杭品生活科技股份有限公司
HANG PIN LIVING TECHNOLOGY COMPANY LIMITED

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

股份代號 Stock Code :1682

ANNUAL REPORT 2020 年報

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhi Hua *(Chairman)*
Mr. Lam Kai Yeung *(Chief Executive Officer)*
Mr. Situ Shilun *(Chief Operating Officer)*
(Appointed on 24 December 2019)
Mr. Ma Jun *(Chief Operating Officer)*
(Resigned on 24 December 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau On Ta Yuen
Dr. Lam Lee G.
Mr. Chan Kin
Mr. Li Hui
(Resigned on 31 July 2019)

COMPANY SECRETARY

Mr. Lam Kai Yeung *FCPA FCCA*

AUDIT COMMITTEE

Dr. Lam Lee G. *(Chairman)*
Mr. Chau On Ta Yuen
Mr. Chan Kin
Mr. Li Hui
(Resigned on 31 July 2019)

REMUNERATION COMMITTEE

Mr. Chau On Ta Yuen *(Chairman)*
Mr. Zhi Hua
Dr. Lam Lee G.
Mr. Chan Kin

NOMINATION COMMITTEE

Mr. Zhi Hua *(Chairman)*
Mr. Chau On Ta Yuen
Dr. Lam Lee G.
Mr. Chan Kin

AUTHORISED REPRESENTATIVES

Mr. Zhi Hua
Mr. Lam Kai Yeung

LEGAL ADVISERS AS TO HONG KONG LAW

Paul Hastings
Chungs Lawyers in association with
DeHeng Law Offices

AUDITOR

Elite Partners CPA Limited
(Appointed on 2 April 2020)
Pan-China (H.K.) CPA Limited
(Resigned on 2 April 2020)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 303, 3/F
Hing Yip Commercial Centre
272-284 Des Voeux Road Central, HK

STOCK CODE

1682

COMPANY WEBSITE

http://www.hk01682.com

Chairman's Statement

On behalf of the Board, I am pleased to present the Group's annual report for the year ended 31 March 2020 (the "**Reporting Period**").

BUSINESS REVIEW

The Group is principally engaged in (i) the garment sourcing; and (ii) provision of financial services.

(I) GARMENT SOURCING

During the Reporting Period, the global economic growth had continued to slow down. As affected by the Sino-US trade disputes, the trading atmosphere had remained tense and the international policy had been highly uncertain. The increasing trade barriers brought along financial burden, which coupled with the faster-than-expected economic slow-down in certain major economies that increased the risk of economic downturn, constituted the continuous weakening of business confidence. In Mainland China, as impacted by the slower economic growth, weakened RMB exchange rate and rising living costs, consumers' consuming power had been weakened, which dampened consumers' sentiment. The unusually warm weather during the fall/winter season as well as the outbreak of COVID-19 further exacerbated the weakening of consuming power and consumers' sentiment. As a result, the performance of retailers was adversely affected, especially for those engaged in the trading of non-daily necessities, such as apparel products. Some of them even had to shut down their large retail stores and to realise their real assets as they are plunged into liquidity crisis. Facing the unfavorable market conditions resulted from the undesirable business environment, wholesalers are also cautious in placing orders. In addition, attributed to the increasing popularity of online shopping, customers have significantly higher expectation on speediness, quality and pricing of products and services, which also posed challenges to our business. In Hong Kong, the operating atmosphere of the Group deteriorated materially in the midst of the continuous massive social events and the outbreak of COVID-19 pandemic occurred during the Chinese New Year holiday. As affected by such, the Group also suffered a serious business setback. To mitigate the adverse impacts, the Group has closed down underperforming subsidiaries and negotiated with landlords for rent concessions to enhance its operational efficiency and strengthen its cost control to enhance competitive advantage.

During the Reporting Period, in order to strengthen the Group's position in the garment industry in the PRC, on 15 November 2019, the Company and Good Fellow Garment (Fujian) Co., Ltd ("**Good Fellow Garment (Fujian)**") as landlord entered into a tenancy agreement (the "**Tenancy Agreement**") for a leasing period of 10 years at an aggregate rent of HK$14 million commencing from the date that all necessary resolution(s) has been passed by the independent shareholders of the Company at the special general meeting held on 9 January 2020 ("**SGM**"). The subject premises of the Tenancy Agreement shall be used for manufacturing and sales of garment products. On the same day, the Company and Good Fellow Garment (Fujian) as transferor entered into a transfer agreement (the "**Transfer Agreement**"), pursuant to which the Company has agreed to acquire and Good Fellow Garment (Fujian) has agreed to sell the garment manufacturing machineries and equipment and office equipment owned by Good Fellow Garment (Fujian) at a total consideration of HK$11 million. For details, please refer to the announcement dated 15 November 2019 and the circular dated 16 December 2019.

(II) PROVISION OF FINANCIAL SERVICES

The Board from time to time, reviews its existing operations and explores other business opportunities with a view to diversify the Group's business. The Group commenced a new business segment of financial services which includes asset management, finance lease, pawn and money lending business in 2018. Against this backdrop, the Group has been focusing on accelerating its strategic plan in the China and Hong Kong market, further enriching its product offerings and enhancing its financial service system, with an aim to rapidly enhance its business scale and seize the PRC and Hong Kong market. The Board considers that the demand for financial services is significant and the industry is vibrant in both China and Hong Kong. The Board is of the view that the new business activities will provide a good opportunity for the Group to diversify its revenue stream, which is expected to benefit the Company and its Shareholders as a whole. During the Reporting Period, the Directors are committed to grasping market opportunities and managing the risks of the Company. The increasing credit risk of the P2P lending platform restrained the development of the online lending industry. After due consideration and assessment by the Board, on 22 May 2019, the Group entered into an assignment contract to dispose its VIE arrangement at a consideration of RMB6,540,000 (equivalent to approximately HK$7,432,000), resulting in a loss of control over Hangzhou Huazhiying Investment Management Company Limited (杭州華之贏投資管理有限公司) and its subsidiaries. The disposal generated a gain of approximately HK$522,000.

PROSPECTS AND DEVELOPMENT PLAN

According to the latest "World Economic Outlook" issued by the International Monetary Fund, the COVID-19 pandemic is inflicting high and rising costs to people around the globe. In order to protect lives and to ensure the medical system can cope with this pandemic, quarantine, lockdown and massive closure have been implemented to slow down the spread of the virus. Therefore, the health threat is severely impacting economic activities. As a result of the pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008–2009 financial crisis. The Gross Domestic Product (GDP) of mainland China, the world's second largest economy, shrank by 6.8% in the first quarter of 2020 compared with the corresponding period of last year. Further, as a result of the COVID-19 pandemic, China will not set an economic growth goal for this year. It is the first time for the China Government not to set a GDP target since 1990, the year which the records began. Here in Hong Kong, the Financial Secretary forecasted a negative growth of 4% to 7% in 2020 because of the "serious and enduring" effects of the pandemic.

Notwithstanding the signing of the "Phase 1" agreement between the world's two largest economies, and the completion of "Brexit", yet it might be too soon to declare an all-clear on the impact of political front. The Sino-United States conflicts go beyond trade and will remain even after the signing of the "Phase 1" agreement and in the "Phase 2" negotiations, and may accelerate during the United States election in 2020; and the British government inclined to take a hard line on bilateral trade talks after Brexit. Regarding impacts of the pandemic on supply chain, the Group understands that the production activities of our suppliers are not severely impacted by the pandemic. Further, the Chinese New Year is not the peak production period for the Group's products. As a result, we are currently not expecting major delay in supply chain.

The Group is cautious about the outlook of business in 2020 in light of the ongoing dour economic climates and uncertainties. At present, the Group is closely monitoring the market conditions and assessing the operational and financial impacts of the pandemic to the Group. Looking forward, global monetary policy easing should tend to incentivise investment, production and consumption. The Group will endeavor to raise the level of operations for our two principal businesses and will endeavor to search for new business opportunities and expand profit channels with the goal to strive for greater returns for Shareholders.

APPRECIATION

In closing, on behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and employees for their commitments, hard work and loyalty to the Group during the Reporting Period. I would also like to extend my deepest thanks to our customers, bankers, business partners and Shareholders for their continual support.

Zhi Hua
Chairman

Hong Kong, 24 June 2020

Management Discussion and Analysis

FINANCIAL REVIEW

During the Reporting Period, revenue of the Group amounted to approximately HK$122,097,000 (2019: approximately HK$185,668,000): revenue from the garment sourcing amounted to approximately HK$119,216,000, representing a decrease of approximately 30.35% (2019: approximately HK$171,179,000); revenue from provision of financial services amounted to approximately HK$2,881,000, representing a decrease of approximately 80.12% (2019: approximately HK$14,489,000), mainly due to the disposal of the P2P financing business. Gross profit margin was approximately 3.90%, representing a decrease of approximately 8.44% (2019: approximately 12.34%). Other income amounted to approximately HK$4,945,000 (2019: approximately HK$5,463,000), which was mainly attributable to the gain on disposal of subsidiaries. Foreign exchange loss amounted to approximately HK$3,493,000 (2019: approximately HK$1,212,000), mainly due to the sharp depreciation of RMB during the Reporting Period. Selling and distribution costs amounted to approximately HK$965,000 (2019: approximately HK$7,606,000), mainly due to the decrease of advertising and promotion costs. Administrative expenses amounted to approximately HK$24,985,000, representing an increase of approximately 42.25% (2019: approximately HK$17,564,000), mainly due to the increase in costs for collecting trade receivable and Director's fee according to the market conditions. Impairment loss recognised in respect of financial assets under expected credit loss model, net of reversal amounted to approximately HK$4,118,000, representing an increase of approximately 393.17% (2019: approximately HK$835,000), which was mainly attributable to the impairment loss recognised from former subsidiaries. Due to the aforesaid reasons, the (loss)/profit for the year attributable to owners of the Company amounted to approximately HK$(24,002,000) (2019: approximately HK$476,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of approximately HK$111,736,000 (as at 31 March 2019: approximately HK$136,145,000) (including cash and cash equivalent of approximately HK$21,736,000 (as at 31 March 2019: approximately HK$3,705,000)) which were financed by current liabilities of approximately HK$16,842,000 (as at 31 March 2019: approximately HK$19,347,000), non-current liabilities of approximately HK$239,000 (as at 31 March 2019: approximately HK$253,000) and Shareholders' equity of approximately HK$94,655,000 (as at 31 March 2019: approximately HK$116,545,000).

The Group generally services its debts primarily through cash generated from its operations. As at 31 March 2020, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 4.91:1 (as at 31 March 2019: 6.59:1). The gearing ratio of the Group, based on total debts (including lease liabilities and obligation under finance lease) over total equity, was 0.94% (as at 31 March 2019: 0.31%), which was at a healthy level. The Group also approaches other investors, especially strategic investors to invest in the Company, hoping to bring in more funds. Therefore, the directors of the Company believe that the Group has sufficient fund for developing existing business.

TREASURY POLICY

The Group adopts a prudent financial management strategy in implanting the treasury policy. Thus, a sound liquidity position was able to be maintained throughout the year ended 31 March 2020. The Group continues to assess its customers' credit and financial positions so as to minimise the credit risks. In order to control the liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group's working capital is mainly financed through internal generated cash flows. The management of the Group regularly monitors the funding requirements of the Group to support its normal operations and its development plans. Most of the Group's cash balances were deposits in US$, HK$ and RMB with major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US$, HK$ and RMB.

Foreign exchange risks arising from sales and purchases transacted in different currencies may be managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward contracts or any other financial derivative contracts may be entered into by the Group for hedging purpose. The Group had not entered into any financial derivative contracts throughout the Reporting Period and had no outstanding financial derivative contracts as at 31 March 2020.

CAPITAL EXPENDITURE AND COMMITMENTS

As at 31 March 2020, the Group had no commitment (as at 31 March 2019: Nil) in respect of acquisition of new plant and equipment and no significant capital commitments.

As at the date of this report, the Group had no plan for any material investment or capital assets.

CHARGES ON ASSETS

As at 31 March 2020, the Group had no pledged assets (as at 31 March 2019: Nil).

DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 March 2020 (for the year ended 31 March 2019: Nil).

EMPLOYEE INFORMATION

As at 31 March 2020, the Group employed approximately 9 employees (excluding Directors). The total salaries and related costs (including the Directors' fees and labour cost) amounted to approximately HK$13,951,000 (2019: approximately HK$7,964,000). The Group offers its employees competitive remuneration schemes which are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on the Group's and individual's performance.

The Company maintains the Share Option Scheme, pursuant to which share options may be granted to selected eligible participants including employees of the Group, with a view to providing those eligible participants with appropriate incentive to contribute to the success of the Group.

Please refer to the section headed "Share Option Scheme" in "Report of the Director" set out in this report for further details about the Share Option Scheme of the Company.

SIGNIFICANT INVESTMENTS HELD DURING THE YEAR

During the Reporting Period, the Group had no significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS RELATED TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group had no material acquisitions and disposals related to subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except for what has been disclosed in this report, the Group did not have other plans for material investments or capital assets at the date of this report.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities (as at 31 March 2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

(a) Since January 2020, the outbreak of COVID-19 has impacted the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will continue to attend to the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(b) On 18 May 2020, the Group entered into a facility agreement with the borrower and the guarantor to provide a revolving loan facility of up to HK$25,000,000 to the borrower (the "**Loan**"). The Loan is interest bearing at 10% per annum and available for drawdown for the period of 3 years commencing on 18 May 2020 and contains a repayment on demand clause. The Loan is secured by the guarantee for the payment by the borrower of its debt under the facility agreement.

Save as disclosed in this report, there is no important event affecting the Group which has occurred after the Reporting Period.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhi Hua (Mr. Zhi), aged 47, was appointed as an executive director of the Company and the chairman of the board of directors of the Company on 13 September 2017.

Mr. Zhi graduated from China University of Geosciences with a diploma in economics through distance learning in July 2007. He has been conducting business in certain companies, including Hangzhou Zhihua Municipal Construction Company Limited* (杭州支華市政工程有限公司), which is principally engaged in municipal and infrastructure construction since February 2003, Hangzhou Huazhiying Investment Management Company Limited* (杭州華之贏投資管理有限公司), which is principally engaged in provision of investment management and advisory services since November 2014 and Hangzhou Zhishi Technology Company Limited* (杭州支氏科技有限公司) and Hangzhou Huayingbao Technology Company Limited* (杭州華贏寶網絡科技有限公司) which are principally engaged in technology development, advisory and transfer on computer hardware, software and electronic products in the People's Republic of China (the "**PRC**") since August 2002 and December 2015, respectively.

Mr. Lam Kai Yeung (Mr. Lam), aged 50, was appointed as an executive director of the Company on 30 June 2017 and the chief executive officer of the Company on 13 September 2017.

Mr. Lam is an independent non-executive director Shi Shi Services Limited (formerly known as "Kong Shum Union Property Management (Holding) Limited") (Stock code: 8181), which is listed on GEM of the Stock Exchange. He is also an independent non-executive director of Starrise Media Holdings Limited (formerly known as "Silverman Holdings Limited") (Stock code: 1616), Holly Futures Co., Limited (弘業期貨股份有限公司) (Stock code: 3678) and Kin Shing Holdings Limited (Stock code: 1630), which are companies listed on the Main Board of the Stock Exchange. Mr. Lam was a director of Sunway International Holdings Limited (Stock code: 58) from May 2015 to June 2019, a company listed on the Main Board of the Stock Exchange. He also was an independent non-executive Director of Finsoft Financial Investment Holding Limited (Stock code: 8018) from June 2015 to June 2020, a Company listed on the GEM of the Stock Exchange.

Mr. Lam is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. He is also a Certified Dealmaker. He has more than 20 years' experience in finance and auditing. He obtained a bachelor degree in accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

EXECUTIVE DIRECTORS (continued)

Mr. Situ Shilun (Mr. Situ), aged 61, was appointed as an executive Director and chief operating officer of the Company on 24 December 2019.

Mr. Situ possessed more than 38 years of experience in the area of garment trading, procurement and manufacturing. In August 2002, Mr. Situ established Ningbo Fenghua Hexin Clothing Limited Company* (寧波奉化和欣服飾有限公司), which principally engaged in the outsourcing and processing of clothing and wholesale and retail of the raw materials for clothing, and is currently its executive director, general manager and legal representative. He is currently the general manager of Jinwei Nanometer Textile (Fujian) Co., Ltd., which principal business is the manufacturing of nanometer apparel.

Mr. Ma Jun (Mr. Ma), aged 49, was appointed as the chief operating officer of the Company on 16 October 2017 and an executive director of the Company on 30 November 2017. He has resigned as an executive Director and ceased to be the chief operating officer of the Company with effect from 24 December 2019.

Mr. Ma graduated from Zhejiang Gongshang University* (浙江工商大學) with a double degree in accounting and foreign trade and economic management in 1992. Mr. Ma possessed years of experience in the area of garment manufacturing and trade. He had served as the department head of Zhejiang Textiles Import and Export Group* (浙江省紡織品進出口集團).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau On Ta Yuen (Mr. Chau), aged 72, was appointed as an independent non-executive director of the Company on 19 September 2017.

Mr. Chau graduated from Xiamen University, majoring in Chinese language and literature. Mr. Chau is currently an executive director and the chairman of the board of directors of ELL Environmental Holdings Limited (Stock Code: 1395), an independent non-executive director of Good Resources Holdings Limited (formerly known as Good Fellow Resources Holding Limited) (Stock Code: 109), an independent non-executive director of Redco Properties Group Limited (Stock Code: 1622), and an independent non-executive director of Come Sure Group (Holdings) Limited (Stock Code: 794), the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Chau was a non-executive director China Ocean Industry Group Limited (formerly known as China Ocean Shipbuilding Industry Group Limited) (Stock Code: 651).

Mr. Chau is a member of the National Committee and the Standing Committee of the Chinese People's Political Consultative Conference (中國全國政協委員及常務委員) and the honorary consultant of Hong Kong Federation of Fujian Associations (香港福建社團聯會榮譽顧問). Mr. Chau is awarded with a Bronze Bauhinia Star (BBS) and Silver Bauhinia Star (SBS) by the Government of HKSAR on 1 July 2010 and 1 July 2016, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Dr. Lam Lee G. (Dr. Lam), aged 61, was appointed as an independent non-executive director of the Company on 29 September 2017.

Dr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, investment banking, direct investment and fund management. He is Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialisation, and of the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), and a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee and the Sir Murray MacLehose Trust Fund Investment Advisory Committee.

Dr. Lam holds a BSc in Sciences and Mathematics, an MSc in Systems Science and an MBA from the University of Ottawa in Canada, an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in Law from the University of Wolverhampton in the UK, an MPA and a PhD from the University of Hong Kong. He is also a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an Accredited Mediator of the Centre for Effective Dispute Resolution, a Fellow of Certified Management Accountants (CMA) Australia, the Institute of Public Accountants, the Institute of Financial Accountants, the Hong Kong Institute of Arbitrators, and the Hong Kong Institute of Directors, and an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education. In 2019, Dr. Lam was awarded by the Hong Kong Government a Bronze Bauhinia Star for serving the public.

Dr. Lam is currently an independent non-executive director of Aurum Pacific (China) Group Limited (Stock Code: 8148), CSI Properties Limited (Stock Code: 497), Elife Holdings Limited (Stock Code: 223), Greenland Hong Kong Holdings Limited (Stock code: 337), Haitong Securities Company Limited (Stock Code: 6837, 600837 on the Shanghai Stock Exchange), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Kidsland International Holdings Limited (Stock Code: 2122), Mei Ah Entertainment Group Limited (Stock Code: 391), and Vongroup Limited (Stock Code: 318). He is a non-executive director of China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), Sunwah Kingsway Capital Holdings Limited (Stock Code: 188) and Tianda Pharmaceuticals Limited (Stock Code: 455) and Mingfa Group (International) Company Limited (Stock Code: 846, re-designated from independent non-executive director on 23 April 2020) and the shares of all of which are listed on the Stock Exchange. Dr. Lam is also an independent non-executive director of China Real Estate Group Limited (Stock code: 5RA), JCG Investment Holdings Ltd. (Stock code: VFP), Thomson Medical Group Limited (Stock Code: A50) and Top Global Limited (Stock code: BHO), and is non-executive director of Singapore eDevelopment Limited (Stock code: 40V) all of which are listed companies on the Singapore Exchange. Dr. Lam is independent non-executive director of Sunwah International Limited (Stock code: SWH), whose shares are listed on the Toronto Stock Exchange, AustChina Holdings Limited (Stock code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (Stock code: 0101), whose shares are listed on the Bursa Malaysia, and non-executive director of Adamas Finance Asia Limited (Stock code: ADAM), whose shares are listed on the London Securities Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

In the past three years, Dr. Lam was a non-executive director of each of China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), Green Leader Holdings Group Limited (Stock Code: 0061) and Roma Group Limited (Stock Code: 8072), and an independent non-executive director of each of Hsin Chong Group Holdings Limited (Stock Code: 404) which shares were delisted on the Stock Exchange in December 2019, Glorious Sun Enterprises Limited (Stock Code: 393), Xi'an Haitiantian Holdings Co., Ltd. (Stock Code: 8227), all of which are listed on the Stock Exchange; and an independent non-executive director of Rowsley Ltd. (Stock Code: A50), a company listed on Singapore Exchange, and Vietnam Equity Holding (Stock Code: 3MS), a company listed on Stuttgart Stock Exchange.

Mr. Chan Kin (Mr. Chan), aged 56, was appointed as a non-executive director of the Company on 12 June 2017 and re-designated as an independent non-executive director of the Company on 25 February 2019.

Mr. Chan graduated from Shanghai Institute of Foreign Trade* (上海外貿職工大學) in 1980s and immigrated to Hong Kong in 1990s. He engaged in international trade, marketing, finance and investment risk management and other industries. Since 1993, he has been self-employed and founded Fong Shing Investment Limited. With the practical working experience accumulated in Hong Kong and China in the past 30 years, he has been engaged in the project investment research, operation planning and business evaluation of the project as well as the provision of advice regarding corporate strategic management, investment management and capital operation management and risk.

Mr. Li Hui (Mr. Li), aged 51, was appointed as an independent non-executive director of the Company on 17 May 2017 and resigned on 31 July 2019.

Mr. Li graduated from Henan University with a Master of Arts in English Language and Literature in 1995 and from Royal Melbourne Institute of Technology University of Australia with a master degree of Business Administration (International Management) in 2004. Mr. Li has been working for Henan Hong Kong (Holdings) Limited since 1995 and has been the managing director since 2006. From January 2005 to March 2006, Mr. Li worked for Bright Star Resources (Holding) Pte Ltd. in Singapore as executive general manager. Mr. Li has extensive experience in corporate management, investment, financing and merger and acquisition in electricity, nonferrous metals, automobiles and biopharmaceuticals businesses.

Mr. Li was an independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee of China Smarter Energy Group Holdings Limited (Stock code: 1004) from March 2017 to 5 December 2019, a company listed on the main board of the Stock Exchange.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company acts an investment holding company. The principal activities of its principal subsidiaries are set out in Note 37 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue by geographical areas of operations for the year ended 31 March 2020 is set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

Details of the business review of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 9 of this report. Description of the principal risks and uncertainties facing the Company can also be found throughout this report particularly in Note 36 to the consolidated financial statements.

The Group has reported its financial conditions in due compliance with procedures stipulated under the Listing Rules. For details of the financial risks, please refer to the section headed "Financial Review" in "Management Discussion and Analysis" set out on pages 7 to 9 of this report.

The key financial and business performance indicators of the Group included revenue, gross profit, profit attributable to equity holders of the Company, Shareholders' funds and debt to equity ratio. Details of these indicators are provided in "Financial Summary" and "Management Discussion and Analysis" and as set out on page 120 and pages 7 to 9 of this report respectively.

The future development in the Group's business has been set out in section headed "Chairman's Statement" on page 5 of this report.

RESULTS

The results of the Group for the year ended 31 March 2020 and the Group's financial position at that date are set out on pages 42 and 43.

The Board has resolved not to declare any final dividend for the year ended 31 March 2020 (for the year ended 31 March 2019: Nil).

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2020, represented by its special reserve and net of accumulated losses was HK$62,150,000 (2019: HK$91,637,000).

SHARE CAPITAL

Details of share capital of the Company during the year are set out in Note 27 to the consolidated financial statements.

DIVIDEND POLICY

The objective of the Company's dividend policy (the "**Dividend Policy**") is to allow shareholders of the Company (the "**Shareholders**") to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below:

- the Group's results of operations and cash flows;
- the Group's future prospects;
- general business conditions;
- the Group's capital requirements and surplus;
- contractual restrictions on the payment of dividends by the Company to its Shareholders or by subsidiaries to the Company;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

FIVE YEARS FINANCIAL SUMMARY

A summary of the Group's published results and the Group's assets and liabilities for the last five financial years is set on page 120 of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Zhi Hua *(Chairman)*
Mr. Lam Kai Yeung *(Chief Executive Officer)*
Mr. Situ Shilun *(Chief Operating Officer) (Appointed on 24 December 2019)*
Mr. Ma Jun *(Chief Operating Officer) (Resigned on 24 December 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Chau On Ta Yuen
Dr. Lam Lee G.
Mr. Chan Kin
Mr. Li Hui *(Resigned on 31 July 2019)*

DIRECTORS (continued)

In accordance with Bye-Law 108(A), each of Mr. Zhi Hua and Dr. Lam Lee G. will retire as Directors by rotation at the forthcoming annual general meeting ("**2020 AGM**"). Mr. Zhi Hua has informed the Board that he will not offer himself for re-election at the 2020 AGM as he would like to devote more time to pursue other business commitments, and accordingly, he will retire from office at the conclusion of the 2020 AGM. Dr. Lam Lee G, who is eligible, will offer himself for re-election as Directors at the 2020 AGM.

In accordance with Bye-Law 112, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and 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. Mr. Situ Shilun appointed by the Board as an addition to the existing Board shall hold office only until the 2020 AGM and shall retire and be eligible for re-election at the 2020 AGM.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the 2020 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, up to the date of this report, save as set below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Dr. Lam Lee G.

Save as disclosed on the interim report 2019/2020 of the Company, Dr. Lam was appointed as an independent non-executive director of Greenland Hong Kong Holdings Limited (Stock code: 0337) on 13 March 2020 and re-designated as a non-executive director of Mingfa Group (International) Company Limited (Stock Code: 0846) on 23 April 2020. He resigned as a non-executive director of China Shandong Hi-Speed Financial Group Limited (Stock Code: 0412) on 14 May 2020, whose shares are listed on the Stock Exchange.

CHANGE IN INFORMATION OF DIRECTORS (continued)

Mr. Chau On Ta Yuen
Mr. Chau has resigned as non-executive director of China Ocean Industry Group Limited (formerly known as China Ocean Shipbuilding Industry Group Limited) (Stock Code: 651) on 1 December 2019, which is listed on Main Board of the Stock Exchange.

Mr. Lam Kai Yeung
Mr. Lam retired as an independent non-executive director of Finsoft Financial Investment Holdings Limited (Stock code: 8018) on 24 June 2020, which is listed on GEM of the Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Except for the VIE arrangement disclosed in this report, which were disposed on 22 May 2019, no transactions, arrangements and contract of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Except for the VIE arrangement disclosed in this report, which were disposed on 22 May 2019, no other contract of significance, including contracts for the provision of services, had been entered into between the Company or any of its subsidiaries and the controlling Shareholders during the year ended 31 March 2020.

COMPETING BUSINESS INTERESTS OF DIRECTORS

For the year ended 31 March 2020, none of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Company.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the connected and related transactions undertaken in the ordinary course of business by the Group during the Reporting Period are set out in note 34 to the consolidated financial statements. Saved as disclosed therein, none of these related party transactions constitutes a connected transaction of the Group as defined in and required to be disclosed under Chapter 14A of the Listing Rules. The Group confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

TAX RELIEF AND EXEMPTION

During the year ended 31 March 2020, the Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and PRC while the Company itself is listed on the Stock Exchange.

To the best of our knowledge, during the year ended 31 March 2020, there was no material breach of or non-compliance by the Group with the applicable laws and regulations that have a significant impact on the business and operation of the Group.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Save as disclosed above, the Company considers all the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 10 to 13 of this report.

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

As at 31 March 2020, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of director	Capacity in which interests are held	Number of shares held and class of securities (Note 2)	Number of shares held under equity derivatives	Approximate percentage of shareholding (Note 1)
Mr. Zhi Hua	Interest of controlled corporation	322,409,404 (L) (Note 3)		49.15%
Mr. Lam Kai Yeung	Beneficial owner		5,192,000 (L) (Note 4)	0.79%

Notes:

1. The percentage has been calculated based on 655,927,000 Shares in issue as at 31 March 2020.

2. The letter "L" denotes the Directors' long position in the Shares.

3. These 322,409,404 shares are owned by Rosy Lane International Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Zhi Hua. Mr. Zhi Hua is deemed to be interested in such Shares held by Rosy Lane International Limited under the SFO.

4. It represents 5,192,000 share options granted on 16 January 2018 pursuant to the Share Option Scheme on 2 June 2010 and are exercisable at the price of HK$0.854 per share, and a ten years validity period from 16 January 2018.

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

Save as disclosed above in this report, as at 31 March 2020, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2020, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and the chief executive of the Company) had interests or short positions in the Shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of shares held and class of securities (Note 2)	Approximate percentage of shareholding (Note 1)
Rosy Lane International Limited	Beneficial owner	322,409,404 Shares (L) (Note 3)	49.15%
Mr. Ng Leung Ho	Beneficial owner	103,950,000 Shares (L) (Note 4)	15.85%
Mr. Ng Tsze Lun	Beneficial owner	50,173,000 Shares (L)	7.65%
Ms. Yau Yuk Chun Carole	Interest of spouse	50,173,000 Shares (L) (Note 5)	7.65%

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

Notes:

1. The percentage has been calculated based on 655,927,000 Shares in issue as at 31 March 2020.

2. The letter "L" denotes the individual's or the corporation's long position in the Shares.

3. Rosy Lane International Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Zhi Hua.

4. Apart from 103,950,000 Shares of the Company, there are also 322,326,500 Shares of the Company charged to Mr. Ng Leung Ho under a share charge as security for a loan from Bloom Dragon Finance Limited. Bloom Dragon Finance Limited is owned as to 50% by Mr. Ng Chi Lung and 50% by Good Fellow Group Limited. Good Fellow Group Limited is owned as to 99.99% by Hillbrow Securities Limited, which is wholly-owned by Mr. Ng Leung Ho.

5. Ms. Yau Yuk Chun Carole is the wife of Mr. Ng Tsze Lun. Under the SFO, Ms. Yau Yuk Chun Carole is deemed to be interested in the same number of shares in which Mr. Ng Tsze Lun is interested.

Save as disclosed above, as at 31 March 2020, there was no other person who was recorded in the register of the Company as having interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of members of the Group other than the Company, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010 which became effective upon the Company's shares were listed on the Stock Exchange on 5 October 2010. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants, including eligible Directors, eligible employees and any other eligible persons, for their contributions to the Group.

Subject to the terms and conditions of the Share Option Scheme, the total number of Shares Options which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall be re-set at 10% of the Shares in issue as at the date of the approval of the limit as "refreshed".

SHARE OPTION SCHEME (continued)

An aggregate number of shares granted on 16 January 2018 under the Share Option Scheme was 22,068,000 shares, representing approximately 3.36% of the issued share capital of the Company as at the date. The Company obtained a fresh approval from its Shareholders in an annual general meeting held on 28 September 2018. Details of the share options of the Company granted, exercised, lapsed and cancelled pursuant to the Share Option Scheme during the year ended 31 March 2020 were as follows:

					Number of shares issuable under the share options				
Name of Grantee	Date of grant	Exercise Price (HK$)	Exercise period	Vesting period	As at 1 April 2019	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 31 March 2020
Directors									
Mr. Lam Kai Yeung	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	5,192,000	–	–	–	5,192,000
Mr. Ma Jun (resigned on 24 December 2019)	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	1,000,000	–	–	1,000,000	–
Other participants in aggregate	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	15,876,000	–	–	300,000	15,576,000

Except for the lapsed 1,300,000 share options, none of the share options was granted, exercised, lapsed and cancelled under the Share Option Scheme throughout the year ended 31 March 2020 and as at the date of this report.

ARRANGEMENTS TO PURCHASE SHARES OF DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" above, at no time during the year was the Company, its holding company, nor any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and management of the Group are reviewed and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. Details of Share Option Scheme are set out in Note 29 to the consolidated financial statements.

KEY RELATIONSHIP WITH EMPLOYEES

The Group recognises the employees as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate on-the-job training and providing opportunities within the Group for career advancement.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company for the year ended 31 March 2020.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the five largest customers accounted for 97.59% of the total revenue of the Group and sales to the largest customer included therein accounted for approximately 45.05% of the total revenue of the Group.

During the Reporting Period, purchases from the five largest suppliers accounted for approximately 99.30% of the total purchases of the Group and purchases from the largest supplier included therein accounted for approximately 53.11%.

At no time during the year did a Director, an associate of a Director or a Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

CUSTOMERS

The Group is committed to offering high-quality services to customers. It values the opinions and feedback of all customers through various means and channels, including the usage of telephone, direct mail and after-sale return visit. This is to ensure that the Group is well aware of all customers' requirements or feedbacks on a timely basis and provides high quality services to its customers. In addition, the Group continues to proactively manage customer relations, expand its customer base and enhance customer loyalty.

SUPPLIERS

The Group establishes working relationships with suppliers to meet customers' needs in an effective and efficient manner. The Group's requirements and standards are well-communicated to suppliers before placing orders in order to ensure the deliverance of high-quality samples. All key suppliers have a close and long-term relationship with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float pursuant to the Listing Rules as at the date of this report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance and Bye-Law 191) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2020.

The Company had taken out and maintained appropriate corporate liability insurance coverage for the Directors and officers of the Company throughout the year ended 31 March 2020.

CORPORATE GOVERNANCE REPORT

The Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Further discussion on the Company's environmental principles and practices and its relationship with the respective stakeholders is set out in the Independent Environmental, Social and Governance Report, which will be uploaded to the Company's and the Stock Exchange's website and no later than three months after the publication of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental sustainability against modern ecological challenges. As a responsible corporate citizen, the Group has been actively taking steps to minimise the negative environmental impacts, reduce wastage and maximise energy efficiency which in turn provides a green and eco-friendly environment to the community. Green office practices such as double-sided printing and copying, promoting using recycled papers and reducing energy consumption by switching off idle lighting are encouraged in the operation of the Group's businesses. The Group will review its environmental practices from time to time and will consider implementing further practicable measures and practices to enhance environmental sustainability.

AUDITORS

On 31 August 2017, Pan-China (HK) CPA Limited ("**Pan-China**") was appointed as auditor of the Company to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu.

The Company appointed Elite Partners CPA Limited ("**Elite Partners**") as the new auditor of the Company with effect from 2 April 2020 to fill the casual vacancy following the resignation of Pan-China and to hold office until the conclusion of the next annual general meeting of the Company.

Save as disclosed above, the Company did not change its auditor in the past three years. The Consolidated Financial Statements of the Group for the year ended 31 March 2020 have been audited by Elite Partners, who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

OTHER DISCLOSURE

Change of the Company's website address

The Company's website address has been changed from "www.1682hk.com" to "www.hk01682.com" with effect from 31 December 2019.

By Order of the Board

Zhi Hua
Chairman

Hong Kong,
24 June 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions ("**Code Provisions**") under the Corporate Governance Code throughout the year ended 31 March 2020, except for the following deviations:

Code Provision A.6.7 which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Chau On Ta Yuen, an independent non-executive Director, was unable to attend the annual general meeting ("**AGM**") held on 30 September 2019.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2020 with the management and the external auditor of the Company and recommended its adoption by the Board.

Code Provision E.1.2 requires that the chairman of the board of the company should attend the annual general meeting. The chairman of the Board, Mr. Zhi Hua, was unable to attend 2019 AGM due to his other business engagements. Mr. Lam Kai Yeung, an executive Director, acted as the chairman of 2019 AGM in accordance with the Bye-Laws.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**"). Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2020.

BOARD OF DIRECTORS

The Board currently comprises six Directors, including three executive Directors, namely Mr. Zhi Hua (chairman), Mr. Lam Kai Yeung (chief executive officer) and Mr. Situ Shilun (chief operating officer); three independent non-executive Directors, namely Mr. Chau On Ta Yuen, Dr. Lam Lee G. and Mr. Chan Kin.

The relationship among members of the Board and biographical details of the Directors who are currently serving on the Board are set out on pages 10 to 13 of this annual report. To the best knowledge of the Company and save as disclosed under the section headed "Biographical Details of Directors and Senior Management" of this report and interests set out in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" of this report, there is no financial, business, family or other material or relevant relationship(s) among members of the Board.

All Directors are subject to retirement by rotation and if eligible, may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws.

CORPORATE GOVERNANCE REPORT

The Board collectively monitors performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to executive Directors and management of the Company in charge of the Group's business.

To implement the strategies and plans effectively, executive Directors and the management meet on a regular basis to review the performance of the business of the Group, co-ordinate overall resources and make financial and operational decisions.

BOARD MEETINGS

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors of the Board has full access to relevant information at the meetings. The Board has 7 meetings during the year ended 31 March 2020 and conducted the following activities at such regular meetings:

(a) approved the interim and final results, interim and annual report, and matters to be considered at the annual general meeting of the Company;

(b) discussed corporate strategies of the Group for the financial year ending 31 March 2021;

(c) reviewed the performance and financial position of the Group;

(d) reviewed, discussed and approved the matters in relation to the appointment of the Directors; and

(e) reviewed, discussed and approved the remuneration packages of the employees of the Group and Directors and bonus payment for the year ended 31 March 2020.

CORPORATE GOVERNANCE FUNCTIONS

Pursuant to the Board Committees' terms of reference, the Board shall keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The Board shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to effect a high standard of corporate governance practices in the Group. The duties of the Board and the Board Committees, as the case may be, shall include the following aspects:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous development of the Directors and the management;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to review and approve the annual corporate governance report and related disclosures in annual and interim reports of the Group and ensure compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Group (the "**Applicable Laws**");

(e) to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and in particular to monitor the implementation of the Group's plans to maintain a high level of compliance with its own risk management standard;

(f) to monitor if each of the Audit Committee, Remuneration Committee and Nomination Committee (or such other Board committee(s) from time to time established) has duly discharged their respective duties and obligations in accordance with their respective terms of reference, the Listing Rules and any Applicable Laws; and

(g) to review the Group's compliance with the Corporate Governance Code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual reports.

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman of the Board and the chief executive officer of the Company are separate and performed by Mr. Zhi Hua and Mr. Lam Kai Yeung respectively since 13 September 2017. The Board believes that such arrangement is in the best interest of the Company and the Shareholders as a whole.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a fixed term of three years. The term of each of the independent non-executive Directors shall be renewable automatically for a successive term of three years each commencing from the next day after the expiry of their then current term of appointment, subject to retirement by rotation and re-election at an annual general meeting pursuant to the Bye-Laws unless terminated by not less than one month notice in writing.

Save as disclosed in the section headed "Compliance with Laws and Regulations" on page 18 in the report, during the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual written confirmation of independence from all independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

BOARD COMMITTEES

The Board has established three Board Committees including the Nomination Committee, the Remuneration Committee and the Audit Committee. The Board has delegated some of its functions to the Board Committees, the details of which are discussed below.

NOMINATION COMMITTEE

The Nomination Committee currently comprises one executive Director, namely Mr. Zhi Hua (chairman) and three independent non-executive Directors, namely Mr. Chau On Ta Yuen, Dr. Lam Lee G and Mr. Chan Kin. It was established on 19 March 2012 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Nomination Committee can be found in the websites of the Stock Exchange and the Company.

The duties of the Nomination Committee are, but not limited to, to review, formulate and consider the nomination procedures as regards the appointment, reappointment and removal of Directors and to make recommendations to the Board regarding candidates to fill vacancies on the Board. No director takes part in any discussions and decisions about his own appointment.

Proposals for the appointment of a new director, if any, will be considered and reviewed by the Nomination Committee prior to recommending them to the Board for approval. All candidates to be selected and qualified to be members of the Board must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The Board will also seek legal advice on the requirements of Rule 3.13 of the Listing Rules prior to the appointment of any independent non-executive Director as appropriate.

2 meeting of the Nomination Committee were held during the financial year ended 31 March 2020 (with individual member's attendance as set out on page 32 of this report under the section of "Number of Meetings and Directors' Attendance"). The Nomination Committee conducted the following major work during the year ended 31 March 2020, amongst other things:

– reviewed the size, structure and the composition of the Board;

– reviewed the independence of independent non-executive Directors;

– made recommendations to the Board on the nomination of Directors for re-election at 2020 AGM; and

– made recommendation to the Board on appointment of Mr. Situ Shilun as Executive Director of the Company

DIRECTOR NOMINATION POLICY

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would review the implementation of the Board Diversity Policy in achieving the objectives set for the benefits of the Company. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

BOARD DIVERSITY POLICY

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. On 29 August 2013, the Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company aims to achieve diversity of its board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional and industry experience. The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption to ensure its continued effectiveness.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Chau On Ta Yuen (chairman), Dr. Lam Lee G. and Mr. Chan Kin and one executive Director, namely Mr. Zhi Hua. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Remuneration Committee can be found in the websites of the Stock Exchange and the Company.

The Remuneration Committee is primarily responsible for determining the Group's policy and structure for remuneration of Directors and senior management, assessing performance of executive Directors, approving the terms of executive Director's service contracts and making recommendations to the Board regarding the specific remuneration packages of individual Director and senior management of the Company. The remuneration of Directors will be determined by the Board with reference to the individual's experience duties and responsibilities with the Company, and the prevailing market conditions.

2 meetings of the Remuneration Committee were held during the financial year ended 31 March 2020 (with individual member's attendance as set out on page 32 of this report under the section of "Number of Meetings and Directors' Attendance") and conducted the following major work:

– made recommendation to the Board on remuneration package of Mr. Situ Shilun;

– reviewed the policy and structure for the remuneration of Directors and senior management;

– reviewed the appropriateness of appointment letter of a non-executive Director;

– reviewed the remuneration packages of employees of the Group and Directors; and

– reviewed the bonus payment to employees of the Group for the year ended 31 March 2020.

No Director took part in any discussions and decisions about his own remuneration during the year ended 31 March 2020.

Pursuant to Code Provision B.1.5, a company should disclose details of any remuneration payable to members of the senior management by band for the year ended 31 March 2020 in its annual report. Details of members of the senior management remuneration are provided in Note 34 to the consolidated financial statement.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Lam Lee G. (chairman), Mr. Chau On Ta Yuen and Mr. Chan Kin. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Audit Committee can be found in the websites of the Stock Exchange and the Company.

Save as disclosed in the section headed "Compliance with Laws and Regulations on page 18 in this report, during the Reporting Period, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a minimum of three independent non-executive Directors and at least one independent non-executive Director, the chairman of the Audit Committee, having appropriate professional accounting or financial management experience.

The Audit Committee provides an important link between the Board and the Company's external auditor in matters coming within the scope of the Group's audit. It also reviews the annual and interim results of the Company prior to recommending them to the Board for approval, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the year ended 31 March 2020, the Audit Committee has convened three meetings (with individual member's attendance as set out on page 32 of this report under the section of "Number of Meetings and Directors' Attendance") and conducted the following major work:

– reviewed the interim and annual reports of the Company together with the external auditor and management of the Company;

– reviewed the audit plans and findings of the external auditor of the Company as well as development in accounting standards and its effects on the Group;

– updated the terms of reference of audit committee of the Board of Directors of the Company;

– reviewed the effectiveness of the risk management and internal control system together with the external auditor of the Company; and

– made recommendations to the Board on the appointment and re-appointment of the external auditor.

There was no disagreement between the Board's and the Audit Committee's view on the selection, appointment and resignation of external auditor.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2020 with the management and the external auditor of the Company and recommended its adoption by the Board.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meetings (RCM), Nomination Committee Meetings (NCM), Special General Meeting (SGM) and Annual General Meeting (AGM) held for the year ended 31 March 2020 are set out below:

	Meetings attended/Eligible to attend For the year ended 31 March 2020					
	BM	ACM	RCM	NCM	SGM	AGM
Executive Directors						
Mr. Zhi Hua *(Chairman)*	3/7	N/A	1/2	1/2	0/1	0/1
Mr. Lam Kai Yeung *(Chief Executive Officer)*	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Situ Shilun *(Chief Operating Officer)* *(appointed on 24 December 2019)*	2/7	N/A	N/A	N/A	0/1	N/A
Mr. Ma Jun *(Chief Operating Officer)* *(resigned on 24 December 2019)*	2/7	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Chau On Ta Yuen	7/7	2/2	2/2	2/2	1/1	0/1
Dr. Lam Lee G.	7/7	2/2	2/2	2/2	1/1	1/1
Mr. Chan Kin	6/7	1/2	1/2	1/2	1/1	1/1
Mr. Li Hui *(resigned on 31 July 2019)*	1/7	1/2	N/A	N/A	N/A	1/1

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate corporate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a necessary induction and information to ensure that he has a proper understanding of the Company's business and operations. In addition, our external legal adviser conducts training for new Director(s) on the first occasion of his appointment, so that he is aware of Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by reading regulatory updates provided by the company secretary of the Company to refresh their knowledge in corporate governance matters, as follows:

	Reading materials
Executive Directors	
Mr. Zhi Hua *(Chairman)*	✓
Mr. Lam Kai Yeung *(Chief Executive Officer)*	✓
Mr. Situ Shilun *(Chief Operating Officer) (appointed on 24 December 2019)*	✓
Mr. Ma Jun *(Chief Operating Officer) (resigned on 24 December 2019)*	N/A
Independent Non-executive Directors	
Mr. Chau On Ta Yuen	✓
Dr. Lam Lee G.	✓
Mr. Chan Kin	✓
Mr. Li Hui *(resigned on 31 July 2019)*	N/A

AUDITOR'S REMUNERATION

During the Reporting Period, the nature of the audit and non-audit services provided by Elite Partners and the relevant fee paid by the Company for such services are HK$530,000.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROLS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2020, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for overseeing and ensuring that a sound and effective internal control system is maintained within the Group in order to safeguard the Group's assets and the interests of the Shareholders. The management reviews and evaluates the control process and monitors any risk factors on a regular basis, and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

During the Reporting Period, the Board conducted an annual review of the effectiveness of the Group's internal control system. The Board is satisfied that the existing internal control system of the Group is effective and adequate for its present requirement.

COMPANY SECRETARY

The Company Secretary, Mr. Lam Kai Yeung, met the requirements on professional training under the Rule 3.29 of the Listing Rules during the financial year ended 31 March 2020.

SHAREHOLDERS' RIGHTS

CONVENING A SPECIAL GENERAL MEETING ON REQUISITION

1.1 Shareholders have the right to call for a special general meeting on requisition in the manner prescribed by and set out in the Bye-Laws and the Companies Act.

1.2 Bye-Law 65 provides that "The Directors may, whenever they think fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists."

1.3 Pursuant to section 74 of the Companies Act, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**General Meeting Requisitionists**") may by written requisition (the "**General Meeting Requisition**") to the Board or the secretary of the Company (the "**Company Secretary**"), require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

1.4 The General Meeting Requisition must state the purpose of the meeting, and must be signed by the General Meeting Requisitionists; the General Meeting Requisition may consist of several documents in like form each signed by one or more General Meeting Requisitionists.

1.5 The General Meeting Requisition shall be deposited at the registered office of the Company at *Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda* and copied to the head office and principal place of business of the Company at *Room 303,3/F, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, HK* and marked for the attention of the Board or the Company Secretary.

1.6 If the Board fails to proceed to convene such meeting within 21 days from the date of the deposit of General Meeting Requisition as set out in the paragraph 1.2 above, the General Meeting Requisitionists, or any of them representing more than one half of their total voting rights, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the General Meeting Requisition.

1.7 Any reasonable expenses incurred by the General Meeting Requisitionists by reason of the failure of the directors of the Company to duly convene a meeting shall be repaid to the General Meeting Requisitionists by the Company.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Secretaries Limited

Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2861 1465

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Address:	Room 303,3/F, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, HK
Email:	hk1682@163.com
Tel:	(852) 2111 9823
Fax:	(852) 2111 0793
Attention:	Board of Directors/Company Secretary

Shareholders are encouraged to make enquiries via the online enquiry form available on the Company's website at www.hk01682.com.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETING

1. Subject to paragraph 2 below, pursuant to in sections 79 and 80 of the Companies Act, Resolution Requisitionists (as defined in paragraph 2 below) may, by requisition in writing (the "**Resolution Requisition**"), request the Company to give to or circulate to (as the case may be) the Shareholders (i) notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company (the "**Forthcoming AGM**") (and such notice shall be given to Shareholders who are entitled to receive notice of the Forthcoming AGM); or (ii) any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting (and such notice shall be circulated to members entitled to have notice of any general meeting sent to them), at the expense of the Resolution Requisitionists.

2. "Resolution Requisitionists" means Shareholders making a requisition under paragraph 1 above and shall constitute either:

   (a) any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

   (b) not less than one hundred Shareholders.

3. A copy of the Resolution Requisition signed by the Resolution Requisitionists with their detailed contact information, or two or more copies containing the signatures of all the Resolution Requisitionists, shall be deposited at the registered office and copied to the head office and principal place of business of the Company at their respective address specified in above headed "convening a special general meeting on requisition":

   (a) in the case of Resolution Requisition requiring notice of a resolution, not less than six weeks before the Forthcoming AGM; and

   (b) in the case of any other requisition, not less than one week before the general meeting.

4. Resolution Requisitionists shall deposit or tender with the Resolution Requisition a sum reasonably sufficient to meet the Company's expenses in giving notice of any resolution or to circulate any statement as provided under the Companies Act.

CONSTITUTIONAL DOCUMENT

There was no change in the Company's constitutional documents during the year ended 31 March 2020.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS OF HANG PIN LIVING TECHNOLOGY COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Hang Pin Living Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 118, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
Refer to note 17 to the consolidated financial statements. The Group has trade receivables, net of allowance for credit losses recognised, of approximately HK$54,118,000. Management judgment is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made. In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition which may require management judgment.	Our audit procedures in relation to the management's impairment assessment of trade receivables including but not limited to: • Discussing the Group's procedures on credit period given to customers with the management; • Checking, on a sample basis, the aging profile of the trade receivables as at 31 March 2020 to the underlying financial records and post year-end settlements; • Inquiring of management for the status of each of the material trade receivables past due as at 31 March 2020 and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We consider the management conclusion to be consistent with the available information.

OTHER INFORMATION

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

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

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

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

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate number P05898.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road,
Tsim Sha Tsui, Kowloon
Hong Kong
24 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	5	**122,097**	185,668
Cost of sales		**(117,339)**	(162,751)
Gross profit		**4,758**	22,917
Other income	7	**4,945**	5,463
Net foreign exchange loss		**(3,493)**	(1,212)
Selling and distribution costs		**(965)**	(7,606)
Administrative and operating expenses		**(24,985)**	(17,564)
Impairment loss recognised in respect of financial assets under expected credit loss model, net of reversal	10	**(4,118)**	(835)
Finance costs	8	**(51)**	(23)
(Loss)/profit before tax		**(23,909)**	1,140
Income tax expense	9	**(93)**	(664)
(Loss)/profit for the year attributable to owners of the Company	10	**(24,002)**	476
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(245)**	(2,422)
Reclassification adjustments relating to foreign operations disposed of during the year		**1,501**	3
Other comprehensive income/(expense) for the year		**1,256**	(2,419)
Total comprehensive expense for the year attributable to owners of the Company		**(22,746)**	(1,943)
(Loss)/earnings per share	12		
Basic and diluted (HK cents)		**(3.66)**	0.07

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	13	10,850	7,042
Right-of-use assets	14	14,302	–
Goodwill	15	–	1,606
Amount due from a former subsidiary	20	3,972	–
		29,124	8,648
CURRENT ASSETS			
Inventories	16	–	524
Trade receivables	17	54,118	4,648
Short-term loan and loan interest receivables	18	–	65,024
Deposits, prepayment and other receivables	19	741	45,224
Amounts due from former subsidiaries	20	–	8,372
Financial asset at fair value through profit or loss	21	6,017	–
Cash and cash equivalents	22	21,736	3,705
		82,612	127,497
CURRENT LIABILITIES			
Trade payables	23	14,151	5,210
Other payables, accruals and contract liabilities	24	837	12,722
Tax payables		1,200	1,303
Lease liabilities	25	654	–
Obligation under finance lease	26	–	112
		16,842	19,347
NET CURRENT ASSETS		65,770	108,150
TOTAL ASSETS LESS CURRENT LIABILITIES		94,894	116,798
NON-CURRENT LIABILITIES			
Lease liabilities	25	239	–
Obligation under finance lease	26	–	253
		239	253
NET ASSETS		94,655	116,545
CAPITAL AND RESERVES			
Share capital		6,559	6,559
Reserves	27	88,096	109,986
TOTAL EQUITY		94,655	116,545

The consolidated financial statements were approved and authorised for issue by the Board of Directors (the "Board") on 24 June 2020 and are signed on its behalf by:

Zhi Hua
Director

Lam Kai Yeung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note i)	Share option reserve HK$'000 (Note ii)	Foreign currency translation reserve HK$'000 (Note iii)	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2018 (originally stated)	6,559	101,350	18,787	185	1,026	(10,107)	117,800
Effect on initial application of HKFRS 9	–	–	–	–	–	(185)	(185)
As at 1 April 2018 (restated)	6,559	101,350	18,787	185	1,026	(10,292)	117,615
Recognition of equity-settled share-based payments	–	–	–	873	–	–	873
Profit for the year	–	–	–	–	–	476	476
Other comprehensive (expense)/income							
– Exchange differences arising on translation of foreign operations	–	–	–	–	(2,422)	–	(2,422)
– Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	3	–	3
Total comprehensive (expense)/income for the year	–	–	–	–	(2,419)	476	(1,943)
As at 31 March 2019	6,559	101,350	18,787	1,058	(1,393)	(9,816)	116,545
Recognition of equity-settled share-based payments	–	–	–	856	–	–	856
Lapsed of share options	–	–	–	(103)	–	103	–
Loss for the year	–	–	–	–	–	(24,002)	(24,002)
Other comprehensive expense							
– Exchange differences arising on translation of foreign operations	–	–	–	–	(245)	–	(245)
– Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	1,501	–	1,501
Total comprehensive income/(expense) for the year	–	–	–	–	1,256	(24,002)	(22,746)
As at 31 March 2020	**6,559**	**101,350**	**18,787**	**1,811**	**(137)**	**(33,715)**	**94,655**

Notes:

(i) The special reserve represents (a) the reserve arising from a previous group reorganisation; and (b) cancellation of share premium, less special dividend in prior years.

(ii) Share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised in other operating expenses with a corresponding increase in the share option reserve.

(iii) Foreign currency translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar ("HK$")) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the date of disposal.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss/(profit) before tax	(23,909)	1,140
Adjustments for:		
Interest income	(194)	(44)
Depreciation of plant and equipment	439	853
Depreciation of right-of-use assets	823	–
Gain arising on change in fair value of financial assets at fair value through profit or loss	(143)	–
Loss on disposal of plant and equipment	447	–
Equity-settled share-based payment expense	856	873
Impairment loss recognised in respect of financial assets under expected credit loss model, net of reversal	4,118	835
Finance costs	51	23
Gain on disposal of subsidiaries	(4,608)	(4,885)
Operating cash flows before movements in working capital	(22,120)	(1,205)
Decrease in inventories	13	118,536
(Increase)/decease in trade receivables	(53,853)	28,681
Decrease/(increase) in short-term loan and loan interest receivables	62,627	(57,197)
Decease/(increase) in deposits, prepayment and other receivables	42,243	(19,362)
Decease in amounts due from former subsidiaries	251	80
Increase/(decease) in trade payables	15,616	(139,804)
Increase in other payables, accruals and contract liabilities	420	8,432
Cash generated from/(used in) operations	45,197	(61,839)
Income tax paid	(93)	(321)
Net cash generated from/(used in) operating activities	45,104	(62,160)
INVESTING ACTIVITIES		
Interest received	194	44
Purchase of plant and equipment	(11,063)	(121)
Purchase of financial asset at fair value through profit or loss	(5,874)	–
Payments of right-of-use assets	(14,000)	–
Net cash outflow from acquisition of subsidiaries	–	(7,320)
Net cash inflow/(outflow) from disposal of subsidiaries	6,105	(79)
Net cash used in investing activities	(24,638)	(7,476)
FINANCING ACTIVITIES		
Interest paid	(51)	(23)
Repayment of lease liabilities	(486)	–
Net proceeds from issuance of shares	–	(115)
Net cash used in financing activities	(537)	(138)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19,929	(69,774)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	3,705	76,146
Effect of foreign exchange rate changes	(1,898)	(2,667)
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD		
Representing by cash and cash equivalents	21,736	3,705

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Rosy Lane International Limited is the controlling shareholder of the Company, a company incorporated in the British Virgin Islands (the "BVI") with limited liability, which is ultimate controlled by Mr. Zhi Hua, the director. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at Room 303, 3/F., Hing Yip Commercial Centre, No. 272-284 Des Voeux Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are garment sourcing and provision of financial services.

The consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$000) except otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning from 1 April 2019. A summary of the new and revised HKFRSs application by the Group is set out as follows:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

	As at 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	4,357
Less: Recognition exemption-short-term leases *(note i)*	(4,357)
Add: Obligation under finance lease *(note ii)*	365
Lease liabilities as at 1 April 2019	365
Analysed as:	
Current	112
Non-current	253
	365

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets HK$'000
Amount included in plant and equipment under HKAS 17 – Asset previously under finance lease *(note ii)*	461
	461
By class:	
Motor vehicle	461

Notes:

(i) On 30 June 2019, the Group entered into a termination agreement with landlord to terminate the remaining non-cancellable rent period without any penalty was charged, thus classified as short-term leases.

(ii) In relation to asset previously under finance leases, the Group recategorised the carrying amount of the relevant asset which were still under lease as at 1 April 2019 amounting to approximately HK$461,000 as right-of-use assets. In addition, the Group reclassified the obligation under finance lease of HK$112,000 and HK$253,000 as current and non-current liabilities respectively as at 1 April 2019.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

Transition to HKFRS 16 does not have impact on accumulated losses as at 1 April 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previous report as at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 as at 1 April 2019 HK$'000
Non-current assets			
Plant and equipment	7,042	(461)	6,581
Right-of-use assets	–	461	461
Current liabilities			
Lease liabilities	–	112	112
Obligation under finance lease	112	(112)	–
Non-current liabilities			
Lease liabilities	–	253	253
Obligation under finance lease	253	(253)	–

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19 Related Rent Concessions[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for annual periods beginning on or after 1 June 2020.

5 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and revised HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards,* will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based payment*, leasing transactions that are in accordance with HKFRS 16 (Since 1 April 2019) or HKAS 17 (before application of HKFRS 16) and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Accounting subsidiaries as a result of contractual arrangements

Owing to the foreign ownership restrictions in an entity providing value-added telecommunications services under the People's Republic of China (the "PRC") laws and regulations, the Group entered into the peer-to-peer ("P2P") financing industry through Hangzhou Huazhiying Investment Management Co., Ltd.* 杭州華之贏投資管理有限公司 ("杭州華之贏"), a limited liability company established in the PRC. 杭州華之贏 operates an online platform in provision of information services including information gathering, information publication, credit assessment, information exchange and lender-borrower matching for both lenders and borrowers to facilitate P2P loans. The registered shareholders of 杭州華之贏 are Zhis Holding Group Co., Ltd*. (支氏控股集團有限公司) ("Zhis") and Ms. Yu Xiaoling ("Ms. Yu"), the spouse of Mr. Zhi Hua, the executive director.

Linglong (Hangzhou) Asset Management Co., Ltd*. (玲隆(杭州)資產管理有限公司) ("Linglong (Hangzhou)"), an indirect wholly-owned subsidiary of the Company, 杭州華之贏 and its registered owners entered into a series of contractual arrangements (the "Contractual Arrangements") on 4 October 2018, which enable Linglong (Hangzhou) and the Group to:

– exercise effective financial and operational control over 杭州華之贏;

– exercise all owners' voting rights of 杭州華之贏;

– receive the economic interest returns in terms of service fee generated by 杭州華之贏 in consideration for the technical support and consulting services provided by Linglong (Hangzhou);

– obtain an irrevocable and exclusive right to purchase all or part of equity interests in 杭州華之贏 from the respective owners at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of 杭州華之贏 at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Linglong (Hangzhou) may exercise such purchase right at any time until it has acquired all equity interests and/or all assets of 杭州華之贏; and

* *for identification purpose only*

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Accounting subsidiaries as a result of contractual arrangements (continued)

– obtain a pledge over the entire equity interest of 杭州華之贏 from their respective owners as collateral security for all of 杭州華之贏's payments due to Linglong (Hangzhou) and to secure performance of respective owners and 杭州華之贏's obligations under the Contractual Arrangements.

The details of the Contractual Arrangements were disclosed in the announcement and circular dated 4 October 2018 and 20 November 2018 respectively.

The Group does not hold any equity interest in 杭州華之贏. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with 杭州華之贏 and has the ability to affect those returns through its power over 杭州華之贏 and is considered to control 杭州華之贏. Consequently, the Company regards 杭州華之贏 as an indirect wholly owned subsidiary for accounting purpose.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over 杭州華之贏 and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of 杭州華之贏. The directors, based on the advice of its legal advisor, consider that the Contractual Arrangements among Linglong (Hangzhou), 杭州華之贏 and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations (continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as gain on bargain purchase.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (the "CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(d) Revenue from contracts with customers

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue from contracts with customers (continued)

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

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

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue from sourcing of garment products

Revenue from sourcing of garment products is recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. The normal credit term is ranging from 30 to 150 days upon delivery.

Financial service income

Financial service income is recognised on a success basis, i.e. when the relevant application for loan has been successfully approved and granted through the online platform operated by the Group. The Group act as agent in financial service and entitled service fee in accordance with the percentage stated in the contract. The service income will be received by the Group within 1 month after the successful drawdown date of the loan.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative standalone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received; and

– any initial direct costs incurred by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities (continued)

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as lessee (prior to 1 April 2019)

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

Asset held under finance lease is recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

(f) Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(g) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the People's Republic of China (the "PRC") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Short-term and other long-term employee benefits

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

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

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

(i) Share based payment transactions

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to supplier/customers

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Taxation (continued)

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss.

(k) Plant and equipment

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

The cost of an asset 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 the 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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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

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

(l) Impairment on plant and equipment and rights-of-use assets other than goodwill

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

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment on plant and equipment and rights-of-use assets other than goodwill (continued)

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

(m) Inventories

Inventories representing finished goods for resale are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out (FIFO) basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, short-term loan and loan interest receivables, deposits, other receivables, amounts due from former subsidiaries and cash and cash equivalents which are subject to impairment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals, lease liabilities and obligation under finance lease) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

(o) Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank or at financial institution and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of bank balances and cash as defined above.

(p) Borrowings costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

(s) Related parties

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

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of key management personnel of the Group or a parent of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties (continued)

(ii) An entity is related to the Group if any of the following conditions applies:

(1) the entity and the Group are the members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associate or joint venture of another entity (or of an associate or joint venture of a member of a group of which the other entity is a member);

(3) both entities are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i);

(7) a person is identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity); or

(8) the entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party regardless of whether a price is charged.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to the commission income from financial services. When the Group satisfies the performance obligation, the Group recognises a commission revenue in the amount it expects to be entitled as specified in the contracts.

During the year ended 31 March 2020, the Group recognised revenue relating to financial services income amounted to approximately HK$2,316,000 (2019: HK$10,998,000).

Principal versus agent consideration (principal)

The Group engages in sourcing of garment products. The Group concluded that the Group acts as the principal for such transactions as it controls the specified goods before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the garment products. The Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises sourcing income in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 March 2020, the Group recognised revenue relating to sourcing of garment products amounted to approximately HK$119,216,000 (2019: HK$171,179,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Accounting for companies governed under contractual arrangements as subsidiaries

The Group do not hold any equity interests in 杭州華之贏. Nevertheless, under the contractual agreements entered into between the Group and the shareholders who are the registered owners of 杭州華之贏, the directors determine that the Group has the power to govern the financial and operating policies of those subsidiaries so as to obtain benefits from their activities. As such, those subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

The Group's revenue generated from 杭州華之贏 which are controlled by the Group through the contractual agreements described above amounted to approximately HK$2,316,000 (2019: HK$9,144,000) for the year ended 31 March 2020. As at 31 March 2019, total assets and total liabilities of 杭州華之贏 amounted to approximately HK$6,667,000 and HK$2,411,000, respectively.

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Goodwill is reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of the CGU is the greater of the fair value less costs of disposal and value in use. An estimation of the value in use of the CGU involves estimating the future cash flows expected to arise from its continuing use and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the CGU.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Estimated impairment of financial assets at amortised cost

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

5. REVENUE

Disaggregation of the Group's revenue from contracts with customers for the year by major products or service line and reconciliation of total revenue is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from sourcing of garment products	**119,216**	171,179
Financial service income	**2,316**	10,998
Revenue from contracts with customers	**121,532**	182,177
Interest income from loan receivables	**565**	3,491
Total revenue	**122,097**	185,668

All of the revenue from contracts with customers is recognised at a point in time for both years.

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contract for sourcing of garment products and financial services such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for sourcing of garment products and financial services that had an original expected duration of one year or less.

6. SEGMENT INFORMATION

Information reported internally to the directors (chief operating decision maker (the "CODM")) for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

- garment sourcing
- provision of financial service

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Segment revenues reported below represents revenue generated from external customers. There were no inter-segment sales for both years.

Segment result represents the loss incurred by each segment without allocation of corporate income and central administration expenses including directors' emoluments, equity-settled share-based payment expense and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 March 2020

	Garment sourcing HK$'000	Provision of financial service HK$'000	Total HK$'000
Revenue	119,216	2,881	122,097
Segment results	(6,574)	(937)	(7,511)
Unallocated other income			5,050
Unallocated administrative and other expenses			(21,397)
Finance costs			(51)
Loss before tax			(23,909)

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 March 2019

	Garment sourcing HK$'000	Provision of financial service HK$'000	Total HK$'000
Revenue	171,179	14,489	185,668
Segment results	(513)	(882)	(1,395)
Unallocated other income			5,023
Unallocated administrative and other expenses			(2,465)
Finance costs			(23)
Profit before tax			1,140

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 March 2020

	Garment sourcing HK$'000	**Provision of financial service HK$'000**	**Total HK$'000**
Segment assets	**80,138**	**–**	**80,138**
Unallocated corporate assets			**31,598**
Consolidated assets			**111,736**
Segment liabilities	**14,165**	**–**	**14,165**
Unallocated corporate liabilities			**2,916**
Consolidated liabilities			**17,081**

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

As at 31 March 2019

	Garment sourcing HK$'000	Provision of financial service HK$'000	Total HK$'000
Segment assets	65,928	58,032	123,960
Unallocated corporate assets			12,185
Consolidated assets			136,145
Segment liabilities	16,111	2,940	19,051
Unallocated corporate liabilities			549
Consolidated liabilities			19,600

For the purpose of monitoring resource allocation and assessment of segment performance:

- all assets are allocated to reportable segments other than unallocated corporate assets (mainly comprising of certain plant and equipment, certain right-of-use assets, financial asset at fair value through profit or loss, amounts due from former subsidiaries, certain deposits, prepayment and other receivables and cash and cash equivalents); and

- all liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly comprising of certain accruals and other payables, tax payables, lease liabilities and obligation under finance lease).

Geographical information

The Group's revenue from external customers is mainly derived from its operations in the PRC and non-current assets of the Group are mainly located in the PRC.

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Garment sourcing		Provision of financial service		Unallocated		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment results or segment assets:								
Depreciation of plant and equipment	**212**	34	**128**	360	**99**	459	**439**	853
Depreciation of right-of-use assets	**341**	–	**–**	–	**482**	–	**823**	–
Impairment loss recognised in respect of financial assets under expected credit loss model, net of reversal	**114**	435	**(145)**	358	**4,149**	42	**4,118**	835
Loss on disposal of plant and equipment	**–**	–	**–**	–	**447**	–	**447**	–
Additions to non-current assets *(note)*	**24,650**	121	**63**	7,677	**1,014**	–	**25,727**	7,798
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:								
Bank interest income	**1**	38	**4**	5	**189**	1	**194**	44
Finance costs	**–**	–	**–**	–	**51**	23	**51**	23

Note: Non-current assets excluded amount due from a former subsidiary.

Information about major customers

Revenue from customers contributing to over 10% of the Group's total revenue are as follows:

	2020	2019
	HK$'000	HK$'000
Sourcing of garment products:		
Customer A	**39,560**	41,434
Customer B	**55,002**	38,519
Customer C	**22,653**	–

Except disclosed above, no other customer contributed 10% or more to the Group's revenue for both years.

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Bank interest income	194	44
Rental income	–	28
Gain on disposal of subsidiaries	4,608	4,885
Gain arising on change in fair value of financial assets at fair value through profit or loss	143	–
Sundry income	–	506
	4,945	5,463

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expenses on:		
– lease liabilities	51	–
– obligation under finance lease	–	23
	51	23

9. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax		
– Current year	93	46
PRC Enterprise Income Tax ("EIT")		
– Current year	–	618
	93	664

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

No provision for PRC Enterprise Income Tax has been made for the year ended 31 March 2020 as the Group has no assessable profit arising in PRC.

9. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
(Loss)/profit before tax	(23,909)	1,140
Tax at Hong Kong Profits Tax rate of 16.5%	(3,945)	188
Effect of different tax rates of subsidiaries operating in other jurisdictions	(862)	313
Tax effect of expenses not deductible for tax purpose	3,636	–
Tax effect of income not taxable for tax purpose	(870)	(350)
Tax effect of temporary difference not recognised	–	(69)
Tax effect of tax losses not recognised	2,455	582
Utilisation of tax losses previously not recognised	(321)	–
Income tax expenses for the year	93	664

At the end of the reporting period, the Group had unused tax losses of approximately HK$51,773,000 (2019: HK$38,840,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unrecognised tax losses can be carried forward indefinitely.

10. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020 HK$'000	2019 HK$'000
(Loss)/profit for the year attributable to owners of the Company has been arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	530	530
– non-audit services	–	88
	530	618
Cost of inventories sold	116,590	162,118
Directors' remuneration *(Note i)*	10,052	2,624
Other staff costs		
– salaries and wages	3,491	4,878
– retirement benefit scheme contributions	402	447
– staff welfare	–	3
– equity-settled share-based payment expense	6	12
Total staff costs	13,951	7,964
Depreciation of plant and equipment	439	853
Depreciation of right-of-use assets	823	–
Sampling expenses (included in selling and distribution costs)	–	39
Loss on disposal of plant and equipment	447	–
Impairment loss recognised/(reversed) on:		
– trade receivables	397	(11)
– short-term loan and loan interest receivables	(175)	535
– other receivables	(253)	269
– amounts due from former subsidiaries	4,149	42
	4,118	835
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	768	–
Operating lease rental relating to short-term lease and low-value lease upon application of HKFRS 16	12	–
Minimum lease payments in respect of operating lease for premises	–	3,210
Equity-settled share-based payment expense to customers/supplier	596	616

10. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

Notes:

(i) Directors' and chief executive officer's remuneration

The emoluments paid or payable to each of the 8 (2019: 8) directors and the chief executive officer were as follows:

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total 2020 HK$'000
EXECUTIVE DIRECTORS					
Zhi Hua (Chairman)	19	7,350	–	1	7,370
Lam Kai Yeung (Chief Executive Officer)	1,857	–	223	18	2,098
Situ Shilun *(appointed on 24 December 2019)*	97	–	–	–	97
Ma Jun *(resigned on 24 December 2019)*	–	–	31	–	31
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Chau On Ta Yuen	144	–	–	–	144
Lam Lee G.	144	–	–	–	144
Chan Kin *(re-designated from non-executive director on 25 February 2019)*	120	–	–	–	120
Li Hui *(resigned on 31 July 2019)*	48	–	–	–	48
Total	2,429	7,350	254	19	10,052

10. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

Notes: (continued)

(i) Directors' and chief executive officer's remuneration (continued)

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total 2019 HK$'000
EXECUTIVE DIRECTORS					
Zhi Hua (Chairman)	240	–	–	1	241
Lam Kai Yeung (Chief Executive Officer)	1,568	–	205	18	1,791
Ma Jun *(resigned on 24 December 2019)*	–	–	40	–	40
NON-EXECUTIVE DIRECTORS					
Chan Kin *(re-designated to independent non-executive director on 25 February 2019)*	109	–	–	–	109
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Li Hui *(resigned on 31 July 2019)*	144	–	–	–	144
Chau On Ta Yuen	144	–	–	–	144
Lam Lee G.	144	–	–	–	144
Chan Kin *(re-designated from non-executive directors on 25 February 2019)*	11	–	–	–	11
Total	2,360	–	245	19	2,624

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The emoluments for non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

Mr. Lam Kai Yeung is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

No emoluments were paid by the Group to the directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or chief executive waived or agreed to waive any emoluments in both years.

Except for disclosed in note 34 to the consolidated financial statements, no other transactions, arrangements and contracts in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

Notes: (continued)

(ii) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group for the year ended 31 March 2020, two (2019: two) of them are directors whose emoluments are included in note 9(i)(a).

The remuneration of the remaining three (2019: three) individuals for the year ended 31 March 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	1,119	1,064
Retirement benefit schemes contributions	49	23
	1,168	1,087

The emoluments of each of the above individuals did not exceed HK$1,000,000 for both years.

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

11. DIVIDEND

No final/interim dividend was paid or proposed for the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(24,002)	476

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	655,927	655,927

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic (loss)/earnings per share calculation, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted (loss)/earnings per share for both years.

13. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost:					
As at 1 April 2018	2,434	2,214	258	615	5,521
Additions	121	–	–	–	121
Acquisition of a subsidiary	–	5,626	445	–	6,071
Exchange alignment	(4)	183	14	–	193
As at 31 March 2019	2,551	8,023	717	615	11,906
Adjustment upon application of HKFRS 16 *(note 2)*	–	–	–	(615)	(615)
As at 1 April 2019 (restated)	2,551	8,023	717	–	11,291
Additions	–	–	11,063	–	11,063
Disposal of subsidiary *(note 31)*	(119)	(5,644)	(509)	–	(6,272)
Disposal	(2,376)	(2,214)	–	–	(4,590)
Exchange alignment	(8)	(165)	(13)	–	(186)
As at 31 March 2020	48	–	11,258	–	11,306
Accumulated depreciation and impairment:					
As at 1 April 2018	2,381	1,321	258	61	4,021
Charged for the year	43	557	160	93	853
Exchange alignment	(1)	(5)	(4)	–	(10)
As at 31 March 2019	2,423	1,873	414	154	4,864
Adjustment upon application of HKFRS 16 *(note 2)*	–	–	–	(154)	(154)
As at 1 April 2019 (restated)	2,423	1,873	414	–	4,710
Charged for the year	48	168	223	–	439
Eliminated upon disposal of subsidiaries *(note 31)*	(69)	(266)	(200)	–	(535)
Eliminated upon disposal	(2,376)	(1,767)	–	–	(4,143)
Exchange alignment	(2)	(8)	(5)	–	(15)
As at 31 March 2020	24	–	432	–	456
Carrying amounts:					
As at 31 March 2020	24	–	10,826	–	10,850
As at 31 March 2019	128	6,150	303	461	7,042

13. PLANT AND EQUIPMENT (CONTINUED)

Upon application of HKFRS 16 on 1 April 2019, the Group has reclassified motor vehicle held under finance lease to right-of-use assets.

As at 31 March 2019, the carrying amount of motor vehicle was charged by the lessor to secure obligation under finance lease (note 26 to the consolidated financial statements).

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

Furniture, fixtures and equipment	15% – 25%
Leasehold improvements	Over 5 to 10 years or the term of the relevant leases, if shorter
Plant and machinery	10% – 20%
Motor vehicle	10%

14. RIGHT-OF-USE ASSETS

	Motor vehicle HK$'000	Leased properties HK$'000	Total HK$'000
Carrying amounts as at 1 April 2019	461	–	461
Additions to right-of-use assets	–	15,014	15,014
Lease modification	–	(350)	(350)
Depreciation charge for the year	(92)	(731)	(823)
Carrying amounts as at 31 March 2020	369	13,933	14,302
Total cash outflow for leases			15,317

The Group leases various offices, factory and motor vehicle for its operations. Lease contracts are entered into for fixed term ranging from 2 years to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease of motor vehicle was accounted for as finance lease during the year ended 31 March 2019 and carried interest at 2.25%.

In addition, lease liabilities of HK$242,000 are recognised with motor vehicle of HK$369,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in motor vehicle that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15. GOODWILL

	2020 HK$'000	2019 HK$'000
Recognised on acquisition of a subsidiary	–	1,606

Goodwill associated with the CGU of P2P financial business arose on the acquisition of 杭州華之贏 on 4 October 2018.

During the year ended 31 March 2020, the Group derecognised goodwill associated with the CGU of P2P financial business through completion to dispose the interest in 杭州華之贏. Details of disposal are set out in note 31.

As at 31 March 2019, the recoverable amount of the CGU has been determined based on a value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows beyond that five-year period have been extrapolated using a steady 10% per annum growth rate. The discount rate applied to the cash flow projections is 25%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The followings are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the budgeted gross margins is based on the past performance and management's expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

As the recoverable amount of CGU of P2P financial business was higher than carrying amount, management of the Company determines no impairment loss was require to make in respect of goodwill associate with P2P financial business. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount of CGU of P2P financial business.

16. INVENTORIES

	2020 HK$'000	2019 HK$'000
Finished goods	–	524

17. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables arising from contracts with customers	54,118	4,776
Less: Allowance for credit losses	–	(128)
	54,118	4,648

17. TRADE RECEIVABLES (CONTINUED)

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$36,961,000.

As at 31 March 2020, the Group's trade receivables denominated in United States Dollar ("US$") (2019: Renminbi ("RMB")).

The Group normally grants credit terms to its customers ranging from 30 to 150 days. The aging analysis of the trade receivables (net of allowance for credit losses) based on invoice date which approximates the respective revenue recognition dates were as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	23,871	3,304
31 – 60 days	14,433	–
61 – 90 days	15,814	–
91 – 120 days	–	–
Over 120 days	–	1,344
	54,118	4,648

The following table shows the movement in lifetime ECL (not credit-impaired) that has been recognised under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 April 2018	–
Adjustment upon application of HKFRS 9	143
Impairment loss recognised	132
Impairment loss reversed	(143)
Exchange alignment	(4)
As at 31 March 2019 and as at 1 April 2019	128
Impairment loss recognised	397
Disposal of subsidiaries	(488)
Exchange alignment	(37)
As at 31 March 2020	–

Details of impairment assessment are set out in note 36.

18. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

	2020 HK$'000	2019 HK$'000
Short-term loan and loan interest receivables (current not past due)		
– Principal	–	64,260
– Interest	–	1,173
Less: Allowance for credit losses	–	(409)
	–	65,024

As at 31 March 2019, the Group had loan receivables as follows:

Secured loans:

(i) Loan to an individual who is an independent third party with outstanding principal amount of HK$7,000,000. The loan was unsecured, interest-bearing at 18% per annum and repayable in March 2020, guaranteed by an independent third party and secured by mortgages over two residential properties in Hangzhou, the PRC.

(ii) Loan to a PRC company, which is an independent third party with outstanding principal amount of RMB13,000,000 (equivalent to HK$15,205,000). The loan was interest-bearing at 5% per annum and repayable in October 2019, secured by a bill receivable of the borrower and guaranteed by Mr. Zhi Hua, the director of the Company.

The secured loans were fully settled during the year ended 31 March 2020.

P2P loans:

Loans advanced through the online P2P financing platform to various borrowers who are subcontractors in the construction industry. The loan amount did not exceed RMB200,000 (equivalent to HK$234,000) for each borrower. The loans were interest-bearing at the rates ranging from 5% to 12.5% per annum, unsecured and repayable pursuant to the agreement terms.

During the year ended 31 March 2020, the P2P operation of the Group had been disposed of. Pursuant to the disposal agreement, one of the term of the disposal was that new owner has to repay the Group's P2P loan receivables amounted to RMB35,900,000 (equivalent to approximately HK$40,842,000). The P2P loan receivables were fully settled during the year ended 31 March 2020.

All P2P loans will due within one year.

18. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES (CONTINUED)

As at 31 March 2019, Group's short-term loan and loan interest receivables with carrying amounts of approximately HK$58,007,000 were denominated in RMB.

The following table show reconciliation of loss allowance of short-term loan and loan interest receivables under general approach is as follow:

	12m ECL HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2018	–	–	–
Adjustment upon application of HKFRS 9	42	–	42
Impairment loss recognised	535	–	535
Transfer to lifetime ECL (credit-impaired)	(154)	154	–
Write-off	–	(154)	(154)
Exchange alignment	(14)	–	(14)
As at 31 March 2019 and as at 1 April 2019	409	–	409
Impairment loss recognised	–	65	65
Impairment loss reversed	(240)	–	(240)
Transfer to lifetime ECL (credit-impaired)	(144)	144	–
Write-off	–	(209)	(209)
Disposal of subsidiaries	(12)	–	(12)
Exchange alignment	(13)	–	(13)
As at 31 March 2020	–	–	–

Details of impairment assessment are set out in note 36.

19. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayment for purchases of garment products and others	79	16,737
Other receivables	354	6,219
Undeducted input value-added tax	–	7,346
Other deposits *(note)*	308	14,035
Prepayment	–	887
	741	45,224

As at 31 March 2020, other receivables and other deposits with the amounts of approximately HK$148,000 (2019: HK$20,254,000) denominated in RMB.

Note:

As at 31 March 2019, the Group had paid RMB12,000,000 (equivalent to HK$14,035,000) being deposit paid in respect of telephone card charging service project (the "Project"). According to the management of the Company, the Project involves telephone card charging service and will generate income to the Group. The above-mentioned deposits was fully refunded during the year ended 31 March 2020 as a result of not proceed of the Project.

The following table show reconciliation of loss allowance of other receivables under general approach is as follow:

	12m ECL HK$'000
As at 1 April 2018	–
Impairment loss recognised	269
Exchange alignment	(7)
As at 31 March 2019 and as at 1 April 2019	262
Impairment loss reversed	(253)
Exchange alignment	(9)
As at 31 March 2020	**–**

Details of impairment assessment are set out in note 36.

20. AMOUNTS DUE FROM FORMER SUBSIDIARIES

Amount due from a former subsidiary with the amount of approximately HK$3,972,000 (2019: HK$8,361,000) is interest-free and secured by the equity securities listed in Canada which ultimately controlled by the shareholder of former subsidiary. As at 31 March 2019, amount due was matured on 30 September 2019.

On 30 September 2019, the Group entered into extension agreement to extend the repayment date to 30 September 2021. Except for the extension of repayment date, other terms remain unchanged.

As at 31 March 2019, the remaining portion was unsecured, interest-free and repayable on demand.

The following table show reconciliation of loss allowance of amounts due from former subsidiaries under general approach is as follow:

	12m ECL HK$'000
As at 1 April 2018	–
Impairment loss recognised	42
As at 31 March 2019 and as at 1 April 2019	42
Impairment loss recognised	**4,149**
As at 31 March 2020	**4,191**

Details of impairment assessment are set out in note 36.

21. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Bond listed outside Hong Kong	**6,017**	–

At the end of the reporting period, all financial asset at FVTPL are stated at fair value. Fair values of listed bonds are determined with reference to quoted market closing price.

As at 31 March 2020, the Group's financial asset at FVTPL denominated in US$.

Debt instrument with fixed interest of 11.5% and maturity date on 8 December 2020 listed on Singapore Exchange Limited.

22. CASH AND CASH EQUIVALENTS

Bank balances and deposits place on financial institution carry interest at floating rates and placed with creditworthy banks with no recent history of default.

As at 31 March 2020, the Group's cash and cash equivalents denominated in US$ and RMB are approximately HK$3,716,000 (2019: HK$1,000) and HK$1,432,000 (2019: HK$1,698,000) respectively.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the government of the PRC. The Group's cash and cash equivalents denominated in RMB which located in Hong Kong are not subject to the foreign exchange control.

The Group performed impairment assessment on cash and cash equivalents and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided for both years.

23. TRADE PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0 – 60 days	14,151	2,529
61 – 90 days	–	–
Over 90 days	–	2,681
	14,151	5,210

The average credit period on purchases of goods is 30 days (2019: 30 days).

24. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Other payables	–	1,187
Accrual	837	904
Contract liabilities	–	10,455
Other tax payable	–	176
	837	12,722

Accruals mainly comprised of accrued auditor's remuneration and accrued salaries.

Contract liabilities represented deposit received from sales of garment products.

As at 1 April 2018, contract liabilities amounted to approximately HK$491,000.

For the contract liabilities as at 31 March 2019, the entire balances are recognised as revenue during the year ended 31 March 2020, except for the amounts of approximately HK$810,000 was derecognised upon disposal of subsidiaries and amounts of approximately HK$7,825,000 was refunded to the customers.

As at 31 March 2020, other payables, accrual and other tax payables with the amounts of approximately HK$13,000 (2019: HK$1,363,000) denominated in RMB.

25. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000
Lease liabilities payable				
Within one year	681	139	654	112
In the second to fifth year, inclusive	242	254	239	253
	923	393	893	365
Less: future finance costs	(30)	(28)	–	–
Present value of lease liabilities	893	365	893	365
Less: amount due for settlement within one year			(654)	(112)
Amount due for settlement after one year shown under non-current liabilities			239	253

The lease liabilities are denominated in HK$.

26. OBLIGATION UNDER FINANCE LEASE

The Group leased certain of its motor vehicle under finance lease. The lease term is 5 years for the year ended 31 March 2019. Interest rates of obligation under finance lease is fixed at respective contract dates at 2.25% per annum. Lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Within one year	139	112
In the second to fifth years	254	253
	393	365
Less: Future finance charges	(28)	–
Present value of lease obligation	365	365
Less: amount due for settlement within one year		(112)
Amount due for settlement after one year shown under non-current liabilities		253

The Group's obligation under finance lease was secured by the lessor's charge over the motor vehicle for the year ended 31 March 2019.

27. SHARE CAPITAL

	Number of shares '000	Amount '000
Ordinary shares of HK$0.01 each		
Authorised		
At the beginning/the end of the reporting period	**10,000,000**	**100,000**
Issued and fully paid		
At the beginning/the end of the reporting period	**655,927**	**6,559**

All shares rank pari passu in all respects.

28. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Group's subsidiary in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiary is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is made the specified contributions under the schemes. The contributions are charged to profit or loss as incurred.

As at 31 March 2020 and 2019, there were no forfeited contributions available to offset future employers' contributions to the scheme.

The total expenses recognised in profit or loss of approximately HK$421,000 (2019: approximately HK$466,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 March 2020.

29. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme of the Company

Pursuant to a written resolution passed on 2 June 2010, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives to eligible participants including employees, directors and other selected participants for their contributions to the Group. The Share Option Scheme will remain in force for a period of ten years from the date of its adoption (i.e. 2 June 2010).

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of adoption of the Share Option Scheme. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 21 days from the date of grant. Options may, subject to the black-out periods under the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The acceptance of a share option, if accepted, must be made with a non-refundable payment of HK$1 from the grantee to the Company.

The options are conditionally vested upon the grantees fulfilling certain non-market performance vesting conditions. As detailed in the supplementary agreements with the share option holders, the share option is exercisable at any time from the date of grant to the 10th anniversary of the date of grant after one of the conditions is fulfilled: (1) the share option holder completing 10 years of service from the offer date of the share options or (2) the Group's accumulative profit meeting a target of HK$80M (profit before deducting non-cash expense or cost) during the 10 years from the offer date of the share options.

On 28 September 2018, the limit of number of ordinary shares of the Company which may be issued upon exercise of all options to be granted was refreshed to 10% of the issued ordinary share capital of the Company as at 21 August 2018.

29. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme of the Company (continued)

At the end of the reporting period, the number of shares in respect of which may be issued upon exercise of share options granted and remain outstanding under the Option Scheme was 20,768,000 (2019: 22,068,000), representing 3.17% (2019: 3.36%) of the shares of the Company in issue at that date.

The following table discloses movements in the Company's share options during the current year:

				Number of share options		
Name of Grantee	Date of grant	Exercise Price (HK$)	Vesting period dd/mm/yyyy	Outstanding as at 01.04.2018, as at 31.03.2019 and as at 01.04.2019	Lapsed during the year	**Outstanding as at 31.3.2020**
Directors						
Mr. Lam Kai Yeung	16/01/2018	0.854	16/01/2018-15/01/2028	5,192,000	–	**5,192,000**
Mr. Ma Jun	16/01/2018	0.854	16/01/2018-15/01/2028	1,000,000	(1,000,000)	**–**
Employee (other than directors) in aggregate	16/01/2018	0.854	16/01/2018-15/01/2028	300,000	(300,000)	**–**
Other participants in aggregate	16/01/2018	0.854	16/01/2018-15/01/2028	15,576,000	–	**15,576,000**
Exercisable at the beginning/the end of the reporting period				22,068,000		**20,768,000**
Weighted average exercise price				0.854		**0.854**

No share option was granted, exercised, expired, forfeited or cancelled during the year ended 31 March 2020. No share option was granted, exercised, expired, forfeited, lapsed or cancelled during the year ended 31 March 2019.

30. ACQUISITION OF A SUBSIDIARY

As a result of the Contractual Arrangements, on 4 October 2018, the Group has rights to variable returns from its involvement with 杭州華之贏 and has the ability to affect those returns through its power over 杭州華之贏 and is considered to control 杭州華之贏. Consequently, the Company regards 杭州華之贏 as an indirect wholly owned subsidiary for accounting purpose.

The fair value recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	HK$'000
Net assets acquired:	
Plant and equipment *(note 13)*	6,071
Prepayment and other receivables	5,100
Tax recoverable	39
Cash and cash equivalents	88
Trade payables	(5,496)
Total identifiable assets	5,802
Goodwill *(note 15)*	1,606
Total consideration	7,408

Total consideration was satisfied by:

	HK$'000
Cash consideration	7,408
Total consideration transferred	7,408

30. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow arising on acquisition:

	HK$'000
Cash and cash equivalents acquired	88
Less: cash consideration transferred	(7,408)
Net cash outflow	(7,320)

During the period between the date of completion of the acquisition and 31 March 2019, 杭州華之贏 contributed loss and revenue of approximately HK$1,781,000 and HK$9,144,000 respectively to the Group's profit and revenue for the year ended 31 March 2019.

Had the acquisition had been completed on 1 April 2018, Group's profit and revenue for the year would have been approximately HK$5,333,000 and HK$21,530,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had 杭州華之贏 been acquired at the beginning of the current year, the directors have:

- calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

31. DISPOSAL OF SUBSIDIARIES

On 22 May 2019, the Group completed to dispose the interest in 杭州華之贏 which principally engaged in P2P financing business at total consideration of RMB6,540,000 (equivalent to HK$7,432,000). The net assets of 杭州華之贏, at the date of disposal were as follow:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Plant and equipment *(note 13)*	5,687
Goodwill *(note 15)*	1,606
Prepayment and other receivables	811
Tax recoverable	9
Cash and cash equivalents	423
Other payables and accruals	(1,538)
Net assets disposed of	6,998

Gain on disposal of 杭州華之贏:

	HK$'000
Cash consideration received	7,432
Net assets disposed of	(6,998)
Release of foreign currency translation reserve upon disposal of a subsidiary	88
Gain on disposal of 杭州華之贏	522

Net cash inflow arising on disposal of 杭州華之贏:

	HK$'000
Cash consideration received	7,432
Less: cash and cash equivalents disposed of	(423)
Net cash inflow	7,009

31. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Aggregate disposal of subsidiaries with immaterial consideration

During the year ended 31 March 2020, the Group disposed entire equity interests in Champion Success International Limited, Hua Long Investment International Limited and Guozan International Limited and their respective subsidiaries and Victory Finance Holdings Limited ("Victory Finance") and a sale loan due by Victory Finance (collectively referred to as the "Disposal Group") with the consideration of US$1 of each of the disposal. The aggregate disposal of the Disposal Group (other than Victory Finance) was completed in March 2020 while Victory Finance was completed in October 2019. The net liabilities of the Disposal Group, at the date of disposal were as follow:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Plant and equipment *(note 13)*	50
Inventories	475
Trade receivables	3,949
Short-term loan and loan interest receivables	2,378
Prepayment and other receivables	1,846
Prepaid tax	27
Cash and cash equivalents	904
Trade payables	(5,204)
Other payables, accruals and contract liabilities	(2,197)
Tax payables	(139)
Amounts due to the group companies	(7,764)
Amount due to the Company by Victory Finance	(18)
Net liabilities disposed of	(5,693)

Gain on disposal of the Disposal Group:

	HK$'000
Cash consideration received	–
Net liabilities disposed of	5,693
Release of foreign currency translation reserve upon disposal of subsidiaries	(1,589)
Amount due to the Company assigned to the Purchaser of Victory Finance	(18)
Gain on disposal of the Disposal Group	4,086

Net cash outflow arising on disposal of the Disposal Group:

	HK$'000
Cash consideration received	–
Less: cash and cash equivalents disposed of	(904)
Net cash outflow	(904)

31. DISPOSAL OF SUBSIDIARIES (CONTINUED)

During the year ended 31 March 2019, the Group disposed entire equity interests in Best Keen International Limited and its subsidiaries ("Best Keen") with the consideration of US$1. The net liabilities of the Best Keen, at the date of disposal were as follow:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Trade receivables	3,500
Other receivables	47
Cash and cash equivalents	79
Other payables	(20)
Amount due by to the Group	(8,494)
Net liabilities disposed of	(4,888)

Gain on disposal of Best Keen:

	HK$'000
Cash consideration received	–
Net liabilities disposed of	4,888
Release of foreign currency translation reserve upon disposal of subsidiaries	(3)
Gain on disposal of Best Keen	4,885

Net cash outflow arising on disposal of the Best Keen:

	HK$'000
Cash consideration received	–
Less: cash and cash equivalents disposed of	(79)
Net cash outflow	(79)

32. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	2019 HK$'000
Within one year	2,905
In the second to fifth year inclusive	1,452
	4,357

Leases are negotiated for terms ranging from one to three years and rental is fixed throughout the lease period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31 March 2020 and 31 March 2019:

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1	1
Plant and equipment	24	1,030
Right-of-use assets	993	–
Amount due from a former subsidiary	3,972	–
	4,990	1,031
CURRENT ASSETS		
Deposits and other receivable	312	957
Amounts due from subsidiaries	67,822	89,655
Amounts due from former subsidiaries	–	8,372
Cash and cash equivalents	312	1,707
	68,446	100,691
CURRENT LIABILITIES		
Accruals	823	903
Tax payables	1,200	1,200
Lease liabilities	654	–
Obligation under finance lease	–	112
	2,677	2,215
NET CURRENT ASSETS	65,769	98,476
TOTAL ASSETS LESS CURRENT LIABILITIES	70,759	99,507
NON-CURRENT LIABILITIES		
Lease liabilities	239	–
Obligation under finance lease	–	253
	239	253
NET ASSETS	70,520	99,254
CAPITAL AND RESERVES		
Share capital	6,559	6,559
Reserves *(note)*	63,961	92,695
TOTAL EQUITY	70,520	99,254

Signed on its behalf by:

Zhi Hua
Director

Lam Kai Yeung
Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: Reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000 *(note i)*	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2018	101,350	125,518	185	(131,705)	95,348
Loss and total comprehensive expenses for the year	–	–	–	(3,526)	(3,526)
Recognition of equity-settled share-based payments	–	–	873	–	873
As at 31 March 2019 and as at 1 April 2019	101,350	125,518	1,058	(135,231)	92,695
Loss and total comprehensive expenses for the year	–	–	–	(29,590)	(29,590)
Recognition of equity-settled share-based payments	–	–	856	–	856
Lapsed of share option	–	–	(103)	103	–
As at 31 March 2020	**101,350**	**125,518**	**1,811**	**(164,718)**	**63,961**

Note:

(i) The contributed surplus represents the reserve arising from a previous group reorganisation.

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

(i) Compensation of key management personnel

The emoluments of the directors and the employees included in the five highest paid individuals who are identified as members of key management of the Group during both years are set out in note 10.

The remuneration of the directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

(ii) On 15 November 2019, Putian Jingaofeng Garment Co. Ltd.* (莆田金高峰服飾有限公司) ("Putian Jingaofeng"), an indirect wholly-owned subsidiary of the Company, and Good Fellow Garment (Fujian) Co., Ltd.* (金威服裝(福建)有限公司) ("Good Fellow") entered into a tenancy agreement ("Tenancy Agreement") for a leasing period of 10 years at an aggregate rent of HK$14 million commencing from the 9 January 2020, which is the date of resolution has been passed by the independent shareholders of the Company at the special general meeting. The premises of Tenancy Agreement will be used by Putian Jingaofeng for manufacturing and sales of garment products. The Tenancy Agreement was also considered as a connected transaction pursuant Chapter 14A of the Listing Rules.

(iii) On 15 November 2019, Putian Jingaofeng and Good Fellow entered into a transfer agreement ("Transfer Agreement") for the manufacturing machinery and equipment and office equipment owned by Good Fellow at a total consideration of HK$11 million. The Transfer Agreement was also considered as a connected transaction pursuant Chapter 14A of the Listing Rules.

(iv) On 4 October 2018, Linglong (Hangzhou) had completed to enter into a series of contractual arrangements with Zhis and Ms. Yu to obtain effective control over the finance and operation of 杭州華之贏 at consideration of approximately HK$7,408,000. The transaction was also considered as a connected transaction pursuant Chapter 14A of the Listing Rules.

* *for identification purpose only*

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes lease liabilities and obligation under finance lease, net of cash and cash equivalents and total equity.

The directors review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, issue of new shares, and redemption of existing shares as well as the issue of new debt or the redemption of existing debts.

36. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**6,017**	–
Amortised cost		
– Trade receivables	**54,118**	4,648
– Short-term loan and loan interest receivable	**–**	65,024
– Deposits and other receivables	**662**	6,219
– Amounts due from former subsidiaries	**3,972**	8,372
– Cash and cash equivalents	**21,736**	3,705
	86,505	87,968
Financial liabilities		
Amortised cost		
– Trade payables	**14,151**	5,210
– Other payables and accruals	**837**	2,091
– Lease liabilities	**893**	–
– Obligation under finance lease	**–**	365
	15,881	7,666

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, short-term loan and loan interest receivables, deposits and other receivables, amounts due from former subsidiaries, cash and cash equivalents, trade payables, other payable and accruals, lease liabilities and obligation under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's operations are mainly located in Hong Kong and the PRC and majority of transactions are denominated in HK$, US$ and RMB. Currency risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to material currency risk exposure in respect of HK$ against US$ as long as this currency is pegged. Therefore, US$ are excluded from the analysis below.

At the end of the reporting period, the carrying amount of the Group's net monetary assets denominated in currencies other than the respective functional currencies of the relevant group entities are as follows:

	Net monetary assets	
	2020	2019
	HK$'000	HK$'000
RMB	**148**	148

The Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. The management will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an decrease/increase in pre-tax (loss)/profit where the functional currency of the group entities strengthen 5% against the relevant currency. For a 5% weakening of the functional currency of the group entities against the relevant currency, there would be an equal and opposite impact on the pre-tax (loss)/profit for the year.

	2020 HK$'000	2019 HK$'000
(Loss)/profit before tax	7	7

Management considered the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of each reporting period does not reflect the exposure during the year.

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate lease liabilities and obligation under finance lease (notes 25 and 26 for details respectively). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances (note 22). The exposure to the interest rate risk for variable rate bank balances is insignificant as the bank balances have a short maturity period.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, short-term loan and loan interest receivables, deposits and other receivables, amounts due from former subsidiaries and cash and cash equivalents. The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. Except for amount due from a former subsidiary is secured by the equity securities listed in Canada ultimately controlled by the shareholder of former subsidiary, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group deposited cash and cash equivalents with approved and reputable banks and financial institution. Bankruptcy or insolvency of the banks and financial institution may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. The directors monitor the credit rating of these banks and financial institution on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 March 2020 and 31 March 2019 were minimal.

For other receivables and deposits, the directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no significant increase in credit risk of the Group's outstanding balances of other receivables since initial recognition and the Group provide impairment based on 12m ECL. Based on the assessment, no impairment of other receivables and deposits (2019: HK$269,000) was recognised in profit or loss during the year ended 31 March 2020.

For amounts due from former subsidiaries, the directors make periodic individual assessment on the recoverability of amounts due from former subsidiaries, based on historical settlement records, past experience, the fair value of collateral and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no significant increase in credit risk of the Group's outstanding balances of amount due from a former subsidiary since initial recognition and the Group provide impairment based on 12m ECL. Based on the assessment, impairment of amounts due from former subsidiaries with the amount of approximately HK$4,149,000 (2019: HK$42,000) was recognised in profit or loss during the year ended 31 March 2020.

As at 31 March 2020, the Group has certain concentration of credit risk as 49% (2019: 30%) and 100% (2019: 79%) of the trade receivables of the Group were due from the Group's largest customers and five largest customers. Management of the Company considered the credit risk is limited since the Group only trade with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those debtors on an ongoing basis.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Credit risk and impairment assessment (continued)

The Group's policy to manage credit risk is to deal only with credit worthy counterparties. In order to minimise the credit risk, the management of the Group has formulated a credit policy and, delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is take.

In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. The trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix.

As at 31 March 2020

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	–	54,118	–

As at 31 March 2019

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.1%	3,384	3
1-60 days past due	0.7%	293	2
61-90 days past due	11%	1,099	123
		4,776	128

The expected loss rate is estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Credit risk and impairment assessment (continued)

During the year ended 31 March 2020, the Group provided HK$397,000 (2019: HK$132,000) impairment allowance for trade receivables, based on the provision matrix.

At at 31 March 2019, the Group had concentration of credit risk as 24% and 36% of the short-term loan and loan interest receivables was due from the Group's largest loan and loan interest receivable and five largest loan and loan interest receivables respectively which had no history of default.

In respect of loan and loan interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and current ability to pay, and take into account information specific to the borrowers.

Based on the assessment, impairment of short-term loan and loan interest receivables, amounts due from former subsidiaries with the amount of approximately HK$65,000 (2019: HK$535,000) was recognised in profit or loss during the year ended 31 March 2020.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates.

	Effective interest rate	On demand or within 1 year HK$'000	Within 2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2020					
Trade payables	–	14,151	–	14,151	14,151
Other payables and accruals	–	837	–	837	837
Lease liabilities	2.25%-5.00%	681	242	923	893
		15,669	242	15,911	15,881
As at 31 March 2019					
Trade payables	–	5,210	–	5,210	5,210
Other payables and accruals	–	2,091	–	2,091	2,091
Obligation under finance lease	2.25%	138	255	393	365
		7,439	255	7,694	7,666

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value of financial instruments

In estimating the fair value, the Group uses market-observable data to the extent it is available.

Fair value of financial asset that are measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are input for which market data are not available; and
- Level 3 valuations: fair value measured using significant unobservable inputs.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2020				
Fair value on a recurring basis				
Financial assets at FVTPL				
– Bond listed outside Hong Kong	**6,017**	**–**	**–**	**6,017**

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the date of the events or change in circumstances that caused the transfer.

During the year ended 31 March 2020, there were no transfers between level 1 and level 2, or transfers into or out of level 3.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place/country of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group				Principal activities
			Directly		Indirectly		
			2020	2019	2020	2019	
Champion Success Trading Limited	Hong Kong	Ordinary HK$1	100	100	–	–	Garment sourcing
Zhejiang Wangcheng Import and Export Co., Ltd.* (浙江旺城進出口有限公司) *(note i)* *(note iii)*	PRC	Registered capital HK$100,000,000	–	–	–	100	Garment and other sourcing
Wenzhou Wangcheng Import and Export Co., Ltd.* (溫州旺誠進出口有限公司) *(note iii)*	PRC	Registered capital RMB5,000,000	–	–	–	100	Garment and other sourcing
Hua Long Finance Holdings Company Limited *(note iii)*	Hong Kong	Ordinary HK$1	–	100	–	–	Money lending
Putian Jingaofeng Garment Co. Ltd.* (莆田金高峰服飾有限公司) *(note i)*	PRC	Registered capital RMB5,000,000	–	–	100	–	Manufacturing and sales of garment products
Linglong (Hangzhou) Asset Management Co., Ltd.* (玲隆(杭州)資產管理有限公司) *(note iii)*	PRC	Registered capital HK$250,000,000	–	–	–	100	Assets management
Sino Insurance Broker Group Limited	Hong Kong	Ordinary HK$1	–	100	100	–	Investment holding
Guozan Technology Co., Limited *(note iii)*	Hong Kong	Ordinary HK$10,000	–	100	–	–	Lease financing
Guozan Financial Leasing (Shenzhen) Co., Ltd.* (國贊融資租賃(深圳)有限公司) *(notes i and iii)*	PRC	Registered capital US$30,000,000	–	–	–	100	Lease financing
Victory Finance Holdings Limited *(note iii)*	BVI	Ordinary US$1	–	–	–	100	Not yet commenced business
Hangzhou Huazhiying Investment Management Co., Ltd.* (杭州華之贏投資管理有限公司) *(notes ii and iii)*	PRC	Registered capital RMB50,000,000	–	–	–	100	P2P financing business
浙江海寬典當有限公司 *(note iii)*	PRC	Registered capital RMB20,000,000	–	–	–	100	Pawnshop services
Golden Maximum Finance Limited (金高峰財務有限公司)	Hong Kong	Ordinary HK$1	–	–	100	–	Money lending

* *for identification purpose only*

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

(i) Wholly foreign owned enterprises.

(ii) The Company does not have legal ownership in the equity of 杭州華之贏. However, under certain contractual agreements entered into with the registered owners of 杭州華之贏, the Company and its other legally-owned subsidiaries control 杭州華之贏 by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of 杭州華之贏 to the Company and/or its other legally-owned subsidiaries. As a result, 杭州華之贏 is treated as subsidiary of the Company and its financial statements have been consolidated by the Company up to 22 May 2019, the date of completion of the disposal of 杭州華之贏.

(iii) The subsidiaries were disposed by the Group during the year ended 31 March 2020.

None of the subsidiaries had issued any debt securities subsisting at the end of the reporting period or at any time during the reporting period.

All of the subsidiaries are private companies with limited liabilities.

All of the above subsidiaries operate principally in their respective place of incorporation/ establishment.

38. RECONCILIATION IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Obligation under finance lease/lease liabilities HK$'000	**Interest payables** HK$'000	**Total** HK$'000
As at 1 April 2018	480	–	480
Financing cash flows	(115)	(23)	(138)
Non-cash changes:			
Finance costs recognised *(note 8)*	–	23	23
As at 31 March 2019 and as at 1 April 2019	365	–	365
Financing cash flows	(486)	(51)	(537)
Non-cash changes:			
New lease entered	1,014	–	1,014
Finance costs recognised *(note 8)*	–	51	51
As at 31 March 2020	**893**	**–**	**893**

39. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for 2 years. On the lease commencement, the Group recognised HK$1,014,000 of right-of-use asset and HK$1,014,000 lease liabilities.

40. EVENTS AFTER THE REPORTING PERIOD

(a) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(b) On 18 May 2020, the Group entered into the facility agreement with the borrower and the guarantor to provide to a revolving loan facility of up to HK$25,000,000 to the borrower (the "Loan"). The Loan is interest bearing at 10% per annum and available for drawdown for the period of 3 years commencing on 18 May 2020 and contain a repayment on demand clause. The Loan is secured by secured by the guarantee for the payment by the borrower of its debt under the facility agreement.

41. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 as at 1 April 2019. Under the transition methods, comparative information is not restated.

In addition, certain comparative figures have been reclassified to be consistent with the current period presentation.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2020.

Glossary

Abbreviation	Definition
2019 AGM	annual general meeting of the Company held on 30 September 2019
Audit Committee	audit committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
Board	the board of Directors
Board Committees	Audit Committee, Nomination Committee and Remuneration Committee
Bye-Law(s)	the bye-laws of the Company, as amended from time to time
Company	Hang Pin Living Technology Company Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries from time to time
HK$	Hong Kong dollars, the lawful currency of Hong Kong
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nomination Committee	nomination committee of the Company established by the Board on 19 March 2012 with written terms of reference, as amended from time to time
PRC	The People's Republic of China
Remuneration Committee	remuneration committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Share Options Scheme	share option scheme conditionally adopted by the Company on 2 June 2010 which became effective upon the Shares were listed on the Stock Exchange on 5 October 2010.
Shareholder(s)	holder(s) of the Share(s) in issue
Stock Exchange	The Stock Exchange of Hong Kong Limited
US$	United States dollars, the lawful currency of the United States of America
%	per cent.

Financial Summary

Results

	Year ended 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Revenue	164,589	80,992	184,829	185,668	**122,097**
(Loss)/profit before tax	(24,777)	(11,443)	8,001	1,140	**(23,909)**
Income tax credit/(expense)	20	–	(6)	(664)	**(93)**
(Loss)/profit for year attributable to owners of the Company	(24,757)	(11,443)	7,995	476	**(24,002)**

Assets And Liabilities

	As at 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	66,022	40,230	263,575	136,145	**111,736**
Total liabilities	(48,699)	(34,350)	(145,775)	(19,600)	**(17,081)**
	17,323	5,880	117,800	116,545	**94,655**
Equity attributable to owners of the Company	17,323	5,880	117,800	116,545	**94,655**

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