentage of completion method measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contract.

Under HKFRS 15, revenue from property maintenance works under term contracts and revenue from property maintenance works services will be recognised over time when the Group creates or enhances an asset that the customer controls overtime in accordance with the direct measurements of the value transferred by the Company to the customer with reference to the certified value of work performed to date. The costs that relate to satisfied performance obligations in a contract will be recognised to profit or loss immediately.

The adoption of HKFRS 15 resulted in increase in contract assets of HK$6,860,000 and accrued construction costs included in other payables and accruals of HK$6,363,000. Accordingly, retained profits as at 1 April 2018 was increased by HK$497,000.

As at 31 March 2019, the adoption of HKFRS15 resulted in an increase in contract assets of HK$5,266,000, decrease in trade receivables of HK$3,096,000, increase in accrued construction costs included in other payables and accruals of HK$1,680,000 and decrease in gross amount due from contract customers of HK$260,000.

For the year ended 31 March 2019, the adoption of HKFRS 15 resulted in decrease in revenue of HK$4,951,000 and decrease in cost of sales of HK$4,684,000.

As a result of these adjustments, accumulated losses as at 1 April 2018 decreased by HK$497,000 and increased by HK$267,000 at 31 March 2019.

(iii) Unbilled revenue from contract customers

Before the adoption of HKFRS 15, unbilled revenue from contract customers were recognised in accounts receivable. Upon the adoption of HKFRS 15, a contract asset is recognised when the Company performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK$146,379,000 from trade receivables to contract assets as at 1 April 2018.

Before the adoption of HKFRS 15, unbilled payables represented construction costs to be incurred after construction services were paid by customers. Such costs were recorded as a liability in the statement of financial position. Upon adoption of HKFRS 15, such costs were reclassified to accrued construction costs included in other payables and accruals. Accordingly, the Group reclassified HK$90,824,000 from trade payables to accrued construction costs included in other payables and accruals as at 1 April 2018.

Notes to Financial Statements (Continued)

31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

(iii) Unbilled revenue from contract customers (Continued)

As at 31 March 2019, the adoption of HKFRS15 resulted in an increase in contract assets of HK$149,323,000, increase in accrued construction costs included in other payables and accruals of HK$80,526,000, decrease in trade receivables of HK$149,323,000, and decrease in trade payables of HK$80,526,000.

(iv) Retention receivables

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade and retention receivables. Upon the adoption of HKFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified HK$52,737,000 from trade receivable to contract assets as at 1 April 2018.

As at 31 March 2019, the adoption of HKFRS15 resulted in an increase in contract assets of HK$39,411,000, and decrease in trade receivables of HK$39,411,000.

(v) Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as tax was adjusted as necessary. Accumulated losses were adjusted accordingly.

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 financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[2]
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 April 2019
[2] Effective for annual periods beginning on or after 1 April 2020
[3] Effective for annual periods beginning on or after 1 April 2021
[4] No mandatory effective date yet determined but available for adoption

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

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

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 retained earnings 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. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

Notes to Financial Statements (Continued)

31 March 2019

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 financial statements make on the basis of those 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 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 financial statements.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 and debt 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.

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.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the 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 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 inventories, construction contract assets and financial assets), 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 profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued 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 profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements (Continued)

31 March 2019

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 jointly 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.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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.

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 land and buildings	4%
Leasehold improvements	Over the shorter of lease terms or 20% to 33%
Furniture, fixtures and equipment	10% to 33%
Computers	33%
Motor vehicles	20%

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 methods are reviewed, and adjusted if appropriate, at least 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 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 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 profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in profit or loss when the right of 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.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition (Applicable before 1 April 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (Continued)

General approach

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.

The Group considers a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (Continued)

Simplified approach (Continued)

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties, loans from a related party, and interest-bearing bank and other borrowings.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

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 position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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.

(a) Construction services

Construction services includes building construction, alterations, renovation, upgrading and fitting-out works and property maintenance. Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

For revenue from property maintenance works under term contract and revenue from other alterations, renovation, upgrading and fitting-out contracts, the Company's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced and thus the Company satisfies a performance obligation and recognises revenue over time, using an output method by reference to completion of the specific transaction assessed on the basis of the work certified incurred up to the end of the reporting period as a percentage of total contract value for each contract.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenue from contracts with customers (Continued)

(a) Construction services (Continued)

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration 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. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Sale of materials

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

Other income

Interest income is recognised 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 a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

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

(c) 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 to the net carrying amount of the financial asset; and

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

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.

Construction contracts (applicable before 1 April 2018)

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 using the percentage of completion method, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts.

Revenue from cost plus construction contracts is recognised using 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.

Share-based payments

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 payments, 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 binomial model, further details of which are given in note 29 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, 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 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 payments, 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 earnings per share.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to 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 Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Under the laws of Singapore, certain subsidiaries of the Company make contributions to the state pension scheme, the Central Provident Fund ("CPF"). The subsidiaries of the Company in Singapore are required to contribute certain percentages of the monthly salaries of their current employees to the CPF.

Employees employed by the Company's subsidiary in the Macau Special Administrative Region ("MSAR") are members of government-managed retirement benefit schemes operated by the MSAR government and this subsidiary is required to pay a monthly fixed contribution to the retirement benefit schemes to fund the benefits.

The employees of the Group's subsidiary which operates in Mainland China 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 profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements (Continued)

31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries 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 Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses 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 profit or loss.

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.

Notes to Financial Statements (Continued)

31 March 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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 judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Group has recognised revenue from building construction contracts over time, using an input method; the Group has recognised revenue from property maintenance works under term contract and revenue from other alterations, renovation, upgrading and fitting-out contracts over time, using an output method, to measure progress towards complete satisfaction of the service because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. The output method recognises based on direct measurements of the value of units delivered or surveys of work performed. Both methods involve the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred, direct measurements of the value of units delivered or surveys of work performed and forecasts in relation to costs to complete.

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.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all property, plant and equipment at the end of each reporting period. Property, plant and equipment 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, and if sale transactions of similar assets are not available, replacement costs of the assets, 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. During the year ended 31 March 2019, the Company record an impairment loss of HK$49,915,000 (2018: nil) on certain property, plant and equipment and the carrying amount of property, plant and equipment was HK$57,611,000 as at 31 March 2019 (2018: HK$100,401,000). Further details are set out in note 12 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the trade receivables are given in note 17 to the financial statements.

Recoverability of contract assets for construction services

The Company performs construction work by transferring construction services to customers before the customers pay consideration or before payments are due, contract assets are recognised for the earned considerations that are conditional. Contract assets are stated at cost less impairment. In assessing the recoverability of the contract assets, the Company regularly reviews and, where appropriate, adjusts the financial budget of each construction work based on work progress and latest available information (including correspondence with contract customers), and estimates the amount of foreseeable losses or attributable profits of each construction contract. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

As at 31 March 2019, the Company recognised contract assets of approximately HK$232,542,000 (2018: Nil). The recoverability assessment of these contract assets involves significant estimations and judgements made by management when management prepares financial budgets of each construction work.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses arising in Hong Kong, Singapore and Mainland China at 31 March 2019 were approximately HK$41,287,000 (2018: approximately HK$23,260,000), approximately HK$35,739,000 (2018: approximately HK$35,739,000) and approximately HK$30,720,000 (2018: approximately HK$18,258,000), respectively. Further details are contained in note 27 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2019

4. OPERATING SEGMENT INFORMATION

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

(a) building construction and other construction related business;

(b) alterations, renovation, upgrading and fitting-out works;

(c) property maintenance; and

(d) graphene production and trading of materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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, finance costs, investment income, an impairment loss of available-for-sale investments, and gain on disposal and deregistration of subsidiaries as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable, equity and debt investments through profit or loss, available-for-sale investments, certain property, plant and equipment, certain other receivables, pledged bank deposits and restricted cash, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude tax payable, amounts due to related parties, loans from a related party, and certain other payables and accruals, as these liabilities are managed on a group basis.

There were no intersegment sales or transfers during the year (2018: Nil).

Notes to Financial Statements (Continued)

31 March 2019

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 March 2019

	Building construction and other construction related business HK$'000	Alterations, renovation, upgrading and fitting-out works HK$'000	Property maintenance HK$'000	Graphene production and trading of materials HK$'000	Total HK$'000
Segment revenue: (note 5)					
Revenue from external customers	277,616	421,667	538,095	66	1,237,444
Segment results:	25,795	7,140	31,261	(140,935)	(76,739)
Reconciliation:					
Unallocated other income					8,243
Administrative expenses					(61,584)
Finance costs					(12,140)
Loss before tax					(142,220)
Segment assets:	64,139	107,029	160,503	74,492	406,163
Reconciliation:					
Corporate and other unallocated assets					327,063
Total assets					733,226
Segment liabilities:	56,267	101,009	115,961	25,419	298,656
Reconciliation:					
Corporate and other unallocated liabilities					283,287
Total liabilities					581,943
Other segment information:					
Depreciation	3,464	–	506	3,929	7,899
Capital expenditure	1,112	–	486	49,218	50,816
Impairment loss on property, plant and equipment	–	–	–	49,915	49,915
Impairment loss on trade receivables	–	–	–	62,478	62,478
Impairment loss on other receivables	–	–	–	961	961

Notes to Financial Statements (Continued)

31 March 2019

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 March 2018

	Building construction and other construction related business HK$'000	Alterations, renovation, upgrading and fitting-out works HK$'000	Property maintenance HK$'000	Graphene production and trading of materials HK$'000	Total HK$'000
Segment revenue:					
Revenue from external customers	284,789	244,794	432,988	246,532	1,209,103
Segment results:	28,701	13,307	29,748	(19,222)	52,534
Reconciliation:					
Unallocated other income					5,089
Administrative expenses					(64,569)
Finance costs					(8,340)
Impairment loss on available-for-sale investments					(3,474)
Loss before tax					(18,760)
Segment assets:	61,507	57,001	156,592	191,803	466,903
Reconciliation:					
Corporate and other unallocated assets					370,752
Total assets					837,655
Segment liabilities:	69,805	45,984	101,757	1,178	218,724
Reconciliation:					
Corporate and other unallocated liabilities					304,884
Total liabilities					523,608
Other segment information:					
Depreciation	1,937	—	83	5,943	7,963
Capital expenditure	1,498	—	252	32,673	34,423
Impairment loss on trade receivables	—	—	—	11,000	11,000

Notes to Financial Statements (Continued)

31 March 2019

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong	**1,070,071**	811,265
Singapore	**167,307**	151,306
Mainland China	**66**	246,532
	1,237,444	1,209,103

The revenue information above is based on the locations of the operations.

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**3,473**	30,280
Singapore	**4,124**	4,677
Mainland China	**50,569**	80,286
Total non-current assets	**58,166**	115,243

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A[1]	**634,113**	469,565
Customer B[2]	**285,188**	N/A[#]
Customer C[3]	**N/A[#]**	235,377

1 Revenue from building construction and property maintenance.

2 Revenue from alterations, renovation, upgrading and fitting-out works.

3 Revenue from graphene production and trading of materials.

Revenue from this customer amounted to less than 10% of the total revenue of the Group for the year ended 31 March 2019 and 2018.

Notes to Financial Statements (Continued)

31 March 2019

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers	**1,237,444**	—
Building construction	**—**	284,789
Alterations, renovation, upgrading and fitting-out works	**—**	244,794
Property maintenance	**—**	432,988
Graphene production and trading of materials	**—**	246,532
	1,237,444	1,209,103

(a) Disaggregated revenue information

For the year ended 31 March 2019

Segments

	Building construction	**Alterations, renovation, upgrading and fitting-out works**	**Property maintenance**	**Graphene production and trading of materials**	**Total**
Type of services					
Sale of goods	—	—	—	66	66
Construction services	277,616	421,667	—	—	699,283
Maintenance services	—	—	538,095	—	538,095
Total revenue from contracts with customers	277,616	421,667	538,095	66	1,237,444
Geographical markets					
Hong Kong	117,042	414,934	538,095	—	1,070,071
Mainland China	—	—	—	66	66
Singapore	160,574	6,733	—	—	167,307
Total revenue from contracts with customers	277,616	421,667	538,095	66	1,237,444
Timing of revenue recognition					
Goods transferred at a point of time	—	—	—	66	66
Services transferred over time	277,616	421,667	538,095	—	1,237,378
Total revenue from contracts with customers	277,616	421,667	538,095	66	1,237,444

Notes to Financial Statements (Continued)

31 March 2019

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

(a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Construction services	1,186

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Sale of materials

The performance obligation is satisfied upon delivery of the materials and payment is generally due on delivery, except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 are as follows:

	HK$'000
Within one year	780,192
More than one year	801,867
	1,582,059

Notes to Financial Statements (Continued)

31 March 2019

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

(b) Performance obligations (Continued)

The remaining performance obligations expected to be recognised in more than one year relate to construction services that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019 HK$'000	2018 HK$'000
Other income		
Interest income from sub-contractors	6,552	4,591
Interest income from debt investment at fair value through other comprehensive income	242	—
Bank interest income	3,696	3,380
Investment income from available-for-sale investments	—	266
Government grants	1,285	—
Others	697	2,031
	12,472	10,268
Gains, net		
Gain on disposals of subsidiaries	2,057	—
Gain on deregistration of subsidiaries	35	—
Fair value gains, net:		
Financial asset at fair value through profit or loss	1,685	—
	3,777	—
Total other income and gains	16,249	10,268

Notes to Financial Statements (Continued)

31 March 2019

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2019 HK$'000	2018 HK$'000
Cost of services provided		**1,179,735**	894,712
Cost of inventories sold		**—**	245,645
Depreciation**	12	**7,899**	10,812
Research and development cost		**10,547**	9,109
Minimum lease payments under operating leases on land and buildings		**11,962**	3,547
Loss on disposal of items of property, plant and equipment#		**169**	728
Auditor's remuneration		**1,908**	1,400
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**86,657**	83,039
Pension scheme contributions*		**3,318**	3,470
		89,975	86,509
Foreign exchange differences, net#		**2**	554
Impairment loss on prepayments#		**961**	—
Impairment loss on property, plant and equipment#	12	**49,915**	—
Impairment loss on trade receivables#	17	**62,478**	11,000
Impairment loss on available-for-sale investments#		**—**	3,474

* At 31 March 2019, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2018: Nil).

** Amount of approximately HK$1,266,000 (2018: approximately HK$1,204,000) and approximately HK$599,000 (2018: approximately HK$592,000) were included in "research and development costs" and "cost of sales", respectively.

Included in "other operating expenses".

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on loans from a related party	**9,513**	5,961
Interest on obligations under finance leases	**65**	79
Interest on bank loans and other loans (including a convertible bond)	**2,562**	2,300
	12,140	8,340

8. DIRECTORS' 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	540	615
Other emoluments:		
Salaries, bonuses and allowances	4,200	5,400
Pension scheme contributions	18	18
	4,218	5,418
	4,758	6,033

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 HK$'000	2018 HK$'000
Tam Tak Kei, Raymond	180	172
Wong Kai Tung, Simon	180	172
Wong Wai Kwan	180	173
	540	517

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

Notes to Financial Statements (Continued)

31 March 2019

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019				
Executive directors:				
Chau Chit	—	2,600	18	2,618
Dai Jialong	—	1,000	—	1,000
Xie Xiaotao	—	600	—	600
	—	4,200	18	4,218
2018				
Executive directors:				
Chau Chit	—	2,400	18	2,418
Dai Jialong*	—	2,400	—	2,400
Xie Xiaotao	—	600	—	600
	—	5,400	18	5,418
Non-executive director:				
Chen Guobao#	98	—	—	98
	98	5,400	18	5,516

Mr. Chen Guobao was resigned as an non-executive director of the Company with effect from 24 October 2017.

* Mr. Dai Jialong was resigned as an executive director of the Company with effect from 7 September 2018.

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

Notes to Financial Statements (Continued)

31 March 2019

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2018: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2018: three) highest paid employees who are neither a director of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	5,997	5,405
Pension scheme contributions	128	66
	6,125	5,471

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
HK$1,500,001 to HK$2,000,000	2	3
HK$2,500,001 to HK$3,000,000	1	—

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019 HK$'000	2018 HK$'000
Current — Hong Kong		
Charge for the year	3,484	5,222
Overprovision in prior years	(253)	(115)
Current — Elsewhere		
Overprovision in prior years	—	(1,495)
Total tax charge for the year	3,231	3,612

Notes to Financial Statements (Continued)

31 March 2019

10. INCOME TAX (Continued)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2019 HK$'000	2018 HK$'000
Loss before tax	(142,220)	(18,760)
Tax at the statutory tax rate	(35,991)	(5,541)
Lower tax rate enacted by local authority	(165)	—
Adjustments in respect of current tax of previous periods	(253)	(1,610)
Income not subject to tax	(10)	(181)
Expenses not deductible for tax	34,110	3,995
Tax losses utilised from previous periods	(367)	(702)
Tax losses not recognised	6,090	7,739
Others	(183)	(88)
Tax charge at the Group's effective rate of –2.3% (2018: –19.3%)	3,231	3,612

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 6,000,000,000 (2018: 6,000,000,000) in issue during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on a convertible bond, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on conversion of all dilutive potential ordinary shares into ordinary shares.

Notes to Financial Statements (Continued)

31 March 2019

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The calculations of basic and diluted loss per share are based on:

	2019 HK$'000	2018 HK$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(145,451)**	(22,372)
Interest on a convertible bond	**–**	2,060
Loss attributable to ordinary equity holders of the Company before interest on a convertible bond	**(145,451)**	(20,312)*

	Number of shares 2019	 2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**6,000,000,000**	6,000,000,000
Effect of dilution — A convertible bond	**–**	400,000,000
	6,000,000,000*	6,400,000,000*

* No adjustment has been made to the basic loss per share amounts presented for the year ended 31 March 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year. During the year ended 31 March 2018, because the diluted loss per share amount was decreased when taking a convertible bond into account, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and was ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount for the year ended 31 March 2018 was based on the loss for the year, and the weighted average number of ordinary shares of 6,000,000,000 in issue during that year.

Notes to Financial Statements (Continued)

31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2019							
At 31 March 2018 and at 1 April 2018:							
Cost	25,823	17,691	24,917	3,741	17,713	34,353	124,238
Accumulated depreciation	(1,033)	(4,512)	(9,014)	(2,785)	(6,493)	—	(23,837)
Net carrying amount	24,790	13,179	15,903	956	11,220	34,353	100,401
At 1 April 2018, net of accumulated depreciation and impairment	24,790	13,179	15,903	956	11,220	34,353	100,401
Additions	—	—	3,126	478	864	46,348	50,816
Disposals	—	—	—	—	(6,536)	—	(6,536)
Disposal of subsidiaries (note 31)	(24,274)	(648)	—	—	—	—	(24,922)
Depreciation provided during the year	(516)	(1,963)	(2,330)	(699)	(2,391)	—	(7,899)
Impairment	—	(7,438)	(2,141)	—	—	(40,336)	(49,915)
Exchange realignment	—	(724)	(875)	(1)	(539)	(2,195)	(4,334)
At 31 March 2019	—	2,406	13,683	734	2,618	38,170	57,611
At 31 March 2019:							
Cost	—	15,830	26,840	4,217	6,694	78,412	131,993
Accumulated depreciation and impairment	—	(13,424)	(13,157)	(3,483)	(4,076)	(40,242)	(74,382)
Net carrying amount	—	2,406	13,683	734	2,618	38,170	57,611
31 March 2018							
At 1 April 2017:							
Cost	—	16,001	28,496	3,106	17,693	—	65,296
Accumulated depreciation and impairment	—	(1,871)	(10,863)	(2,639)	(4,941)	—	(20,314)
Net carrying amount	—	14,130	17,633	467	12,752	—	44,982
At 1 April 2017, net of accumulated depreciation and impairment	—	14,130	17,633	467	12,752	—	44,982
Additions	25,823	997	656	1,216	945	32,437	62,074
Disposals	—	(191)	(1,123)	(8)	(533)	—	(1,855)
Depreciation provided during the year	(1,033)	(3,004)	(2,741)	(720)	(3,314)	—	(10,812)
Exchange realignment	—	1,247	1,478	1	1,370	1,916	6,012
At 31 March 2018	24,790	13,179	15,903	956	11,220	34,353	100,401
At 31 March 2018:							
Cost	25,823	17,691	24,917	3,741	17,713	34,353	124,238
Accumulated depreciation	(1,033)	(4,512)	(9,014)	(2,785)	(6,493)	—	(23,837)
Net carrying amount	24,790	13,179	15,903	956	11,220	34,353	100,401

Notes to Financial Statements (Continued)

31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2018, the net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of furniture, fixture and equipment was approximately HK$4,005,000.

At 31 March 2018, the Group's leasehold land and buildings with a net carrying amount of approximately HK$24,790,000 was pledged to secure a mortgage loan granted to the Group (note 24).

As at 31 March 2019, the Group's management identified a subsidiary which continued to underperform and the corresponding recoverable amounts of its property, plant and equipment was estimated. Based on these estimates, an impairment loss of approximately HK$49,915,000 (2018: nil) was recognised to write down the carrying amounts of these items of property, plant and equipment to their recoverable amount, being their fair values determined based on replacement cost approach, less estimated incremental costs of disposal, of approximately HK$50,014,000 as at 31 March 2019. The key assumption on determining the fair value less cost of disposal was the economic obsolescence. The fair value hierarchy on assessing the fair value less cost of disposal was level 3.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **HK$'000**	2018 HK$'000
Equity investments at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Jiangsu Fraternity Investment Limited	**6,000**	—

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

Notes to Financial Statements (Continued)

31 March 2019

14. AVAILABLE-FOR-SALE INVESTMENTS

	2019 HK$'000	2018 HK$'000
Available-for-sales investments		
Listed equity investments, at fair value	–	3,212
Listed debt securities, at fair value	–	318
Unlisted debt investment, at fair value	–	20,033
	–	23,563
Classified as current assets	–	(20,033)
	–	3,530

During the year ended 31 March 2018, the gross fair value loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$2,098,000, of which approximately HK$91,000 was reclassified from other comprehensive income to the profit or loss for the year, and an impairment loss of approximately HK$3,383,000 was made on an unlisted equity investment with carrying amount of approximately HK$3,383,000.

As at 31 March 2018, the Group's unlisted debt investment of HK$20,033,000 was pledged as security for bank facilities and performance bonds granted to the Group.

15. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	355	345

Notes to Financial Statements (Continued)

31 March 2019

16. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2019 HK$'000	2018 HK$'000
Gross amount due from contract customers	–	9,741
Gross amount due to contract customers	–	(12,267)
	–	(2,526)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	–	1,349,479
Less: Progress billings	–	(1,352,005)
	–	(2,526)

17. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**167,214**	253,676
Impairment	**(73,478)**	(11,000)
	93,736	242,676
Retention monies receivables (note)	–	52,737
	93,736	295,413

Note: The amount represented retentions held by customers for contract works, of which approximately HK$23,109,000 was expected to be recovered or settled in more than twelve months from the end of 31 March 2018. The retention monies receivables were reclassified to contract assets on 1 April 2018 and included in note 18 to the financial statements.

In the prior year, including in retention monies receivables is an amount of approximately HK$10,283,000 that was pledged to secure bank facilities granted to the Group.

The Group does not have a standardised and universal credit period granted to its customers, and the credit periods of individual customers are considered on a case-by-case basis and stipulated in the project contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to Financial Statements (Continued)

31 March 2019

17. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	86,966	199,470
1 to 3 months	6,011	1,711
Over 3 months	759	41,495
	93,736	242,676

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	11,000	—
Impairment losses recognised (note 6)	62,478	11,000
At end of year	73,478	11,000

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 customer type and rating). 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. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Notes to Financial Statements (Continued)

31 March 2019

17. TRADE RECEIVABLES (Continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (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	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0%	0%	0%	98.98%	43.94%
Gross carrying amount (HK$'000)	86,583	4,466	1,928	74,237	167,214
Expected credit losses (HK$'000)	—	—	—	73,478	73,478

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired trade receivables of approximately HK$11,000,000 with a carrying amount before provision of approximately HK$85,086,000. The individually impaired trade receivables as at 31 March 2018 under HKAS 39 related to a customer that was in financial difficulties and only a portion of the receivables was expected to be recovered.

The ageing analysis of the trade receivables as at 31 March 2018 that were not individually nor collectively considered to be impaired is as follows:

	2018 HK$'000
Neither past due nor impaired	161,920
Less than 3 months past due	5,964
More than 3 months past due	706
	168,590

Receivables that were neither past due nor impaired related to a number of independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Notes to Financial Statements (Continued)

31 March 2019

18. CONTRACT ASSETS

	Note	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Unbilled revenue	(a)	**190,035**	**169,929**	—
Retention receivables	(b)	**42,507**	**52,737**	—
		232,542	**222,666**	—

Note:

(a) Unbilled revenue is initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by customers, the amounts recognised as unbilled revenue are reclassified to trade receivables.

The increase in unbilled revenue was the result of completion of construction which was pending for acceptance by customers.

(b) Retention receivable is part of the consideration that customers retain which is payable on expiry of defects liability period in order to provide the customers with assurance that the Group will complete its obligation satisfactorily under the contracts, rather than to provide financing to the customers.

The decrease in retention receivable was the result of completion of construction and acceptance by customers.

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

	HK$'000
Within one year	205,074
More than one year	27,468
Total contract assets	232,542

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). 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. The expected credit loss as at 31 March 2019 is considered to be minimal. The Group's trading terms and credit policy with customers are disclosed in note 17 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2019

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	46,239	46,181
Deposits and other receivables	24,020	58,616
Impairment allowance	(961)	—
	69,298	104,797
Less: non-current portion	(555)	(14,842)
	68,743	89,955

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. For the balance of the deposits and other receivables, the loss allowance was assessed to be minimal.

Included in other receivables is an amount of approximately HK$6,277,000 (2018: approximately HK$21,793,000) pledged to secure performance bonds granted to the Group.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed equity investments, at fair value	2,942	—
Listed debt investments, at fair value	305	—
Other unlisted investments, at fair value	11,675	—
	14,922	—

The above equity and debt investment at 31 March 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

The other unlisted investments at 31 March 2019 is a life insurance policy on a key management personnel and it is mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. At 31 March 2019, the other unlisted investment with carrying value of HK$11,675,000 is pledged to secure bank facilities and performance bonds granted to the Group.

Notes to Financial Statements (Continued)

31 March 2019

21. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**36,137**	42,076
Time deposits at banks	**222,334**	261,194**
	258,471	303,270
Less: Pledged deposits (note)	**(174,934)**	(57,305)
Restricted cash for banking facilities	**–**	(346)
	(174,934)	(57,651)
Cash and cash equivalents	**83,537**	245,619

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$113,000 (2018: approximately HK$132,086,000). The 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between fourteen days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Note: Included in the pledged deposits were bank deposits of HK$116,960,000 of Wuxi Taike Nano New Material Co., Ltd ("Wuxi Taike"), a subsidiary of the Company, which were pledged under deposit pledge contracts ("Deposit Pledge Contracts") entered into on 23 August 2018 to guarantee the indebtedness of Jiangyin Youjia Pearlescent Mica Co., Ltd ("Jiangyin Youjia"), which is established in the PRC and in which Mr. Dai Jialong, a then executive director and substantial shareholder of the Group, was the legal representative, for the period from 17 August 2018 to 17 August 2019. The broad of directors did not approve or was not informed of the Deposit Pledge Contracts entered into by Wuxi Taike. Further details of the Deposit Pledge Contracts were set out in the Company's announcement dated 16 November 2018. On 23 August 2019, the Deposit Pledge Contracts expired and the sum of RMB100 million (equivalent to HK$117.23 million) were released on the same day.

** As detailed in the Company's announcement dated 13 March 2020, during the forensic review conducted by a professional firm appointed by the Company, it was noted that four deposit pledge contracts (the "2018 Pledged Contracts") were entered into between Wuxi Taike and a bank in the People's Republic of China, for the indebtedness of Jianyin Youjia, of which two were dated August 2016 totalling RMB107 million for a period of 1 year and two others were dated August 2017 totalling RMB105.4 million (equivalent to HK$126.8 million) for a period of 1 year and, all of which had expired. In the opinion of the directors, based on the legal advices from a lawyer, consider that the 2018 Pledged Contracts were not legally enforceable and could be revoked at the court should Wuxi Taike take legal action against any claims under the 2018 Pledged Contracts, the time deposits of HK$126.8 million were classified as cash and cash equivalents in the consolidated statement of financial position of the Group.

Notes to Financial Statements (Continued)

31 March 2019

22. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**105,957**	129,409
Retention monies payables	**58,221**	66,267
	164,178	195,676

An ageing 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	**101,122**	121,026
1 month to 3 months	**1,825**	2,859
Over 3 months	**3,010**	5,524
	105,957	129,409

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

23. OTHER PAYABLES AND ACCRUALS

	Notes	2019 HK$'000	2018 HK$'000
Advance receipts		**—**	1,186
Contract liabilities	(a)	**11**	—
Other payables and accruals	(b)	**143,904**	21,813
		143,915	22,999
Less: non-current portion		**(487)**	(487)
Current portion		**143,428**	22,512

Notes to Financial Statements (Continued)

31 March 2019

23. OTHER PAYABLES AND ACCRUALS (Continued)

(a) Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows:

	31 March 2019 HK$'000	1 April 2018 HK$'000
Short-term advances received from customers		
Construction services	11	1,186

Contract liabilities include short-term advances received to render construction services. The decrease in contract liabilities in 2019 was mainly due to the decrease in short-term advances received from customers in relation to the provision of construction services at the end of the year.

(b) Other payables are non-interest-bearing and repayable on demand. Included in other payable is an amount due to Jiangyin Youjia of HK$1,460,000 (note 38) that is unsecured, interest free and repayable on demand.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Current		
Long-term bank loan repayable on demand, secured (note)	–	8,785
Finance lease payable (note 26)	–	974
	–	9,759
Analysed into:		
Bank loan repayable:		
Within one year or on demand (note)	–	8,785
Other borrowing repayable:		
Within one year	–	974
	–	9,759

Notes to Financial Statements (Continued)

31 March 2019

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Note: The Group's bank loan in the amount of approximately HK$8,785,000 containing an on-demand clause was reclassified as a current liability as at 31 March 2018. For the purposes of the above analysis, the loan was included within current interest-bearing bank and other borrowings and analysed into bank loan repayable within one year or on demand.

Based on the maturity terms of the loan, the amounts repayable in respect of the loan were: within one year of approximately HK$373,000; in the second year of approximately HK$381,000; in the third to fifth years, inclusive, of approximately HK$1,197,000; and beyond five years of approximately HK$6,834,000 as at 31 March 2018.

The Group's bank loan was fully repaid during the year ended 31 March 2019.

(a) The Group's bank loan was secured by mortgages over certain of the Group's leasehold land and buildings, which had an aggregate net carrying value at 31 March 2018 of approximately HK$24,790,000.

(b) Except for the finance lease payable which was denominated in Singapore dollars, all borrowings were in Hong Kong dollars.

(c) The average effective interest rate of the Group's bank loan was 2.25% per annum in 2018 and 2019.

25. CONVERTIBLE BOND

On 3 February 2016, the Company issued a convertible bond with a principal amount of HK$24,000,000 to Mega Start Limited ("Mega Start"), which is a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the Chairman and an executive Director of the Company). The convertible bond bears no interest and the outstanding principal amount of the convertible bond shall be converted into ordinary shares of the Company in full mandatorily at the initial conversion price of HK$0.3 per conversion share (which was revised to HK$0.06 per conversion share after the share subdivision on 3 May 2016), if and only if, the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 exceed HK$300 million in aggregate. Unless the conversion conditions are met and converted, the convertible bond shall be redeemed at the principal amount on the maturity date, which is 5 years after the date of issue.

At 31 March 2018, the conversion condition was not satisfied as the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 did not exceed HK$300 million in aggregate and the mandatory conversion should not take place. The convertible bond should be redeemed in full upon maturity.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

Notes to Financial Statements (Continued)

31 March 2019

25. A CONVERTIBLE BOND (Continued)

The convertible bond issued had been split into the liability and equity components as follows:

	2019 HK$'000	2018 HK$'000
Nominal value		
At 31 March 2018, 1 April 2018 and 31 March 2019	24,000	24,000
Liability component		
At beginning of year	16,383	14,323
Interest expense	2,356	2,060
At 31 March	18,739	16,383
Equity component		
At 31 March 2018, 1 April 2018 and 31 March 2019	11,746	11,746

26. FINANCE LEASE PAYABLE

The Group leases certain of its plant and machinery for its building construction business. These leases are classified as finance leases and have remaining lease terms ranging from one year. These leases have no terms of renewal and escalation clauses.

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

	Minimum lease payments 2019 HK$'000	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2018 HK$'000
Amounts payable:				
Within one year and total minimum finance lease payments	–	1,042	–	974
Future finance charges	–	(68)		
Total net finance lease payables	–	974		
Portion classified as current liabilities	–	(974)		

27. DEFERRED TAX

The Group has tax losses arising in Hong Kong and Singapore of approximately HK$77,026,000 (2018: approximately HK$58,999,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$30,720,000 (2018: approximately HK$18,258,000) that will expire in one to five years and deductible temporary differences of approximately HK$112,393,000 (2018: nil), for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses or the deductible temporary differences can be utilised.

In the prior years, no deferred tax had been recognised for withholding taxes that would be payable on the unremitted earnings that were subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it was not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities had not been recognised totalled approximately HK$16,755,000 as at 31 March 2018.

There were no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

	2019 **HK$'000**	2018 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.002 each (2018: 10,000,000,000 ordinary shares of HK$0.002 each)	**20,000**	20,000
Issued and fully paid:		
6,000,000,000 ordinary shares of HK$0.002 each (2018: 6,000,000,000 ordinary shares of HK$0.002 each)	**12,000**	12,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	6,000,000,000	12,000	300,824	312,824

Share options

Details of the Company's share option scheme are included in note 29 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2019

29. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 19 December 2011, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to eligible participants and to promote the success of the business of the Group.

Eligible participants of the Scheme include employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, and business partners or service providers of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the directors of the Company may determine, which shall not exceed ten years from the date of grant. The exercise price is determined by the directors of the Company, and will be at least higher than (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options have been granted since the adoption of the Scheme and there were no outstanding share options at the end of the reporting period.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 57 and 58 of the financial statements.

Notes to Financial Statements (Continued)

31 March 2019

31. DISPOSAL OF SUBSIDIARIES

	Note	2019 HK$'000
Net liabilities disposed of:		
Property, plant and equipment	12	24,922
Cash and bank balances		12
Prepayments and other receivables		23
Accruals and other payables		(31)
		24,926
Gain on disposal of subsidiaries	5	2,057
		26,983
Satisfied by:		
Cash		26,983

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

	2019 HK$'000
Cash consideration	26,983
Cash and bank balances disposed of	(12)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	26,971

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) At 31 March 2019, a balance included in the loans from a related party of approximately HK$7,030,000 has been transferred from loan from a related party to amount due to a related party.

(ii) At 31 March 2018, the Group entered into a loan agreement with a related party, approximately HK$36,616,000 has been transferred from amount due to a related party to a loan from a related party.

Notes to Financial Statements (Continued)

31 March 2019

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

	Bank loans HK$'000	Finance lease payables HK$'000	Convertible bonds HK$'000	Amounts due to related parties HK$'000	Loans from a related party HK$'000
At 1 April 2017	—	1,991	14,323	36,655	243,009
Changes from financing cash flows	8,600	(1,223)	—	—	(22,018)
Non-cash transactions	—	—	—	(36,616)	36,616
Interest expense	185	79	2,060	—	5,961
Foreign exchange movement	—	127	—	—	—
At 31 March 2018	8,785	974	16,383	39	263,568
At 1 April 2018	8,785	974	16,383	39	263,568
Changes from financing cash flows	(8,785)	(1,004)	—	—	(18,009)
Interest paid classified as financing activities	(206)	—	—	—	—
Non-cash transactions	—	—	—	7,030	(7,030)
Interest expense	206	65	2,356	—	9,513
Foreign exchange movement	—	(35)	—	—	—
At 31 March 2019	—	—	18,739	7,069	248,042

33. CONTINGENT LIABILITIES

Performance bonds amounting to approximately HK$121,258,000 (2018: approximately HK$116,298,000) were given by banks or insurance companies in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the construction contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks or insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks or insurance companies accordingly. The performance bonds will be released upon completion of the contract works for the relevant customers.

In addition, certain subsidiaries of the Company are defendants in numbers of claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote, after due consideration of each case and with reference to legal advice.

Notes to Financial Statements (Continued)

31 March 2019

34. PLEDGE OF ASSETS

Details of the banking facilities and performance bonds granted to the Group which are secured by the assets of the Group, are included in notes 12, 14, 17, 19, 20 and 21 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties, machinery and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

As at 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**21,156**	2,306
In the second to fifth years, inclusive	**16,494**	471
	37,650	2,777

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 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:		
Purchases of plant and machinery	**11,781**	34,649

Notes to Financial Statements (Continued)

31 March 2019

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	2019 HK$'000	2018 HK$'000
Interest expense paid to a director of certain subsidiaries of the Company	i	**9,513**	5,961

Note:

(i) The interest expense was loan interest charged on loans from Mr. Wong Law Fai, a director of certain subsidiaries of the Company, pursuant to a loan agreement dated 1 October 2017. Details of the amounts due to related parties and loans from a related party are detailed in note 37(b) below.

(b) Outstanding balances with related parties:

The loans from a related party were advanced by Mr. Wong Law Fai, a director of certain subsidiaries of the Company. The amounts comprise (i) loans of approximately HK$243,009,000 which are unsecured and bear interest at 3.8% per annum and repayable in September 2021 as extended by Mr. Wong Law Fai (2018: loans of approximately HK$243,009,000 were unsecured and bore interest at 3.8% per annum and were repayable in June 2019); and (ii) a loan of approximately HK$5,033,000 (2018: HK$20,559,000) which is unsecured, bears interest at 3.8% per annum and is repayable on demand.

The amounts due to a related party of approximately HK$7,069,000 (2018: approximately HK$39,000) were advanced by Mr. Wong Law Fai, director of certain subsidiaries of the Company. They are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

(d) The Company and Mega Start Limited, a shareholder of the Company, entered into a subscription agreement on 16 December 2015 in relation to subscription for 90,000,000 shares of the Company and an agreement on 16 December 2015 in relation to subscription of a convertible bond in a principal amount of HK$24,000,000. Details are stated in the Company's the circular dated 15 January 2016. Details of the convertible bond are included in note 25 to the financial statements.

(e) Performance bond of approximately HK$31,033,000 (2018: approximately HK$53,854,000) was guaranteed by Mr. Wong Law Fai, a director of certain subsidiaries of the Company.

(f) The Group has guaranteed banking facilities granted to a related company amounting to HK$116,960,000 (2018: Nil) as of the end of the reporting periods as further detailed in notes 21 and 38(iii) to the financial statements.

The related party transactions in respect of items (a) and (f) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements (Continued)

31 March 2019

38. TRANSACTIONS WITH JIANGYIN YOUJIA PEARLESCENT MICA CO., LTD ("JIANGYIN YOUJIA")

Wuxi Taike, a major subsidiary of the Group, had the following material transactions with Jiangyin Youjia Pearlescent Mica Co., Ltd ("Jiangyin Youjia") during the year:

	Note	2019 HK$'000	2018 HK$'000
Administrative expenses paid on behalf by Jiangyin Youjia	i	**4,100**	—
Rental expenses paid to Jiangyin Youjia	ii	**8,480**	—
Pledged of time deposit to a bank in favour to Jiangyin Youjia	iii	**116,960**	—
Proceed from disposal of a motor vehicle of Wuxi Taike	iv	**7,368**	—

Note: (i) The administrative expenses paid on behalf by Jiangyin Youjia were based on costs as proposed by Jiangyin Youjia.

(ii) The rental expenses paid to Jiangyin Youjia were charged pursuant to a rental agreement entered into between Wuxi Taike and Jiangyin Youjia on terms agreed between the parties.

(iii) Wuxi Taike entered into 2 pledge contracts dated 23 August 2018 totalling RMB100 million (equivalent to HK$116.96 million) with a bank for a year to guarantee the indebtedness of Jiangyin Youjia, further details of which were set out in note 21 to the consolidated financial statements.

(iv) During the year, a motor vehicle of Wuxi Taike was disposed of for RMB6,300,000 (equivalent to HK$7,368,000). The sale proceed was transferred to Jiangyin Youjia for setting off with other payables to Jiangyin Youjia subsequent to the end of the reporting period of 31 March 2019.

In the opinion of director, Jiangyin Youjia was considered a related party of the Company up to 31 December 2018 as Mr. Dai Jialong, a then executive director and substantial shareholder, was the legal representative of Jiangyin Youjia. The relevant administrative expense paid on behalf by Jiangyin Youjia and rental expense paid to Jiangyin Youjia for the period from 1 April 2018 to 31 December 2018 amounted to HK$1,114,000 and HK$4,250,000, respectively.

In the prior years, Wuxi Taike signed a rental agreement with a landlord, for leasing the office and factory premises in Zhutang town. According to this agreement, the rent expense from 15 March 2016 to 14 March 2018 was free of charge and market rent shall be charged thereafter. During the year ended 31 March 2019, upon the forensic review on the affairs of Wuxi Taike by a professional firm appointed by the Company, the leased premises were discovered to be owned by Jiangyin Youjia and no rent was charged by Jiangyin Youjia for the leased premises up to 30 September 2018.

Notes to Financial Statements (Continued)

31 March 2019

38. TRANSACTIONS WITH JIANGYIN YOUJIA PEARLESCENT MICA CO., LTD ("JIANGYIN YOUJIA") (Continued)

Subsequent to 31 March 2019, Wuxi Taike received a refund for a prepaid purchase of RMB7,020,000 (equivalent to HK$8,210,000) from a supplier which was then paid to Jiangyin Youjia for setting off with other payable to Jiangyin Youjia. Moreover, Jiangyin Youjia further made a claim for expense paid on behalf of Wuxi Taike of RMB7,294,000 subsequent to 31 March 2019. Such further claim together with rental payable to Jiangyin Youjia related to a period after 31 March 2019 of RMB5,000,000 were offset with the proceed from disposal of a motor vehicle as mentioned in note (iv) above.

At 31 March 2019, the amount due to Jiangyin Youjia of HK$1,460,000 (2018: Nil) included in other payables is unsecured, interest-free and repayable on demand (note 23(b)).

39. SUMMARISED FINANCIAL INFORMATION OF WUXI TAIKE NANO NEW MATERIAL CO. LTD ("WUXI TAIKE")

The financial statements of Wuxi Taike are as follow:

Statement of Profit or Loss of Wuxi Taike

	2019 HK$'000	2018 HK$'000
REVENUE	66	246,532
Cost of sales	—	(245,645)
	66	887
Total expense*	(138,812)	(30,382)
LOSS FOR THE YEAR	(138,746)	(29,495)

* Total expenses include impairment of trade receivable of HK$62,478,000 (2018: HK$11,000,000) and impairment of property, plant and equipment of HK$49,915,000 (2018: nil).

Notes to Financial Statements (Continued)

31 March 2019

39. SUMMARISED FINANCIAL INFORMATION OF WUXI TAIKE NANO NEW MATERIAL CO. LTD (“WUXI TAIKE”) (Continued)

Statement of Financial Position of Wuxi Taike

	2019 HK$’000	2018 HK$’000
NON-CURRENT ASSETS		
Property, plant and equipment	50,014	65,444
Other non-current assets	555	14,842
Total non-current assets	50,569	80,286
CURRENT ASSETS		
Other current assets	24,047	38,699
Trade receivables	—	74,173
Pledged bank deposits and restricted cash	116,960	—
Cash and cash equivalents	32	131,967
Total current assets	141,039	244,839
CURRENT LIABILITIES		
Other current liabilities	25,419	1,177
Due to fellow subsidiaries	21,119	21,119
Total current liabilities	46,538	22,296
NET CURRENT ASSETS	94,501	222,543
Net assets	145,070	302,829
EQUITY		
Issued capital	320,000	320,000
Reserves	(174,930)	(17,171)
Total equity	145,070	302,829

Notes to Financial Statements (Continued)

31 March 2019

40. 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:

2019

Financial assets

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade receivables	–	–	93,736	93,736
Equity investments at fair value through other comprehensive income	6,000	–	–	6,000
Equity investments at fair value through profit or loss	–	2,942	–	2,942
Debt investments at fair value through profit or loss	–	305	–	305
Other unlisted investments at fair value through profit or loss	–	11,675	–	11,675
Deposits and other receivables (note 19)	–	–	24,020	24,020
Pledged deposits and restricted cash	–	–	174,934	174,934
Cash and cash equivalents	–	–	83,537	83,537
	6,000	14,922	376,227	397,149

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	164,178
Financial liabilities included in other payables and accruals	128,700
Amounts due to related parties	7,069
Convertible bond	18,739
Loans from related parties	248,042
	566,728

Notes to Financial Statements (Continued)

31 March 2019

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2018

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	23,563	23,563
Trade receivables	295,413	—	295,413
Deposits and other receivables (note 19)	58,616	—	58,616
Pledged deposits and restricted cash	57,651	—	57,651
Cash and cash equivalents	245,619	—	245,619
	657,299	23,563	680,862

Financial liabilities

	At amortised cost HK$'000
Trade payables	195,676
Financial liabilities included in other payables and accruals	13,424
Amounts due to related parties	39
Interest-bearing bank and other borrowings	9,759
Convertible bond	16,383
Loans from related parties	263,568
	498,849

Notes to Financial Statements (Continued)

31 March 2019

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale investments, at fair value	**—**	23,563	**—**	23,563
Equity investments at fair value through other comprehensive income	**6,000**	—	**6,000**	—
Equity investments at fair value through profit or loss	**2,942**	—	**2,942**	—
Debt investments at fair value through profit or loss	**305**	—	**305**	—
Other unlisted investment at fair value through profit or loss	**11,675**	—	**11,675**	—
Financial liabilities				
Convertible bond	**18,739**	16,383	**19,770**	16,383
Non-current portion of other payables and accruals	**487**	487	**487**	487
Non-current portion of loans from a related party	**243,009**	243,009	**243,009**	243,009

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits and restricted cash, trade receivables, trade payables, current portion of financial assets included in prepayments, deposits and other receivables, current portion of financial liabilities included in other payables and accruals, certain bank and other borrowings and balances with related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of other payables and accruals and loans from a related party have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bond is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity and debt investments which was previously classified as available-for-sale investments are based on quoted market prices. The fair value of the other unlisted investments is based on its surrender value.

Management of the Group has estimated the fair values of unlisted equity investments at fair value through other comprehensive income with reference to recent transaction prices of the investment or using an asset-based approach based on assumption that are not supported by observable market prices or rates. The directors believe that the estimated fair values based on the above valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair value, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

An increase/(decrease) in the issued prices of recent transactions by 10% would result in an increase/(decrease) in the fair value of the unlisted equity investment by 10%.

Notes to Financial Statements (Continued)

31 March 2019

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2)** HK$'000	**Significant unobservable inputs (Level 3)** HK$'000	**Total** HK$'000
31 March 2019				
Equity investment at fair value through other comprehensive income	**—**	**—**	**6,000**	**6,000**
Equity investment at fair value through profit or loss	**2,942**	**—**	**—**	**2,942**
Debt investments at fair value through profit or loss	**305**	**—**	**—**	**305**
Other unlisted investments at fair value through profit or loss	**—**	**11,675**	**—**	**11,675**
	3,247	**11,675**	**6,000**	**20,922**
31 March 2018				
Available-for-sale investments	3,530	20,033	—	23,563

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 March 2019 and 31 March 2018.

Notes to Financial Statements (Continued)

31 March 2019

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

	Fair value measurement 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
31 March 2019				
Convertible bond	**—**	**—**	**19,770**	**19,770**
Non-current portion of other payables and accruals	**—**	**—**	**487**	**487**
Non-current portion of loans from a related party	**—**	**—**	**243,009**	**243,009**
	—	**—**	**263,266**	**263,266**
31 March 2018				
Convertible bond	—	—	16,383	16,383
Non-current portion of other payables and accruals	—	—	487	487
Non-current portion of loans from a related party	—	—	243,009	243,009
	—	—	259,879	259,879

Notes to Financial Statements (Continued)

31 March 2019

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, balances with related parties, and loans from a related party, equity and debt investments at fair value through profit or loss, cash and cash equivalents, pledged bank deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables, deposits and other receivables, and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has certain pledged bank deposits, and cash and cash equivalents denominated in currencies other than the functional currency of the group entities to which they relate. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Singapore dollar ("SGD") and Renminbi ("RMB") exchange rates, with all other variables held constant, of the Group's loss before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	%	**Increase/ (decrease) in loss before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2019			
If the Hong Kong dollar weakens against SGD	5	**4**	**—**
If the Hong Kong dollar strengthens against SGD	(5)	**(4)**	**—**
If the Hong Kong dollar weakens against RMB	5	**—**	**—**
If the Hong Kong dollar strengthens against RMB	(5)	**—**	**—**
2018			
If the Hong Kong dollar weakens against SGD	5	4	—
If the Hong Kong dollar strengthens against SGD	(5)	(4)	—
If the Hong Kong dollar weakens against RMB	5	—	—
If the Hong Kong dollar strengthens against RMB	(5)	—	—

* Excluding retained profits

Notes to Financial Statements (Continued)

31 March 2019

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 March 2019

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group has concentrations of credit risk as 14% and 41% of the total trade receivables were due from the Group's single largest customer and the five largest customers, respectively.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Contract assets*	—	—	—	232,542	232,542
Trade receivables*	—	—	73,478	93,736	167,214
Financial assets included in prepayments, other receivables and other assets					
— Normal**	24,020	—	—	—	24,020
Pledged bank deposits and restricted cash	174,934	—	—	—	174,934
— Not yet past due					
Cash and cash equivalents					
— Not yet past due	83,537	—	—	—	83,537
	282,491	—	73,478	326,278	682,247

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 17 and 18 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Notes to Financial Statements (Continued)

31 March 2019

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure as at 31 March 2018

The credit risk of the Group's other financial assets, which comprise other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group has concentrations of credit risk as 50% and 76% of the total trade receivables were due from the Group's single largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 17 and 19 to the financial statements, respectively.

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 (e.g., trade receivables) 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 and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance a stable liquidity.

Notes to Financial Statements (Continued)

31 March 2019

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
2019				
Trade payables	—	164,178	—	164,178
Financial liabilities included in other payables and accruals	—	128,700	—	128,700
Amounts due to related parties	7,069	—	—	7,069
Loans from a related party	5,033	—	266,095	271,128
Convertible bond	—	—	24,000	24,000
	12,102	292,878	290,095	595,075
2018				
Trade payables	—	195,676	—	195,676
Financial liabilities included in other payables and accruals	—	13,424	—	13,424
Amounts due to related parties	39	—	—	39
Loans from a related party	20,559	—	254,551	275,110
Convertible bond	—	—	24,000	24,000
Interest-bearing bank and other borrowings (note)	8,785	1,042	—	9,827
	29,383	210,142	278,551	518,076

Note: Included in interest-bearing bank borrowings of the Group is a bank loan in the amount of approximately HK$8,785,000 on 31 March 2018. The loan agreement contains a repayment on demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand" in prior year. The interest-bearing bank borrowing was fully repaid in 2019.

Notes to Financial Statements (Continued)

31 March 2019

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are 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. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes gross amount due to contract customers, trade payables, other payables and accruals, amounts due to related parties, loans from related parties, interest-bearing bank and other borrowings and convertible bond, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2019 HK$'000	2018 HK$'000
Gross amount due to contract customers	–	12,267
Trade payables	164,178	195,676
Other payables and accruals	143,915	22,999
Amounts due to related parties	7,069	39
Interest-bearing bank and other borrowings	–	9,759
Convertible bond	18,739	16,383
Loans from related parties	248,042	263,568
Less: cash and cash equivalents	(83,537)	(245,619)
Net debt	498,406	275,072
Total capital	151,283	314,047
Total capital and net debt	649,689	589,119
Gearing ratio	77%	47%

Notes to Financial Statements (Continued)

31 March 2019

43. EVENTS AFTER THE REPORTING PERIOD

(a) On 23 August 2019, the 2 deposit pledge contracts totalled RMB100 million (equivalent to HK$117.23 million) entered into by Wuxi Taike with a bank to guarantee the indebtedness of Jiangyin Youjia had expired and the deposit pledge in the sum of RMB100 million (equivalent to HK$117.23 million) were released on the same day.

(b) From November to December 2019, China Carbon Valley Technology Group Limited ("China Carbon"), a wholly-owned subsidiary of the Company and the immediate holding company of Wuxi Taike, reduced the capital invested in Wuxi Taike by HK$120,000,000 and Wuxi Taike then returned HK$120,000,000 to China Carbon, which then transferred the same amount to another wholly-owned subsidiary of the Company.

(c) On 20 January 2020, the Group signed a sale and purchase agreement to dispose of the entire interest in Pure Fountain Holdings Limited, which holds 100% equity interests in China Carbon and Wuxi Taike, to Jiangyin Meihong Plastic Electronics Co., Ltd, at a total of consideration of RMB8,000,001 (equivalent to HK$8,950,000). The transaction was completed on 28 February 2020. Further details of the disposal were set out in the Company announcements dated 20 January 2020 and 22 January 2020.

(d) An outbreak of the coronavirus disease 2019 ("COVID-2019") pandemic may impact the Group's business in the coming year.

The Group will continue to monitor the development of COVID-19 situation closely and assess its impacts on the financial position and operating results of the Group. Up to the date of the announcement, the assessment is still in progress.

Notes to Financial Statements (Continued)

31 March 2019

44. 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	–	–
CURRENT ASSETS		
Other receivables	766	367
Amounts due from subsidiaries	161,413	372,897
Cash and bank balances	5,551	5,010
Total current assets	167,730	378,274
CURRENT LIABILITIES		
Other payables	1,636	1,087
Amounts due to subsidiaries	75,888	58,455
Interest-bearing bank borrowings	–	8,785
Total current liabilities	77,524	68,327
NET CURRENT ASSETS	90,206	309,947
TOTAL ASSETS LESS CURRENT LIABILITIES	90,206	309,947
NON-CURRENT LIABILITIES		
Convertible bond	18,739	16,383
Net assets	71,467	293,564
EQUITY		
Issued capital	12,000	12,000
Equity component of a convertible bond	11,746	11,746
Reserves (note)	47,721	269,818
Total equity	71,467	293,564

Notes to Financial Statements (Continued)

31 March 2019

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium account (note i) HK$'000	Contributed surplus (note ii) HK$'000	Capital reserve (note iii) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	300,824	119,427	3,791	(143,428)	280,614
Total comprehensive loss for the year	—	—	—	(10,796)	(10,796)
At 31 March 2018 and 1 April 2018	300,824	119,427	3,791	(154,224)	269,818
Total comprehensive loss for the year	—	—	—	(222,097)	(222,097)
At 31 March 2019	300,824	119,427	3,791	(376,321)	47,721

(i) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date of which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Contributed surplus represents the difference between the nominal value of the shares issued for the acquisition of Prosper Ace Investments Limited and the consolidated net asset value of Prosper Ace Investments Limited and its subsidiaries at the date of acquisition.

(iii) Capital reserve represents a fair value adjustment of an amount due to a subsidiary, which is non-current and interest-free, at initial recognition.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13 May 2020.

Five Year Financial Summary

CONSOLIDATED RESULTS

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	1,776,238	2,502,744	1,507,561	1,209,103	**1,237,444**
Profit/(loss) before taxation	(115,787)	20,997	1,088	(18,760)	**(142,220)**
Income tax expense	(1,476)	(1,079)	(1,233)	(3,612)	**(3,231)**
Profit/(loss) attributable to owners of the parent	(117,263)	19,918	(145)	(22,372)	**(145,451)**

CONSOLIDATED ASSETS AND LIABILITIES

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	774,791	968,660	1,039,077	837,655	**733,226**
Total liabilities	(748,802)	(644,374)	(734,415)	(523,608)	**(581,943)**
Total equity	25,989	324,286	304,662	314,047	**151,283**