萬隆控股集團有限公司
Ban Loong Holdings Limited

Incorporated in Bermuda with limited liability
Stock Code: 30

ANNUAL REPORT
2019/2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Wang Minghui *(Chairman)*
(appointed on 12 September 2019)
Mr. Chow Wang
(Deputy Chairman & Chief Executive Officer)
Mr. Yin Pinyao *(appointed on 12 September 2019)*
Mr. Chu Ka Wa *(Chief Financial Officer)*
Mr. Wang Zhaoqing *(Chief Operating Officer)*

Non-Executive Director:

Mr. Fong For

Independent Non-Executive Directors:

Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny
Ms. Wong Chui San, Susan

COMMITTEES

Audit Committee

Ms. Wong Chui San, Susan *(Chairman)*
Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny

Remuneration Committee

Mr. Leung Ka Kui, Johnny *(Chairman)*
Mr. Jiang Zhi
Ms. Wong Chui San, Susan
Mr. Chow Wang
Mr. Chu Ka Wa

Nomination Committee

Mr. Wang Minghui *(Chairman)*
Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny
Ms. Wong Chui San, Susan
Mr. Chow Wang

COMPANY SECRETARY

Ms. Li Wing Sze

AUTHORIZED REPRESENTATIVES

Mr. Chow Wang
Mr. Chu Ka Wa

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 2709-10, 27/F
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited

REGISTRAR

Computershare Hong Kong Investor Services Limited
18th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

SOLICITORS

Michael Li & Co.

WEBSITE

www.0030hk.com

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The financial results of Ban Loong Holdings Limited (the "Company") and its subsidiaries (collectively as the "Group") for the year ended 31 March 2020 were highlighted as follows:

- Revenue during the year ended 31 March 2020 was HK$1,162.2 million, representing an increase of approximately 27.7% from HK$910.1 million in the year ended 31 March 2019 ("2018/2019"). The increase was mainly attributable to (i) increase in income from money lending segment due to the increase in demand of loans from the Group's money lending customers; and (ii) increase in income from trading segment mainly due to the increase in purchase order placed by the Group's trading customers.

- Gross profit amounted to HK$108.1 million during the year ended 31 March 2020, representing an increase of 24.3% from HK$87.0 million in 2018/2019. Gross profit margin was 9.3% in the current year, while the gross profit margin was 9.6% in 2018/2019. The decrease in profit margin was due to the larger increase in revenue of the trading segment (with lower profit margin) as compared to the money lending segment (with higher profit margin).

- Profit of the Group for the year ended 31 March 2020 increased to HK$49.6 million, representing an increase of 12.0% from HK$44.3 million in 2018/2019. The profit increased was mainly due to the increase in the revenue and profit from money lending segment.

For the detailed financial results of each operating segment, please refer to note 7 of the notes to the consolidated financial statements.

FINAL DIVIDEND

The board (the "Board") of the directors (the "Directors") of the Company did not propose a final dividend for the year ended 31 March 2020 (2018/2019: nil).

BUSINESS REVIEW

During the year ended 31 March 2020, the Group's operations are divided into two identifiable business segments, namely, the money lending segment and the trading segment. The money lending segment refers to the money lending business engaged in Hong Kong by Ban Loong Finance Company Limited ("Ban Loong Finance"), a wholly-owned subsidiary of the Company which is a licensed money lender in Hong Kong. The trading segment refers to (i) the trading of goods and commodities in China by Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (萬隆興業商貿(深圳)有限公司) ("Wan Long Xing Ye"), a wholly-owned subsidiary of the Company and (ii) the trading of goods and commodities in Hong Kong by Wan Long Xing Ye Commercial Trading (Hong Kong) Limited ("Wan Long Xing Ye HK"), a wholly-owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Money lending segment

Ban Loong Finance is a money lender licensed subsidiary to carry out money lending business in Hong Kong. Its business primarily focuses in the area of short-term personal and corporate loans. To maintain credit control efficiency, Ban Loong Finance does not currently conduct business at retail level. Potential borrowers were sought from the social and business networks of the management and marketing team. Our money lending business is managed by a team of experienced personnel including loan officers and reviewing officers and other management members having sound financial and business knowledge. To safeguard assets of the Group, the management and credit control team will review and assess the credit risk of each loan application carefully to ensure recoverability of each lending. Generally speaking, borrowers would be requested to pay interest monthly, in order to facilitate the management's continual monitoring of the financial stability of borrowers. The Company has put in place clear credit policies, guidelines, controls and procedures covering the entire life cycle of each loan transaction, which are summarised as follows:

(1) Assessment of application: Our management and staff will conduct background checking and know-your-client (KYC) procedures over the applying borrowers. Individual borrowers are invited to our office to conduct personal meetings with our loan officer to understand their financial needs and their repayment plans. For corporate borrowers, our loan officer may interview the applicant and, if necessary, visit the office of the applicant to understand their business scale and nature. The loan officer will report the results of the meeting to the reviewing officer as a part of the loan approval process.

(2) Loan approval: Based on the application, the loan officer will make a recommendation on the loan size, term and interest rate based on the results of the background checking stage. Factors taking into account in considering the loan application include: (a) the Group's assessment on the financial means of the applicant, both in terms of annual income and asset base; (b) the macro-economy and the latest trend of interest rate; and (c) the availability of personal guarantee and/or provision of collateral to fortify the repayment obligations. The proposal will be submitted to the reviewing officer of the department. For renewal applications of old customers, the customer interview procedure will be proceeded as usual but the background checking and KYC procedures are simplified. In addition to the assessment factors for new customers, the result of any renewal applications from old customers will also depend on their past repayment records. If the loan application is approved, the loan officer will prepare the full legal documentation of the loan, guarantee and asset pledge with the assistance of external legal advisers. Once the loan is properly documented and executed, the loan officer will report to the reviewing officer and the management to prepare for the loan drawdown.

(3) Ongoing account maintenance: The loan officer will provide continuous monitoring of the loan repayments and regularly review if there is any change of situation, and will report to the reviewing officer from time to time.

(4) Repayment collection: The loan officer will make phone calls and text messages to borrowers to remind them of repayment schedules. In the event of repayment delay or default, the loan officer will instruct legal advisers to issue demand letters and commence legal proceedings if necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Money lending segment (Continued)

During the year ended 31 March 2020, the business performance of the money lending segment was summarised below:

– Aggregate amount of lending	HK$82.7 million (2018/2019: HK$231.2 million)
– Total number of lending	18 (2018/2019: 29)
– Range of effective annual percentage rate ("APR")	12%-28.8% (2018/2019: 12%-28.8%)
– Weighted average APR	18.2% (2018/2019: 18.4%)

During the year ended 31 March 2020, revenue generated from the segment, contributed essentially by interest received and accrued, increased from approximately HK$74.1 million in 2018/2019 to approximately HK$89.7 million.

Trading segment

During the year ended 31 March 2020, the Group's trading business in China generated revenue of approximately HK$860.0 million (2018/2019: HK$773.9 million), and the Group's trading business in Hong Kong generated revenue of approximately HK$212.5 million (2018/2019: HK$62.1 million).

In the past, our trading business principally involved the trading of food raw materials such as sugar and edible oil. The Company tries to minimize its stock-up period, such that the storage risk and cost are also kept to the minimum. In order to reduce our risk exposure and cost, our trading business adopts the purchase-to-order (PTO) strategy to the maximum extent possible. Ideally, if we receive a definitive and legally-binding purchase order (PO) from our customer for pre-fixed product type and specifications and pre-agreed supply quantity, unit price and delivery date, we would then obtain price quotations from one or several suppliers with suitable product type and lowest price to match the PO. If the matching exercise gives rise to a profitable trading opportunity, we would accept the customer PO and place a supplier PO to our selected supplier to meet the demand. After arranging with both the customer and supplier sides, the Company would issue product collection notice to the supplier's warehouse, and issue delivery instructions to transportation agent to arrange for product delivery. Payments of products are normally settled by customers under permitted credit periods. Occasionally, the demand of our trading business would also be managed by purchase demand projection provided by our trading customers for specified periods in good-faith and no-commitment basis. Purchase demand projections would, unless withdrawn or altered, be turned into binding purchase orders when the lead time required between the order placement and the required delivery date approaches.

The Group has been exploring opportunities to diversify into new businesses. Since as early as 2017 and 2018, the Group has already diversified the product range of its trading business from edible oil and sugar to include also cosmetics and personal care products. For certain new product lines, the Company adopts a mixed purchase-to-stock (PTS) model and targets to maintain a modest inventory level. Through the business network of our suppliers and customers of cosmetics and personal care products, the Group became aware of the worldwide trend of the legalization and the consumer use in commercialized scale of cannabidiol ("CBD"), one of the naturally occurring non-psychoactive cannabinoids found in hemp. In contrast to tetrahydrocannabinol ("THC") which is the key psychoactive cannabinoids in cannabis plants, CBD exhibits no effects indicative of abuse or dependence potential and no evidence of public health-related problems according to the Cannabidiol (CBD) Critical Review Report published by the Expert Committee on Drug Dependence of the World Health Organization in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL AND ADMINISTRATIVE EXPENSES

During the year ended 31 March 2020, the Group's general and administrative expenses (which mainly comprises legal and professional fees, staff salaries, directors' fees and office rentals) amounted to approximately HK$41.3 million (2018/2019: HK$37.7 million), which were 9.5% higher than 2018/2019, the increase of which was principally due to the increased operating costs including staff salaries and legal and professional fees as a result of the increase in size of the Group's business during current year as compared with 2018/2019.

FINANCE COSTS

During the year ended 31 March 2020, finance costs amounting to HK$5 million were incurred, which stayed at almost the same level as in 2018/2019. The finance costs were mainly due to interest incurred on bonds issued in previous years.

INCOME TAX EXPENSES

During the year ended 31 March 2020, income tax expenses amounting to HK$10.5 million (2018/2019: HK$7.6 million) were incurred. The increase in the income tax expenses is principally due to the increase in the profit generated from the money lending segment during 2018/2019.

EARNINGS PER SHARE

During the year ended 31 March 2020, the basic and diluted earnings per share amounted to 0.77 HK cents, as compared to the basic and diluted earnings per share of 0.76 HK cents in 2018/2019.

TRADE RECEIVABLES

The Group's trade receivables as at 31 March 2020 amounted to approximately HK$22.8 million, representing a decrease of approximately HK$59.5 million as compared to approximately HK$82.3 million as at 31 March 2019. The decrease in trade receivables was mainly due to the early settlement by customers of trading segment during the year. The management did not foresee any recoverability problem as most of the amount has been settled after the year end date but before the date of this report. The management will constantly review the ageing and credit standing of customers to monitor the recoverability of trade receivables.

OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The breakdown of other receivables, deposits and prepayments of the Group were as follows:

	2020 **HK$**	2019 HK$
Other receivables	**15,883,490**	22,060,811
Deposits	**3,588,277**	2,198,603
Prepayments	**344,848,254**	206,887,600
	364,320,021	231,147,014

The other receivables included advances to suppliers and potential suppliers who are independent third parties in the amount of HK$15.9 million (2018/2019: HK$22.1 million), which were fully utilized for prepayment of the Group's orders subsequent to the end of the reporting period. The remaining balances were not material to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

The Group's consolidated statement of financial position remained solid. Shareholders' equity increased from approximately HK$765.0 million to HK$800.7 million. Total assets increased by 11.3% from approximately HK$868.6 million to HK$967.0 million which was mainly due to the increase in right-of-use assets, loan and interest receivables, inventories and amount due from a shareholder during the year. Net assets increased by 4.7% from HK$765.0 million to HK$800.7 million which was primarily due to the total comprehensive income recorded during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group's cash and cash equivalents amounted to HK$7.0 million (2019: HK$74.7 million).

As at 31 March 2020, the Group had outstanding unsecured 5.5% per-annum 7-years (due between January and July 2021) corporate bonds (the "Bonds") with aggregate principal sum of HK$70 million. The repayment obligations of the Company under the instruments of the Bonds are guaranteed by Jun Qiao Limited ("Jun Qiao"). Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the mining assets (the "Mining Assets") owned by Jun Qiao and its subsidiaries (the "Jun Qiao Group") and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. Due to the purported transfer of 90% equity of Tong Bai County Yin Di Mining Company Limited ("Yin Di Mining") to Henan Guiyuan Industry Co., Ltd. ("Henan Guiyuan") and related incidents as disclosed in the Company's announcements dated 15 January 2017, 22 January 2017 and 1 February 2017 (the "Incidents"), the Company deconsolidated the Yin Di Mining and its subsidiary (collectively, the "De-consolidated Subsidiaries"). As a matter of prudent treatment, the Bonds were classified as current liabilities. At 31 January 2019, the Group entered into a sale and purchase agreement to dispose of its 60% shareholding in Jun Qiao to an independent third party for a cash consideration of HK$100,000 together with a 30% proportionate sharing of the compensation, after costs, from the legal actions commenced by the Group in seeking to recover the Mining Assets. Jun Qiao is an investment holding company whose principal assets are its investments in the De-consolidated Subsidiaries. The Group had disposed of the entire issued share capital of Jun Qiao (the "Disposal") and the Group ceased its control of Jun Qiao Group upon completion of the Disposal on 25 February 2019.

	As at 31 March 2020	As at 31 March 2019
Current ratio (current assets/current liabilities)	**5.89 times**	8.3 times
Gearing ratio (total liabilities/total assets)	**17%**	12%

The Group's liquidity remains healthy. Nevertheless, as the Company is still keen on looking for strategic investment to diversify its business operation, additional financing might be required when suitable investment opportunity was identified. The management of the Group will assess and consider various possible fund raising alternatives to strengthen the capital base and financial position of the Company and to maintain sufficient working capital to support its future operational and investment needs.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL AND FUND-RAISING ACTIVITIES

As at 31 March 2020, the total number of issued ordinary shares (the "Shares") of the Company was 6,448,152,160 shares (2019: 6,448,152,160 shares).

ACTUAL USE OF PROCEEDS OF PAST EQUITY FUND-RAISING ACTIVITIES

The Company entered into the subscription agreement with Yunnan Baiyao Holdings Co., Ltd ("Yunnan Baiyao Holdings") on 20 August 2018, pursuant to which the Company agreed to issue and allot 1,000,000,000 Shares to Yunnan Baiyao Holdings (the "2018 Share Subscription") at the subscription price of HK$0.18 per share. The 2018 Share Subscription was completed on 22 November 2018, raising gross proceeds and net proceeds in the amounts of approximately HK$180.0 million and HK$178.8 million, respectively.

At the time of 2018 Share Subscription, the Company intended to apply the net proceeds: (a) as to approximately HK$40.0 million for the Group's trading business in China; (b) as to approximately HK$40.0 million for the Group's trading business in Hong Kong; (c) as to approximately HK$52.5 million for the Group's personal care product business; (d) as to approximately HK$28.8 million for the Group's corporate expenses, including HK$12.4 million for the payment of salaries and remuneration of management and staff, HK$3.8 million for the payment of bond interest, HK$4.2 million for rental expenses, HK$5.0 million for professional fees and HK$3.4 million for business development budgets of the Group; and (e) as to approximately HK$17.5 million for the Group's general working capital.

The proceeds of the 2018 Share Subscription were fully utilized for their originally intended uses during the year ended 31 March 2020.

EVENTS AFTER THE REPORTING PERIOD

Since late January 2020, the outbreak of Coronavirus Disease 2019 (the "COVID-19 Outbreak") has been rapidly evolving globally. Since then, the economic and financial markets have been significantly impacted. During the year ended 31 March 2020, the COVID-19 Outbreak had no material impacts on the financial performance of the Group. However, the management of the Group expects that revenue generated from trading of goods and commodities of 2021 might be adversely affected to a certain extent, which will depend on the new development concerning the global severity of and actions taken to contain the COVID-19 Outbreak that are highly uncertain. The Group will continue to pay close attention to the development of the COVID-19 Outbreak and evaluate its impact on the consolidated financial statements and operation results.

PLEDGE OF ASSETS

As at 31 March 2020, no assets of the Group were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no material capital commitments (2019: nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are either denominated in Hong Kong dollars or Renminbi, and most of the Group's cash balances are deposited in Hong Kong dollars or Renminbi with banks in Hong Kong and the People's Republic of China (the "PRC"). Certain portions of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

PRINCIPAL RISKS AND UNCERTAINTIES

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the financial year ended 31 March 2020, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis on pages 3 to 10.

COMMODITY PRICE RISK

The price of commodity products is influenced by international and domestic market prices and changes in global supply and demand for such products. Both the international and domestic market price of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity price may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and price arrangements to hedge the risk of volatility of commodity prices.

EMPLOYEE REMUNERATION POLICY

As at 31 March 2020, the Group had 29 employees (2019: 27 employees). For the year ended 31 March 2020, the total salaries, commissions, incentives and all other staff related costs amounted to approximately to HK$15.7 million (2018/2019: HK$14.7 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds, life insurance and medical assistance benefit. The Company may also grant share options to eligible employees to motivate their performance and contribution to the Group.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 March 2020, the Group did not have any significant investments, acquisitions or disposals.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Money lending business

During and subsequent to the year ended 31 March 2020, the Group continued to make new loans or renew matured loans with existing customers. Loan renewals had the benefits of deeper understanding of customer background and repayment records, and streamlined procedures on legal documentation and approval process. The management is of the view that the money lending segment will continue to provide a constant cash inflow to the Group.

As disclosed in the Company's announcement dated 27 September 2018, the Company responded to the changes in interest rate and monetary policy by fine-tuning its development pace of the money lending business. The Company will continue to take a pragmatic approach in its money lending business to adapt to the market environment and the money supply market and to counteract market challenges from time to time. The management expected the money lending segment will still be one of the major revenue and profit contributors of the Group in the coming years.

Trading segment

In previous years, the trading segment of the Group successfully diversified its trading goods categories from refined edible oil and sugar to cosmetic and personal care products. This year, through the business network of our suppliers and customers of cosmetics and personal care products, the Group became aware of the worldwide trend of the deregulation and the legalized uses of CBD is on an uptrend, the Group commenced its international trading business of CBD isolate. Due to the familiarity of the Group with suppliers and customers of cosmetics and personal care products, our sales were initially targeted for brand owners and manufacturers of non-medicine personal care products.

As a natural progression from the Group's international trading business of CBD isolate, the Company has accumulated relevant experience and knowledge to enter the whole industry chain of hemp covering the upstream, midstream and downstream production cycles and ranging from cultivation, extraction, mass production, testing, product development of medical and non-medical uses, and the research and development of cultivation and extraction technologies. In order to finance the Company's ongoing expansion and diversification of its business, including diversification and further expansion of the trading segment, by introduction of new products such as hemp and CBD related business as well as the money lending business, the Company entered into a subscription agreement (the "Subscription Agreement") with Yunnan Baiyao Group Co., Ltd ("Yunnan Baiyao Group") in relation to the issue of convertible bonds (the "Convertible Bonds") in the principal amount of HK$730 million (the "Subscription"). Further details of the subscription were set out in the Company's announcements (the "Announcements") dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020 and 3 May 2020. As at the date of this report, the Company is in the process of preparing and finalising the circular in respect of the Subscription.

Other

The management always believes that it is in the best interest of the Company and its shareholders to diversify the Group's business portfolio. The Company will continue to identify appropriate potential investment opportunities.

DIRECTORS' REPORT

The Board present their report and the audited consolidated financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding company. The Group is principally engaged in money lending business and trading of goods and commodities. The mining operation was de-consolidated from the Group with effect from 1 April 2016 and the mining operation has been disposed in February 2019. The details of principal activities and other particulars of the subsidiaries are set out in note 34 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the financial year ended 31 March 2020, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis on pages 3 to 10.

During the year ended 31 March 2020, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit and loss and other comprehensive income on pages 43 to 44.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 47 and note 34 to the consolidated financial statement respectively.

DISTRIBUTABLE RESERVES

The Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 March 2020. In addition, the Company's share premium account of HK$988,278,817 as at 31 March 2020 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves are set out in note 34 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

BANK BORROWINGS AND BANKING FACILITIES

The Group had no outstanding bank borrowings as at 31 March 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118.

DIRECTORS

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

Executive Directors:

Mr. Wang Minghui *(Chairman)*
Mr. Chow Wang *(Deputy Chairman & Chief Executive Officer)*
Mr. Yin Pinyao
Mr. Chu Ka Wa *(Chief Financial Officer)*
Mr. Wang Zhaoqing *(Chief Operating Officer)*

Non-Executive Director:

Mr. Fong For

Independent Non-Executive Directors:

Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny
Ms. Wong Chui San, Susan

In accordance with the Bye-law 84 of the Company's Bye-laws (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years, Mr. Chow Wang, Mr. Chu Ka Wa and Mr. Wang Zhaoqing will retire from office by rotation and will offer themselves for re-election at the forthcoming annual general meeting ("AGM"), notice of which will be dispatched to the shareholders of the Company (the "Shareholders") in due course.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 18 to 20 of this report.

DIRECTORS' REPORT

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming AGM have a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme adopted by the Company described below, the Group has not entered into any equity-linked agreements during the year.

NEW SHARE OPTION SCHEME

The old share option scheme was adopted by the Company on 27 March 2002 for a period of ten years and expired on 26 March 2012. In order to continue to provide the Company with a flexible means of giving incentive to eligible participants to recognize and acknowledge the contributions that eligible participants made or may make to the Group, a new share option scheme (the "New Share Option Scheme") has been approved by the shareholders at the annual general meeting of the Company held on 30 September 2013 (the "Adoption Date"), the Directors may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

The New Share Option Scheme is valid and effective for ten years and will expire on 29 September 2023. From the Adoption Date up to 31 March 2020, no option has been granted. Save for the New Share Option Scheme, the Company does not have any other share option scheme as at 31 March 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the New Share Option Scheme disclosed above, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party or any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was 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.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transaction that is subject to the reporting requirement under the Listing Rules for disclosure in the report.

On 10 May 2019, Wan Long Xing Ye HK, a wholly-owned subsidiary of the Company, entered into a supply agreement (the "Supply Agreement") with Yunnan Baiyao Group Yunfeng Import & Export Trading Co., Ltd ("Yunfeng I&E Trading"), an indirect wholly-owned subsidiary of Yunnan Baiyao Group Co., Ltd. ("Yunnan Baiyao Group"), regarding the supply of plant extracts and the provision of ancillary testing, logistics, import and export and related services as part of the Group's ordinary and usual course of business. The annual caps of the transaction values under the Supply Agreement are HK$38,000,000 (the "Annual Caps") for each of the three financial years ending 31 March 2020, 2021 and 2022, respectively. The ongoing supplies of plant extracts and ancillary services under the Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios (other than the profit ratio) in respect of the Annual Caps are less than 5% and the Board (including all the independent non-executive Directors) has approved the transactions as being fair and reasonable and on normal commercial terms or better from the Company's perspective, under Rule 14A.76(2)(a) of the Listing Rules, the transactions contemplated under the Supply Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the Company's announcement dated 10 May 2019 and note 31 to the consolidated financial statements.

On 14 October 2019, the Company and Yunnan Baiyao Group entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, the Convertible Bonds. 2,829,457,364 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds. For further details of the Subscription, please refer to the Announcements. As at the date of this report, the Company is in the process of preparing and finalising the circular in respect of the Subscription.

The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the year ended 31 March 2020 are set out in note 31 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules which requires to be disclosed.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the registered maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Names of Directors	Capacity	Number of Shares held (long position)	Percentage of the total number of issued Shares
Chow Wang	Beneficial owner	495,404,000	7.68%
Fong For	Beneficial owner	349,068,000	5.41%

Save as disclosed above, as at 31 March 2020, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) 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 which Directors have taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, the following persons and entities (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Names of Shareholders	Capacity	Number of Shares held (long position)	Percentage of the total number of issued Shares
Yunnan Baiyao Group Co., Ltd.	Beneficial owner	4,737,482,724 (Note)	73.47%

Note: On 14 October 2019, the Company and Yunnan Baiyao Group entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, the Convertible Bonds. 2,829,457,364 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds. As at the date of this report, the Subscription has not been completed. For further details of the Subscription, please refer to the Announcements.

Other than disclosed above, as at 31 March 2020, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-Law 164 of the Bye-laws and relevant provisions of the regulations stipulated, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses and liabilities which he may incur or sustain in or about the execution of the duties of his office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that this Bye-Law shall only have effect in so far as its provisions are not avoided by the Bermuda Companies Act.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for the Directors of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and sales for the year attributable to major suppliers and customers are as follows:

Purchases	
– the largest supplier	11.77%
– five largest suppliers combined	33.04%
Sales	
– the largest customer	27.73%
– five largest customers combined	69.41%

No directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, the public float of the Shares has remained above the minimum percentage required by the Stock Exchange throughout the year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the year are set out in note 39 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

The Company's corporate governance practices, including the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the Remuneration Committee of the Company (the "Remuneration Committee"), are set out in the Corporate Governance Report on pages 21 to 34 of this report.

The Company's ESG report will be published on the Company's and the Stock Exchange's websites in relation to environmental and social activities performed in 2019/2020 in due course.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risks management and financial reporting matter, including the review of the financial statements for the year ended 31 March 2020.

DIRECTORS' REPORT

INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

As disclosed in sections headed "Qualified opinion" and "Basis for qualified opinion comparative figures" in the independent auditors' report contained on pages 35 to 38 of this report, the auditors of the Company (the "Auditor") issued a qualified opinion of comparative figures (the "Qualified Opinion") on the consolidated financial statements of the Group for the year ended 31 March 2020 as a result of certain matters. Please refer to pages 35 to 38 of this report for details of the modifications.

The Company's and the management's view on the Qualified Opinion

The Auditor's modified audit opinion for the financial year ended 31 March 2020 was caused by the comparative figures of the de-consolidation of subsidiaries, amounts due from the De-consolidated Subsidiaries, contingent liabilities and commitments and related party transactions in relation with the disposal of Jun Qiao Limited and its subsidiaries (the "Disposal Group") during 2018/2019. The Group had completed the disposal of the entire issued share capital and ceased its control of the Disposal Group upon completion of the Disposal on 25 February 2019. Jun Qiao was an investment holding company whose principal assets were its investments in the De-consolidated Subsidiaries. The Group recognised gain on disposal (the "Disposal Gain") of the Disposal Group of approximately HK$5,7325,111 in 2018/2019, which was presented as other income in the Group's consolidated statement of profit or loss and other comprehensive income. On this basis, the issue of the Qualified Opinion was in relation to the corresponding figures for 2018/2019. The Auditor is of the view that the qualified auditor's report for the year ended 31 March 2020 is appropriate.

Based on the above, the management of the Company agreed that its position is the same as the Auditor's and the management's view is not different from that of the Auditor.

The Company is not required to propose any action plan to address the modifications and to resolve the Qualified Opinion as the Company expects that the Qualified Opinion will be removed in the next financial year given that the Disposal Gain was recorded in 2018/2019. The Board is also of the view that the Qualified Opinion would be removed in the next financial year and the Auditor agreed with such view.

The Audit Committee's view on the Qualified Opinion

The Audit Committee agreed with the view of and the modifications made by the Auditor. The Audit Committee discussed with the Auditor regarding the basis of the Qualified Opinion and whether the Qualified Opinion would be removed in the next financial year. The Audit Committee agreed with the Auditor's basis of the Qualified Opinion and agreed with the Auditor that the Qualified Opinion would be removed in the next financial year. The Audit Committee has also reviewed and agreed with the management's position concerning major judgmental areas and with the Board's position towards the Qualified Opinion.

AUDITOR

HLB Hodgson Impey Cheng Limited ("HLB") will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Chow Wang
Deputy Chairman and Chief Executive Officer

Hong Kong, 29 June 2020

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Minghui ("Mr. Wang"), aged 58, was appointed as an Executive Director, the Chairman of the Board and the chairman of the Nomination Committee with effect from 12 September 2019. Mr. Wang graduated from Yunnan University with a post-graduate degree in foreign economics and management. Mr. Wang is a senior economist in China and has over 36 years of management experience occupying key management roles in pharmaceutical enterprises in China. He is currently the interim chief executive officer of Yunnan Baiyao Group, a company whose A shares are listed on the Shenzhen Stock Exchange with stock code 000538 and a substantial Shareholder.

Mr. Chow Wang ("Mr. Chow"), aged 56, has over more than 21 years of experience in the field of business development, trading and investment. After Mr. Chow finished his secondary education in China in early 80's, he was engaged in trading business in Shenzhen, China. After relocating to Hong Kong in late 80's, Mr. Chow established Ban Loong Shareholding Limited ("Ban Loong") and acquired Union Shine Technology Limited ("Union Shine"). Ban Loong is engaged in the investment in private equity projects in Hong Kong and China, while Union Shine is engaged in the production of consumer electronic products, accessories and parts. Mr. Chow has extensive experience in corporate development and management, and has a well-established social network in financial and business sectors in Hong Kong and China.

Mr. Chow was appointed as an Executive Director, the Chairman of the Board, the Chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 9 October 2014. Mr. Chow was also appointed as a Chief Executive Officer of the Company will effect from 23 January 2017. With effect from 12 September 2019, Mr. Chow ceased to be the Chairman of each of the Board and the Nomination Committee and was re-designated as the Deputy Chairman of the Board, and a member of the Nomination Committee.

Mr. Chow currently acts as a director of the following subsidiaries of the Company, namely, Ban Loong Finance Company Limited, Wan Long Xing Ye, Yunnan Baiyao Qingyitang Hong Kong Limited and Ban Loong Fund Investment Limited.

As at 31 March 2020, Mr. Chow is interested in 495,404,000 Shares, representing approximately 7.68% of the total number of issued Shares.

Mr. Yin Pinyao ("Mr. Yin"), aged 51, was appointed as an Executive Director with effect from 12 September 2019. Mr. Yin graduated from Yunnan University with a bachelor degree in economics. Mr. Yin is a senior economist in China and has over 25 years of management and finance experience occupying key management roles in pharmaceutical enterprises in China. He is currently the chief operation officer and senior vice president of Yunnan Baiyao Group.

Mr. Chu Ka Wa ("Mr. Chu"), aged 35, joined the Company in 2013 and was appointed as the Financial Controller of the Company since March 2013. Mr. Chu obtained a Bachelor of Accounting degree from The Hong Kong University of Science and Technology in 2008 and a Master of Corporate Governance degree from The Hong Kong Polytechnic University in 2016. Mr. Chu is a member of Hong Kong Institute of Certified Public Accountants. Mr. Chu is an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Chu had over 9 years' experience in auditing and financial management.

Mr. Chu was appointed as an Executive Director and Chief Financial Officer of the Company on 23 January 2017. Mr. Chu was also appointed as an authorized representative and a member of the Nomination Committee and the Remuneration Committee on 24 January 2017. With effect from 12 September 2019, Mr. Chu ceased to be a member of the Nomination Committee.

Mr. Chu currently acts as a director of the following subsidiaries of the Company, namely, Ban Loong Finance Company Limited, Wan Long Xing Ye HK, Yunnan Baiyao Qingyitang Hong Kong Limited, Susanoo Ventures Limited, Ban Loong Asset Management Limited, Ban Loong Fund Investment Limited and Ban Loong Hemp Technology Limited.

Mr. Wang Zhaoqing ("Mr. Wang"), aged 57, joined the Company in 2013 and was appointed as the Chief Operating Officer of the Company since December 2013. Mr. Wang graduated from College for Administrative Personnel of the Customs, China in 1987 and College of Economics, Jinan University, Guangzhou in 1989. He also obtained a Master of Business Administration degree from Hong Kong Baptist University in 2004. Mr. Wang obtained a Doctor of Business Administration degree from Victoria University, Switzerland in 2009. From 2007 to 2008, he was a Senior Visiting Scholar in Asia School of Business Singapore. Mr. Wang has over 25 years of working experience in the business operating sector, and is experienced in financial and economic analysis, and the management of import and export.

Mr. Wang was appointed as an Executive Director on 23 January 2017. Mr. Wang currently acts as a director of Ban Loong Finance Company Limited, a subsidiary of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Fong For ("Mr. Fong"), aged 61, completed his high school education in Lufeng, Guangdong, China. He is currently an Honorary President of the Confederacy of Hong Kong Shanwei Clansmen Limited, and a Vice President of the Standing Committee of the Overseas Friendship Association of Shanwei. Mr. Fong was also previously a member of the Shanwei Committee of the Chinese People's Political Consultative Conference. Mr. Fong has many years of business and management experience in textile, trading, investments, property development and logistics. Mr. Fong was appointed as a Non-executive Director on 12 December 2014.

On 11 May 2006, Mr. Fong (a) pleaded guilty to one summons relating to his failure to notify the listed issuer of his interests in shares of Zheda Lande Scitech Limited, whose H shares are listed on GEM of the Stock Exchange with Stock Code: 8106, amounting to over 10% of the H shares of that listed company which should be disclosed under Part XV of the SFO; (b) was convicted for contravening Part XV of the SFO; and (c) was fined by The Eastern Magistrates' Courts of Hong Kong for HK$6,000 (and investigation costs of the Securities and Futures Commission). Save as disclosed above, Mr. Fong has not been convicted of any other offences.

Despite the conviction disclosed above, both Mr. Fong and the Company consider that it is appropriate for Mr. Fong to act as a Director because the relevant offence has no relevance to his character and integrity and was, according to Mr. Fong, an act of oversight. In particular, although Mr. Fong failed to file the disclosure form to the listed issuer, he did file the disclosure form to the Stock Exchange. The Company has enquired with Mr. Fong about the offence and conviction before his appointment, who confirmed to the Company that he had now gained the relevant knowledge and experience and would be able to comply with the statutory and regulatory requirements imposed on directors of listed companies.

As at 31 March 2020, Mr. Fong is interested in 349,068,000 Shares, representing approximately 5.41% of the total number of issued Shares.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Zhi ("Mr. Jiang"), aged 51, obtained a master degree (major in civil and commercial law) from Southwest University of Political Science & Law in Shenzhen, PRC in 2001. Mr. Jiang has been practising in various reputable law firms in Shenzhen since 1989. Mr. Jiang obtained PRC solicitors practising certificate and became a qualified lawyer in China in 1993. Mr. Jiang was previously a founder and currently a partner of Guangdong Jun Yan Law Firm from 2003 to August 2015. Mr. Jiang now is the partner of 廣東深信律師事務所. Mr. Jiang provides legal advice to many clients in different industries in the PRC. His practice area includes mainly contract law, real estate law, corporate law and medical law. Mr. Jiang has solid academic foundation and rich practical experience in those areas. Mr. Jiang was re-appointed as an arbitrator of the Qingyuan Arbitration Commission with hiring period from 1 June 2020 to 30 May 2022. Mr. Jiang was also appointed as deputy secretary for the Secretariat of the Qingyuan Arbitration Commission with hiring period from 27 May 2017 to 28 May 2020.

Mr. Jiang was appointed as an Independent Non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 19 January 2015.

Mr. Leung Ka Kui, Johnny ("Mr. Leung"), aged 63, holds a Bachelor of Laws of the University of London. Mr. Leung is a qualified solicitor in Hong Kong, England & Wales and Singapore, and is a Notary Public and China Appointed Attesting Officer. He has over 33 years of experience in legal field and is the senior partner of Messrs. Johnny K.K. Leung & Co., Solicitors & Notaries.

Mr. Leung is currently an independent non-executive director of Celestial Asia Securities Holdings Limited (Stock Code: 1049) and Affluent Partners Holdings Limited (Stock Code: 1466), the shares of which are listed on the Main Board of the Stock Exchange, and Phoenitron Holdings Limited (Stock Code: 8066), the shares of which are listed on GEM of the Stock Exchange. Mr. Leung was formerly an independent non-executive director of Aeso Holding Limited (Stock Code: 8341, a GEM listed company) for the period from 13 January 2017 to 8 June 2017, and an independent non-executive director of Asia Coal Limited (Stock Code: 835, a Main Board listed company) for the period from 12 September 2018 to 6 June 2019.

Mr. Leung was appointed as an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee on 9 October 2014.

Ms. Wong Chui San, Susan ("Ms. Wong"), aged 47, has been a certified practising accountant of the Australian Society of Certified Practising Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 1999 and May 2000, respectively. She is also a member of The Society of Chinese Accountants and Auditors, a fellow and a certified tax adviser of the Taxation Institute of Hong Kong. Ms. Wong has more than 19-year experience in auditing, accounting and taxation. She is the founder of Messrs. C.S. Wong & Co..

Ms. Wong is currently an independent non-executive director of Loco Hong Kong Holdings Limited (Stock Code: 8162), Ms. Wong was formerly the company secretary of Grand Investment International Limited (now renamed as Youth Champ Financial Group Holdings Limited) (Stock Code: 1160, a Main Board listed company) between 14 November 2014 and 16 June 2017 and the chief financial officer and company secretary of Astrum Financial Holdings Limited (Stock Code: 8333, a GEM listed company) between 19 January 2015 and 31 August 2019.

Ms. Wong was appointed as an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee on 9 October 2014.

COMPANY SECRETARY

Ms. Li Wing Sze ("Ms. Li"), joined the Company in October 2010 and was appointed as the Assistant Company Secretary of the Company since October 2010. Ms. Li obtained a Bachelor of Arts (Honours) degree in Business Administration and Management from De Monfort University, England in 2006, and a Master of Science in Professional Accounting & Corporate Governance from City University of Hong Kong in 2009. Ms. Li had over 10 years of working experience in company secretarial field and had worked as assistant company secretary of other listed companies of Hong Kong since as early as 2006. Ms. Li is an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators.

CORPORATE GOVERNANCE REPORT

The Board is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of Shareholders and in long-term shareholders value.

CORPORATE GOVERNANCE PRACTICES

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has complied with the Code Provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2020.

In the opinion of the Board, the Company has complied with the Code Provisions save for deviations as set out below:

Code Provision A.2.1

Under the code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 23 January 2017 onwards, the roles of chairman and chief executive of the Company were performed by Mr. Chow Wang.

The Board considers that vesting the roles of the Chairman and the Chief Executive Officer in the same individual is beneficial to the business prospects and management of the Company. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at appropriate time.

With the appointment of Mr. Wang Minghui as an executive Director and the Chairman of the Board on 12 September 2019, Mr. Chow Wang was re-designated as the Deputy Chairman of the Company. Following this re-designation, the Company considers that it is in compliance of Code Provision A.2.1.

Code Provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The non-executive Director and independent non-executive Directors were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in accordance with the provisions of the Bye-laws. The management experience, expertise and commitment of the re-electing Directors will be considered by the Nomination Committee before their re-election proposals are put forward to Shareholders. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices regarding Directors' appointment are no less exacting than those in the CG Code.

Code Provision A.6.7

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting to gain and develop a balanced understanding of the views of shareholders. During the year ended 31 March 2020, the Company held one annual general meeting on 27 September 2019 (the "2019 AGM"). Certain non-executive Director and the independent non-executive Directors were unable to attend the 2019 AGM due to other business commitment. However, views expressed by shareholders at general meetings are recorded and circulated for discussion by all directors regardless of attendance. The Company will plan its dates of meetings in advance to facilitate Directors' attendance.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to relevant negotiations or agreements or any inside information of the Group.

Having made specific enquiry of all Directors, the Board confirms that the Directors have complied with the Model Code regarding directors' securities transactions during the year and up to the date of publication of this report.

THE BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, oversee the Group's businesses and evaluate the performance of the Group. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to Executive Directors and senior management, while reserving certain key matters for its approval. When the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Directors were supplied with adequate and relevant information in a timely manner to enable them forming decision before all the relevant meetings. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Agreed procedures are in place providing to the member of the Board and/or committee to seek independent professional advice at the Company's expenses to assist them to discharge their duties.

The Company's senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions. For Board meetings and the Board Committee meetings, the agenda accompanying with Board papers were sent to all Directors at least 3 days before the intended date of the Board meetings or Board Committee meetings.

Board Composition

The Board currently consists of nine directors as follows:

Executive Directors

Mr. Wang Minghui *(Chairman)*
Mr. Chow Wang *(Deputy Chairman & Chief Executive Officer)*
Mr. Yin Pinyao
Mr. Chu Ka Wa *(Chief Financial Officer)*
Mr. Wang Zhaoqing *(Chief Operating Officer)*

Non-executive Director

Mr. Fong For

Independent Non-executive Directors

Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny
Ms. Wong Chui San, Susan

THE BOARD OF DIRECTORS (CONTINUED)

Board composition (Continued)

There is no financial, business, family or other material/relevant relationship among members of the Board.

The Board has a policy of having Directors with different professional, industry experiences, skills, knowledge and background so as to bring in valuable contributions and advices for the development of the Group's business. Currently, three out of nine Directors are INEDs and one of them is qualified accountant. Biographical details of the Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. According to the Bye-laws, all newly appointed directors will hold office until the first general meeting after his/their appointment(s) and shall then be eligible for re-election.

Chairman and Chief Executive Officer

Mr. Wang Minghui ("Mr. Wang") is the Chairman of the Board and Mr. Chow Wang ("Mr. Chow") is the Chief Executive Officer of the Company. There is segregation of duties between Chairman and Chief Executive Officer. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

In the absence of the Chairman, the Deputy Chairman, Mr. Chow performed his role and presided at the meetings of the Directors.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

THE BOARD OF DIRECTORS (CONTINUED)

Non-Executive Directors

All non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in line with the Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Company has received written confirmation from each independent non-executive Director of their independence to the Group. The Group considered all of independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Board Meetings

The Board held 4 meetings in the fiscal year. Prior notice and the agenda of the Board meetings were given to the Directors.

Directors may attend meetings in person or via telephone, electronic or other communication facilities. Minutes of the Board and the Board Committees are recorded in sufficient details and kept by the company secretary for inspection by Directors.

The Board holds meetings on a regular basis and will meet on other occasions when a board-level decision on a particular matter is required. The Board also monitors and controls financial performance in pursuit of the Group's strategic objectives. The attendance of individual director at Board meetings held during the accounting period is set out below.

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual/ Special General Meetings
Total numbers of meetings held during the year ended 31 March 2020	4	2	2	2	1
Executive Directors:					
Mr. Wang Minghui *(appointed on 12 September 2019)*	1/1	N/A	N/A	N/A	0/1
Mr. Chow Wang	4/4	N/A	2/2	2/2	1/1
Mr. Yin Pinyao *(appointed on 12 September 2019)*	1/1	N/A	N/A	N/A	0/1
Mr. Chu Ka Wa	4/4	N/A	2/2	2/2	1/1
Mr. Wang Zhaoqing	4/4	N/A	N/A	N/A	1/1
Non-Executive Director:					
Mr. Fong For	4/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors:					
Mr. Jiang Zhi	4/4	2/2	2/2	2/2	0/1
Mr. Leung Ka Kui, Johnny	4/4	2/2	2/2	2/2	0/1
Ms. Wong Chui San, Susan	4/4	2/2	2/2	2/2	1/1

THE BOARD OF DIRECTORS (CONTINUED)

Directors' training and professional development

Directors are encouraged to 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. Training materials and regular updates were made available for Directors' studying, covering the topics on the inside information disclosure requirements under the SFO, continuing and connected transactions under Chapter 14A of the Listing Rules, and other relevant laws and the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

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

(b) to review and monitor the training and continuous professional development of directors and senior management;

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

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report;

(f) to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives; and

(g) to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems and review their effectiveness.

BOARD COMMITTEES

When the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Company has set up three committees including the Audit Committee, the Nomination Committee and the Remuneration Committee, each Committee with its specific terms of reference as set out in the CG Code.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in consistent with the CG Code for the purpose of making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

The work of the Remuneration Committee during the year ended 31 March 2020 included the following matters:

i. reviewed and made recommendations to the Board the increment in remuneration packages for the year 2020 for all the Directors and senior management of the Company. The Remuneration Committee has considered factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

ii. reviewed and made recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

iii. ensured no director or any of his associated is involved in deciding his own remuneration; and

iv. reviewed and made recommendations to the Board the emolument policy of the employees of the Group on the basis of their merit, qualification and competence.

The details of the remuneration of the Directors are set out on note 11 to the consolidated financial statements.

The number of the Remuneration Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during was set out in section headed "Board Meetings" above.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

The Remuneration Committee currently consists of the following members:

Independent Non-executive Directors
Mr. Leung Ka Kui, Johnny *(Chairman)*
Mr. Jiang Zhi
Ms. Wong Chui San, Susan

Executive Directors
Mr. Chow Wang
Mr. Chu Ka Wa

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in consistent with the CG Code for the purpose of reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and identifying individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

Board diversity policy and nomination policy have been adopted to maintain the Board with a diversity of directors and with a nomination process of candidates respectively.

In addition, the shareholders have the power to nominate any person to become a director of the Company in accordance with the Bye-laws, the procedure for election of directors was published on the Company's website.

The work of the Nomination Committee during the year ended 31 March 2020 included the following matters:

i. reviewed and amended the Nomination Committee terms of reference evaluated the above-named directors' skills, qualifications, knowledge and experiences;

ii. reviewed the composition of the Board in accordance with the measurable objective of the Board Diversity Policy;

iii. adopted a nomination policy to achieve the selection, appointment and re-appointment of the Directors; and

iv. nominated Mr. Wang Minghui and Mr. Yin Pinyao as the Directors.

The biographies of the above-named directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

The number of Nomination Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during was set out in section headed "Board Meetings" above.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Board Diversity Policy

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the "Board Diversity Policy") and revised the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Board Diversity Policy on 29 November 2013.

The Board Diversity Policy was made with a view to achieving a sustainable and balanced development of the Company, of which, among others, selection of appropriate candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, skills, professional experience, educational background and length of service. The ultimate decision will be based on merit and contribution that the elected candidates will bring to the Board, The Board's composition will be disclosed in the Corporate Governance Report annually.

Nomination Policy

With an aim to set out the criteria and process in relation to the selection, appointment and re-appointment of the Directors to guide the Nomination Committee, the Board has approved and adopted a nomination policy (the "Nomination Policy") in January 2019 to assess the suitability of a candidate for directorship and make recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing directors to the Board.

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

a. character and integrity;

b. professional qualifications, knowledge and skills and professional experience that are relevant to the Company's business and corporate strategy;

c. willingness to devote adequate time to discharge duties as a Board or committee member and other directorships and significant commitments;

d. requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out therein;

e. the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

f. such other perspectives appropriate to the Company's business.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy (Continued)

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill the Board's casual vacancy in accordance with the following procedures:

a. The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship.

b. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

c. The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.

d. Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong.

e. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

f. Pursuant to the Bye-laws, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he/she retires. For all newly appointed directors who will hold office until the first general meeting of shareholders after his/their appointment(s) and shall then be eligible for re-election.

g. A candidate is allowed to withdraw his/her candidacy at any time before the general meeting by serving a notice in writing to the Company.

h. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee will review the Board Diversity Policy and Nomination Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and Nomination Policy.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy (Continued)

Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

During the year ended 31 March 2020, Mr. Wang Minghui and Mr. Yin Pinyao were appointed as executive Directors on 12 September 2019.

The Nomination Committee currently consists of the following members:

Independent Non-executive Directors
Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny
Ms. Wong Chui San, Susan

Executive Directors
Mr. Wang Minghui *(Chairman)*
Mr. Chow Wang

Audit Committee

The Company has established the Audit Committee with written terms of reference in consistent with the CG Code. The revised terms of reference are posted on the websites of the Company and the Stock Exchange.

The Audit Committee is responsible for reviewing the Group's financial information and overseeing the Group's financial reporting system, risk management and internal control procedure. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records, external auditors and senior management. During the year ended 31 March 2020, the Audit Committee held 2 meetings and the work of the Audit Committee included the following matters:

i. reviewed and discussed the terms of reference of the Audit Committee in order to be in line with the latest amendment of Listing Rules;

ii. discussed with management the risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks and draft a written risk management policy to monitor the Group's business objectives;

iii. discussed with management the status of interim results for the six months ended 30 September 2019 and annual results for the year ended 31 March 2020;

iv. reviewed and discussed with management the report of the risk management and internal control systems proposed by 灝天風險管理有限公司 TANDEM Risk Services Limited ("TANDEM"), an external control consultant to assess the internal control and risk management of the Company during the year ended 31 March 2020;

v. reviewed and discussed with management and the external auditors regarding the financial statements for the year ended 31 March 2020 and management letter;

vi. reviewed and discussed with management and the external auditors regarding the Qualified Opinion which was caused by the comparative figures of the de-consolidation of subsidiaries, amounts due from the De-consolidated Subsidiaries, contingent liabilities and commitments and related party transactions in relation with the disposal of the Disposal Group during the financial year ended 31 March 2019;

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

vii. reviewed and discussed with auditors regarding the basis of the Qualified Opinion and whether the Qualified Opinion would be removed in the next financial year;

viii. reviewed with the Board on its position towards the Qualified Opinion;

ix. reviewed and discussed with management and the external auditors regarding the unaudited interim financial statements for the six months ended 30 September 2019 and management letter;

x. reviewed the effectiveness of internal control system;

xi. reviewed the external auditors' statutory audit plan and engagement letter;

xii. discussed with the management and ensured that the Board has conducted an annual review such that there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function;

xiii. recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors; and

xiv. reviewed and discussed the draft of the internal audit policy in order to monitor the Group's daily operation and carry out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

The number of the Audit Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during was set out in section headed "Board Meetings" above. The Group's report for the year ended 31 March 2020 has been reviewed by the Audit Committee.

The Audit Committee currently consists of the following three members, of which Ms. Wong Chui San, Susan is a certified public accountant:

Independent Non-executive Directors
Ms. Wong Chui San, Susan *(Chairman)*
Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny

Accountability and Audit

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards (which include all Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

During the reporting year, the management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the Company's independent auditors are set out in the Independent Auditors' Report on pages 35 to 42.

BOARD COMMITTEES (CONTINUED)

Accountability and Audit (Continued)

Risk Management and Internal Control

The management regularly assessed the effectiveness of the Company's risk management and internal control systems. In this regard, the Group has engaged external consultants to conduct a review on the risk management and internal control systems of the Group, covering operational procedures and including recommendations for improvement and strengthening of the risk management system and internal control systems of the Group. A report of the risk management and internal control systems prepared by the internal control consultant was submitted to the Audit Committee, with no significant control failings or weakness being identified by the internal control consultant during the review but with operational procedures and recommendations for areas of improvement and strengthening. In the light of the report, the Board considered that the risk management and internal control systems of the Group are effective and adequate.

The Group has put in place risk management framework, policies and procedures to identify, assess, manage, control and report risks including strategic, credit, operational (administrative, system, human resources, tangible and reputable), market, liquidity, legal and regulatory risks. Further, the Group has established policies and procedures regarding the publication of inside information setting out the guiding principles, procedures and internal controls for the handling and dissemination of price-sensitive information in a timely manner.

The Company acknowledged that it is the Board's responsibility to maintain risk management and internal control systems and to review their effectiveness, such systems being designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Reference is made to the Company's announcements dated 15 January 2017, 1 February 2017, 31 May 2018 and 27 July 2018 regarding the Mining Incidents resulting in the loss of control and the deconsolidation of the Mining Assets. Following the revelation of the Mining Incidents, the management reviewed its risk management and internal control systems, particularly those relating to company seal and chop usage. Based on the management's review, the Board came to the conclusion that the Incident was related to the integrity of individual ex-officer of the Group and of one-off nature, carrying no indication of systematic failings and thereby bearing no apparent relationship with the effectiveness of the Company's internal control systems.

The Company is of the view that it has put in place internal control systems to safeguard its assets, including keeping proper control over official seals of the Group. The Company is of the view that there is no need to put in place any internal policy for handling obsolete or lost company seals, as the making of new company seals and the invalidating of obsolete or lost company seals are strictly governed by PRC law. In this regard, the Company is of the view that it has complied, and will continue to comply, with the applicable laws and regulations regarding the lost or obsolete official seals as required by PRC law.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Accountability and Audit (Continued)

Internal audit function

The Group also has internal audit function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The internal audit function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An internal audit policy has been approved and adopted by the Board. According to internal audit policy, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via the Audit Committee afterwards.

AUDITOR'S REMUNERATION

The financial statements for the year ended 31 March 2020 have been audited by HLB Hodgson Impey Cheng Limited ("HLB"). Fee paid or payable to the auditor for audit service provided to the Group is approximately HK$1,300,000. The auditor's remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditor. During the financial year, there was no fee paid or payable to the auditor for non-audit services provided to the Group.

COMPANY SECRETARY

Ms. Li Wing Sze ("Ms. Li"), the Company Secretary of the Company, is the full-time employee of the Company and has knowledge of the Company's affairs. Ms. Li is an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Ms. Li confirmed that for the year ended 31 March 2020, she has complied with Rule 3.29 of the Listing Rules and has confirmed that she has taken no less than 15 hours of relevant professional training. Ms. Li's biography is set out in the section of "Biographical Information of Directors and Senior Management" in this report.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

Voting by poll

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results of the general meetings were published on the website of the Stock Exchange as well as the Company's website.

Dividend Policy

The Company adopts a dividend policy, taking into consideration all circumstances including the following factors before declaring or recommending dividends: (i) the current and projected financial performance of the Company; (ii) effective allocation of distributable retained earnings and reserves; (iii) the growth and investment opportunities; (iv) other macro and micro economic factors; and (v) other factors or events that the Board may consider relevant or appropriate from time to time. The payment of dividend is also subject to any restrictions under the applicable laws and the Bye-laws.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholder's meetings

Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at shareholders' meetings for adoption.

Shareholders' Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are set out in the "Contact Us" section of the Company's website at http://www.0030hk.com/news.php.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group has from time to time endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection and to lead its reduction in greenhouse gas emissions that contribute to climate change. The Company will issue Environmental, Social and Governance Report in a separate manner and publish the report on the Company's website (www.0030hk.com) and the Stock Exchange's website (www.hkexnews.hk).

CONSTITUTIONAL DOCUMENTS

The Bye-laws are available on the Company's website: www.0030hk.com and the Stock Exchange's website: www.hkexnews.hk. No significant change is made to the Company's constitutional documents during the year.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF BAN LOONG HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Ban Loong Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 117, 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, except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion section of our report, 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 consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION
COMPARATIVE FIGURES

(a) De-consolidation of subsidiaries

As disclosed in note 3 to the consolidated financial statements, the management of the Company became aware during the financial year ended 31 March 2017 of a civil ruling dated 9 January 2017 (the "First Civil Ruling") and a civil judgement dated 10 October 2016 (the "Second Civil Judgement"). The First Civil Ruling ordered, inter alia, the freezing of the entire equity holding of Tong Bai County Yin Di Mining Company Limited ("Yin Di Mining"), an indirect subsidiary of the Company, and the mining license owned by Yin Di Mining. The Second Civil Judgement ordered, inter alia, that the equity transfer agreement dated 28 February 2011 signed between Zhengzhou Jinfuyuan Mining Company Limited ("Jinfuyuan Mining"), an indirect subsidiary of the Company, and Henan Guiyuan Industry Co. Ltd ("Henan Guiyuan") for the transfer of equity of Yin Di Mining for the consideration of RMB28,000,000 payable in cash (the "Equity Transfer Agreement") be terminated and all equity holding of Yin Di Mining be re-transferred to Henan Guiyuan.

Also, upon searches of public records conducted by the Group's legal advisers, the management of the Company became aware of a ruling enforcement order dated 23 November 2016 (the "Enforcement Order") issued by Henan Province Zhengzhou City Intermediate People's Court ("Zhengzhou Court") ordering Jinfuyuan Mining to transfer the entire equity holding in Yin Di Mining to Henan Guiyuan. Subsequently, according to the public record searches, the 90% equity interest in Yin Di Mining held by Jinfuyuan Mining was purportedly transferred to Henan Guiyuan on 17 January 2017.

As revealed in the Second Civil Judgement, Henan Guiyuan alleged that Jinfuyuan Mining only paid RMB3,000,000 by way of deposit to Henan Guiyuan between March and November 2011 even though Henan Guiyuan had completed the transfer of the 95% equity of Yin Di Mining to Jinfuyuan Mining in April 2011 in performance of the terms of the Equity Transfer Agreement and that on 30 May 2011, both parties signed a supplemental agreement such that if Jinfuyuan Mining failed to pay the balance of RMB25,000,000 within 60 days, then it shall, inter alia, re-transfer the equity holding in Yin Di Mining to Henan Guiyuan unconditionally and allow the RMB3,000,000 deposit to be forfeited. Henan Guiyuan further alleged that on 18 December 2015, Jinfuyuan Mining signed a declaration and gave it to Henan Guiyuan, confirming that it owed the outstanding consideration to Henan Guiyuan and agreed to re-transfer its equity holding in Yin Di Mining to Henan Guiyuan.

Given the above circumstances, the Group faced obstructions in exercising control over, and gathering information and documents regarding, Yin Di Mining and its subsidiary (collectively, the "De-consolidated Subsidiaries"). The Group regarded that it had lost control over the entire operations of the De-consolidated Subsidiaries and the directors of the Company had determined to exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries from the Group's consolidated financial statements. Hence the De-consolidated Subsidiaries had been deconsolidated with effect from 1 April 2016 in the 2017 Consolidated Financial statements. The resulting loss arising from the deconsolidation of HK$115,847,836 had been recognised in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2017. As disclosed in note 33 to the consolidated financial statements, the Group had disposed of the entire issued share capital of Jun Qiao Limited (the "Disposal") and the Group ceased its control of Jun Qiao Limited and its subsidiaries (the "Disposal Group") upon completion of the Disposal on 25 February 2019 (the "Disposal Date"). Jun Qiao Limited was an investment holding company whose principal assets were its investments in the De-consolidated Subsidiaries. The Group recognised gain on disposal of the Disposal Group of approximately HK$5,735,111 in the financial year ended 31 March 2019, which was presented as other income in the Group's consolidated statement of profit or loss and other comprehensive income.

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements", the carrying amounts of assets and liabilities of, and non-controlling interests in, the De-consolidated Subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the De-consolidated Subsidiaries was lost. As at the date of completion of disposal of the Disposal Group, the investigations by the PRC legal advisers into, inter alia, the factual circumstances and the claims and allegations of Henan Guiyuan, as instructed by the Company, was still in progress and the Company was not yet in a position to assess the impact of the First Civil Ruling and Second Civil Judgement on the operations and financial position of the Group. Further, we were unable to gain access to the books and records and management personnel of the De-consolidated Subsidiaries. Consequently, we were unable to obtain sufficient appropriate audit evidence and explanation to assess the appropriateness of the accounting treatment adopted by the Group of treating the De-consolidated Subsidiaries as subsidiaries of the Group from 2011 onwards and until 1 April 2016, the date of their deconsolidation. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the De-consolidated Subsidiaries. Consequently, we were unable to determine whether any adjustments were necessary to the opening balances of the assets and liabilities of the Group as at 1 April 2018, the loss (including the gain recognised on disposed of the Disposal Group) and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

(b) Amounts due from the De-consolidated Subsidiaries

During the year ended 31 March 2017, the Group recorded an impairment loss to fully write down the amounts due from the Deconsolidated Subsidiaries of HK$71,145,551 due to the circumstances described in (a) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the De-consolidated Subsidiaries as at 1 April 2018 because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the De-consolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the De-consolidated Subsidiaries for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the De-consolidated Subsidiaries were properly assessed in accordance with the requirements of applicable HKFRSs. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances of the amounts due from the De-consolidated Subsidiaries as at 1 April 2018 were free from material misstatement. In addition, the scope limitation explained in (a) above as to the date when the Group lost control over the De-consolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised. Any adjustments that might have been found necessary may have a significant consequential effect on the carrying amount of, and impairment loss on, the amounts due from the De-consolidated Subsidiaries and hence on the opening balances of net assets of the Group as at 1 April 2018 and the loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

(c) Contingent liabilities and commitments

Due to circumstances described in (a) above, we have not been able to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group as at 1 April 2018 were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs, including Hong Kong Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments as at 1 April 2018 were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the opening balances of net assets of the Group as at 1 April 2018 and the loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

(d) Related party transactions

The scope limitation explained in (a) above as to the date when the Group lost control over the De-consolidated Subsidiaries would affect the disclosures of related party transactions in the consolidated financial statements in the event that the date of loss of control is actually after 1 April 2016. Accordingly, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions disclosures in respect of the financial year ended 31 March 2019 were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs including Hong Kong Accounting Standard 24 "Related Party Disclosures". There were no practical alternative procedures that we could perform over the related party transactions which might have occurred during the year ended 31 March 2019.

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 qualified audit opinion.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our qualified 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.

As described above, we were unable to obtain sufficient appropriate evidence about the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion section above. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses assessment of trade receivables	
Refer to note 4 and note 19 to the consolidated financial statements.	
As at 31 March 2020, the Group had gross trade receivables of approximately HK$23,036,149 (2019: HK$82,707,321) and provision for allowance for expected credit losses of approximately HK$235,372 (2019: HK$445,043). In general, the trade receivable credit terms granted by the Group to the customers ranged within 90 days (2019: 90 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment. We focused on this area due to the allowance for expected credit losses assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to management's allowance for expected credit losses assessment of the trade receivables as at 31 March 2020 included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2020 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, 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 found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

Key audit matter	How our audit addressed the key audit matter

Allowance for expected credit losses assessment of loan receivables

Refer to note 4 and note 20 to the consolidated financial statements.

As at 31 March 2020, the Group's gross loan receivables amounted to HK$518,384,664 (2019: HK$470,619,488) and a provision for allowance for expected credit losses of loan receivables of HK$1,059,044 (2019: HK$318,803) was recognised in the Group's consolidated balance sheet.

The balance of provision for allowance for expected credit losses of loan receivables represents the management's best estimates at the balance sheet date of expected credit losses under Hong Kong Financial Reporting Standard 9: Financial Instruments expected credit losses models.

Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit losses. The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:

– Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default;

– Criteria for determining whether or not there was a significant increase in credit risk or a default; and

– Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings.

We focus on this area due to the magnitude of the loan receivables and the significant estimates and judgement involved in determining the expected credit impairment losses allowance on the loan receivables.

Our procedures in relation to management's assessment on provision for allowance for expected credit losses of loan receivables as at 31 March 2020 included:

- Understanding and testing the key control procedures performed by management, including its procedures on periodic review on overdue receivables and the assessment of expected credit losses allowance on the loan receivables;

- Understanding and evaluating the modelling methodologies for expected credit losses measurement, assessed the reasonableness of the model selection and key measurement parameters determination;

- For the historical information, discussing with management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence;

- For forward-looking measurement, we assessing the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data; and

- Checking major data inputs used in the expected credit losses models on sample basis to the Group's record.

We found that the management judgement and estimates used to assess the recoverability of the loan receivables and determine the impairment provision to be supportable by available evidence.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report 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 scepticism throughout the audit. We also:

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

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

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

- 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 auditors' 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 auditors' 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.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 29 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$**	2019 HK$
Revenue	7	**1,162,153,635**	910,081,910
Cost of sales		**(1,054,070,055)**	(823,076,956)
Gross profit		**108,083,580**	87,004,954
Other income and gain	8	**61,638**	5,844,032
Net allowance for expected credit losses		**(721,519)**	2,569,442
Share of result of an associate	17	**(149,827)**	(146,086)
Selling and distribution expenses		**(898,957)**	(984,355)
General and administrative expenses		**(41,287,842)**	(37,721,658)
Finance costs	9	**(4,984,168)**	(4,650,000)
Profit before tax	10	**60,102,905**	51,916,329
Income tax expenses	13	**(10,534,043)**	(7,648,435)
Profit for the year		**49,568,862**	44,267,894
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operation		**(13,794,531)**	(11,232,423)
Exchange reserve released on disposal of subsidiaries		**–**	(1,027,801)
Other comprehensive expense for the year		**(13,794,531)**	(12,260,224)
Total comprehensive income for the year		**35,774,331**	32,007,670

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$	2019 HK$
Profit/(loss) for the year attributable to:			
Owners of the Company		**49,573,533**	44,271,814
Non-controlling interests		**(4,671)**	(3,920)
		49,568,862	44,267,894
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**35,779,002**	32,011,590
Non-controlling interests		**(4,671)**	(3,920)
		35,774,331	32,007,670
Earnings per share			
– Basic and diluted (HK cents)	14	**0.77**	0.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$	2019 HK$
Non-current assets			
Property, plant and equipment	15	**3,350,687**	3,964,173
Right-of-use assets	16	**13,225,040**	–
Investment in an associate	17	**228,250**	412,717
Loan receivables	20	**562,274**	820,311
Deferred tax assets	27	**359,954**	260,918
		17,726,205	5,458,119
Current assets			
Inventories	18	**13,394,914**	–
Trade receivables	19	**22,800,777**	82,262,278
Loan and interest receivables	20	**531,302,686**	475,114,381
Other receivables, deposits and prepayments	21	**364,320,021**	231,147,014
Amount due from a shareholder	22	**10,425,788**	–
Bank balances and cash	23	**7,027,960**	74,664,169
		949,272,146	863,187,842
Current liabilities			
Trade and other payables	24	**45,638,191**	14,953,908
Contract liabilities	25	**23,683,820**	15,009,993
Lease liabilities	16	**8,313,293**	–
Tax payable		**14,357,969**	5,298,410
Bonds	26	**69,229,000**	68,429,000
		161,222,273	103,691,311
Net current assets		**788,049,873**	759,496,531
Total assets less current liabilities		**805,776,078**	764,954,650

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$	2019 HK$
Capital and reserves			
Share capital	28	**64,481,522**	64,481,522
Reserves		**735,327,250**	699,548,248
Equity attributable to owners of the Company		**799,808,772**	764,029,770
Non-controlling interests		**920,209**	924,880
Total equity		**800,728,981**	764,954,650
Non-current liability			
Lease liabilities	16	**5,047,097**	–
		805,776,078	764,954,650

The consolidated financial statements on page 43 to 117 were approved and authorised for issue by the Board of Directors on 29 June 2020 and are signed on its behalf by:

Chow Wang
Director

Chu Ka Wa
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company							
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Exchange reserve HK$	Accumulated losses HK$	Sub-total HK$	Non-controlling interests HK$	Total HK$
At 1 April 2018	54,481,522	819,478,817	176,000	11,855,407	(332,773,566)	553,218,180	462,749	553,680,929
Profit for the year	–	–	–	–	44,271,814	44,271,814	(3,920)	44,267,894
Other comprehensive expense for the year:								
Release of exchange reserve upon disposal of subsidiaries	–	–	–	(1,027,801)	–	(1,027,801)	–	(1,027,801)
Exchange differences arising on translating foreign operation	–	–	–	(11,232,423)	–	(11,232,423)	–	(11,232,423)
Total comprehensive (expense)/income for the year	–	–	–	(12,260,224)	44,271,814	32,011,590	(3,920)	32,007,670
Release upon disposal of subsidiaries (note 33)	–	–	–	–	–	–	466,051	466,051
Issue of shares upon shares subscription (note 28)	10,000,000	170,000,000	–	–	–	180,000,000	–	180,000,000
Transaction costs attributable to issue of shares	–	(1,200,000)	–	–	–	(1,200,000)	–	(1,200,000)
At 31 March 2019 and 1 April 2019	64,481,522	988,278,817	176,000	(404,817)	(288,501,752)	764,029,770	924,880	764,954,650
Profit for the year	**–**	**–**	**–**	**–**	**49,573,533**	**49,573,533**	**(4,671)**	**49,568,862**
Other comprehensive expense for the year:								
Exchange differences arising on translating foreign operation	**–**	**–**	**–**	**(13,794,531)**	**–**	**(13,794,531)**	**–**	**(13,794,531)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(13,794,531)**	**49,573,533**	**35,779,002**	**(4,671)**	**35,774,331**
At 31 March 2020	**64,481,522**	**988,278,817**	**176,000**	**(14,199,348)**	**(238,928,219)**	**799,808,772**	**920,209**	**800,728,981**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$	2019 HK$
OPERATING ACTIVITIES			
Profit before tax		**60,102,905**	51,916,329
Adjustments for:			
Depreciation of property, plant and equipment	15	**1,230,161**	1,199,779
Depreciation of right-of-use assets	16	**8,535,970**	–
Gain on disposal of subsidiaries	33	**–**	(5,735,111)
Net loss on disposal of property, plant and equipment		**48,949**	–
Allowance for expected credit losses on trade receivables		**218,750**	296,034
Reversal of allowance for expected credit losses on trade receivables		**(428,421)**	(16,882)
Allowance for expected credit losses on other receivables		**225,084**	7,303
Reversal of allowance for expected credit losses on other receivables		**(34,135)**	(156,270)
Allowance for expected credit losses on loan receivables		**814,320**	175,333
Reversal of allowance for expected credit losses on loan receivables		**(74,079)**	(2,874,960)
Finance costs	9	**4,984,168**	4,650,000
Bank interest income	8	**(19,540)**	(108,921)
Share of results of an associate	17	**149,827**	146,086
Operating cash flows before movements in working capital		**75,753,959**	49,498,720
Increase in inventories		**(13,394,914)**	–
Decrease/(increase) in trade receivables		**54,250,056**	(55,117,970)
Increase in loan and interest receivables		**(56,670,509)**	(116,324,891)
Increase in other receivables, deposits and prepayments		**(141,573,439)**	(63,982,160)
Increase/(decrease) in trade and other payables		**35,525,416**	(71,060,567)
Increase in contract liabilities		**8,673,827**	–
Increase in amount due from a shareholder		**(10,425,788)**	–
Decrease in amount due from an associate		**34,640**	–
Cash used in operations		**(47,826,752)**	(256,986,868)
Tax paid		**(1,573,520)**	(489,482)
Net cash used in operating activities		**(49,400,272)**	(257,476,350)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$	2019 HK$
INVESTING ACTIVITIES			
Bank interest received		**19,540**	108,921
Proceeds on disposal of property, plant and equipment		**1,050,000**	–
(Increase)/decrease in loans advanced to independent third parties		**(176,321)**	18,410,882
Purchases of property, plant and equipment		**(1,807,917)**	(1,141,493)
Net cash inflow from disposal of subsidiaries	33	**–**	67,197
Net cash (used in)/generated from investing activities		**(914,698)**	17,445,507
FINANCING ACTIVITIES			
Proceeds from shares subscription	28	**–**	178,800,000
Decrease in loans advanced from independent third parties		**(3,615,430)**	(1,398,624)
Capital element of lease rentals paid		**(8,304,820)**	–
Interest paid		**(4,184,168)**	(3,850,000)
Net cash (used in)/generated from financing activities		**(16,104,418)**	173,551,376
Net decrease in cash and cash equivalents		**(66,419,388)**	(66,479,467)
Cash and cash equivalents at beginning of the year		**74,664,169**	144,042,321
Effect of foreign exchange rate changes		**(1,216,821)**	(2,898,685)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**7,027,960**	74,664,169

1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Yunnan Baiyao Group Co., Limited is the substantial shareholder of the Company. The address of its principal place of business is Room 2709-10, 27/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is an investment holding company. The Group is principally engaged in money lending business and trading of goods and commodities.

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

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

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

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

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

HKFRS 16 Leases

Transition and summary of effects arising from initial application of HKFRS 16

On 1 April 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

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.

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

HKFRS 16 Leases (Continued)

As a lessor

During the year ended 31 March 2020, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

(ii) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) 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

(v) relied on the assessment of whether lease are onerous by applying HKAS 37 Provision Contingent Liabilities and Contingent Assets as an alternative of impairment view.

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied by relevant group entities was 2.16%.

	At 1 April 2019 HK$
Operating lease commitment disclosed as at 31 March 2019	9,426,670
Lease liabilities discounted at relevant incremental borrowing rate	9,306,302
Less: recognition exemption – short-term leases	(132,800)
Lease liabilities as at 1 April 2019	9,173,502
Analysis as:	
Current	8,466,929
Non-current	706,573
	9,173,502

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

	HK$
Right-of use assets presented by class:	
Leased premises (note (a))	9,173,502

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 March 2019	Adjustments	Carrying amounts under HKFRS 16 as at 1 April 2019
	HK$	HK$	HK$
Non-current assets			
Right-of-use assets	–	9,173,502	9,173,502
Liabilities			
Lease liabilities			
– Current portion	–	8,466,929	8,466,929
– Non-current portion	–	706,573	706,573

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on the opening consolidated statement of financial position at 1 April 2019 as disclosed above.

Notes:

(a) The carrying amount of right-of-use assets at 1 April 2019 is relating to operating leases of land and buildings recognised upon application of HKFRS 16.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid, included deposits as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, the adjustments to present value are immaterial and not recognised at the date of initial application, 1 April 2019.

Upon application of HKFRS 16, on transition, the Group recognised lease liabilities of HK$9,173,502 and right-of-use assets of HK$9,173,502 in the consolidated statement of financial position at 1 April 2019.

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

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

HKFRS 17	Insurance Contracts[1]
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[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 16	COVID-19 – Related rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2021.
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 a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to 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 April 2020. The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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 of Hong Kong Limited and by 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 value 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS16 (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.

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 entirely, 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)

Basis of preparation (Continued)

De-consolidation

The management of the Company became aware during the year ended 31 March 2017 of a civil ruling dated 9 January 2017 (the "First Civil Ruling") and a civil judgement dated 10 October 2016 (the "Second Civil Judgement"). The First Civil Ruling ordered, inter alia, the freezing of the entire equity holding of Tong Bai County Yin Di Mining Company Limited ("Yin Di Mining"), an indirect subsidiary of the Company, and the mining license owned by Yin Di Mining. The Second Civil Judgement ordered, inter alia, that the equity transfer agreement dated 28 February 2011 signed between Zhengzhou Jinfuyuan Mining Company Limited ("Jinfuyuan Mining"), an indirect subsidiary of the Company, and Henan Guiyuan Industry Co. Ltd ("Henan Guiyuan") for the transfer of equity of Yin Di Mining at the consideration of RMB28,000,000 payable in cash (the "Equity Transfer Agreement") be terminated and all equity holding of Yin Di Mining be re-transferred to Henan Guiyuan.

Also, upon searches of public records conducted by the Group's legal advisers, the management of the Company became aware of a ruling enforcement order dated 23 November 2016 (the "Enforcement Order") issued by Henan Province Zhengzhou City Intermediate People's Court ("Zhengzhou Court") ordering Jinfuyuan Mining to transfer the entire equity holding in Yin Di Mining to Henan Guiyuan. Subsequently, according to the public record searches, the 90% equity interest in Yin Di Mining held by Jinfuyuan Mining was purportedly transferred to Henan Guiyuan on 17 January 2017.

As revealed in the Second Civil Judgement, Henan Guiyuan alleged that Jinfuyuan Mining only paid RMB3,000,000 by way of deposit to Henan Guiyuan between March and November 2011 even though Henan Guiyuan had completed the transfer of the 95% equity of Yin Di Mining to Jinfuyuan Mining in April 2011 in performance of the terms of the Equity Transfer Agreement and that on 30 May 2011, both parties signed a supplemental agreement such that if Jinfuyuan Mining failed to pay the balance of RMB25,000,000 within 60 days, then it shall, inter alia, re-transfer the equity holding in Yin Di Mining to Henan Guiyuan unconditionally and allow the RMB3,000,000 deposit to be forfeited. Henan Guiyuan further alleged that on 18 December 2015, Jinfuyuan Mining signed a declaration and gave it to Henan Guiyuan, confirming that it owed the outstanding consideration to Henan Guiyuan and agreed to re-transfer its equity holding in Yin Di Mining to Henan Guiyuan.

Given the above circumstances, the Group faced obstructions in exercising control over, and gathering information and documents regarding, Yin Di Mining and its subsidiary (collectively, the "De-consolidated Subsidiaries"). The Group regards that it has lost control over the entire operations of the De-consolidated Subsidiaries and the directors of the Company have determined to exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries from the Group's consolidated financial statements. Hence the De-consolidated Subsidiaries have been de-consolidated with effect from 1 April 2016 in the 2017 Consolidated Financial Statements. The resulting loss arising from the deconsolidation of HK$115,847,836 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017. The Group had disposed of the entire issued share capital of Jun Qiao Limited (the "Disposal") and the Group ceased its control of Jun Qiao Limited and its subsidiaries (the "Disposal Group") upon completion of the Disposal on 25 February 2019 (the "Disposal Date"). Jun Qiao Limited is an investment holding company whose principal assets are its investments in the De-consolidated Subsidiaries. The Group recognized gain on disposal of the Disposal Group of approximately HK$5,735,111 in the financial year ended 31 March 2019, which is presented as other income in the Group's consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

De-consolidation (Continued)

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements", the carrying amounts of assets and liabilities of, and non-controlling interests in, the De-consolidated Subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the De-consolidated Subsidiaries was lost. As at the date of completion of disposal of the Disposal Group, the investigations by the PRC legal advisers into, inter alia, the factual circumstances and the claims and allegations of Henan Guiyuan, as instructed by the Company, was still in progress and the Company was not yet in a position to assess the impact of the First Civil Ruling and Second Civil Judgement on the operations and financial position of the Group. Further, we were unable to gain access to the books and records of the De-consolidated Subsidiaries. Consequently, we were unable to obtain sufficient appropriate audit evidence and explanation to assess the appropriateness of the accounting treatment adopted by the Group of treating the De-consolidated Subsidiaries as subsidiaries of the Group from 2011 onwards and until 1 April 2016, the date of their deconsolidation. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the De-consolidated Subsidiaries. Consequently, we were unable to determine whether any adjustments were necessary to the amounts of the assets and liabilities of the Group as at 1 April 2018, the loss (including the gain recognised on disposed of the Jun Qiao Group) and cash flows of the Group for the years ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's interests in existing subsidiaries (Continued)

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) 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 the fair value of any retained interest 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group''s share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal / partial disposal of the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in associate (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when 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:

- 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.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Sales of goods

Revenue from trading of goods and commodities are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted of the original effective, interest rate of the instrument and continues unwinding the discount as interest income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (upon application of HKFRS 16 as at 1 April 2019)

Definition of a lease

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.

As a lessee

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.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of car parks 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 or another systematic 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;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). 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.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (upon application of HKFRS 16 as at 1 April 2019) (Continued)

As a lessee (Continued)

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (upon application of HKFRS 16 as at 1 April 2019) (Continued)

As a lessee (Continued)

Lease modifications (Continued)

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.

Leasing (before adoption of HKFRS 16 as at 1 April 2019)

As a lessee

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.

Assets held under finance leases are 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 expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operations, 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.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

Borrowing costs

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

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

Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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 and interests 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

Depreciation of these assets depreciated using the UOP method, is recognised so as to write off the cost of items of property, plant and equipment 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 property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in profit or loss in the period in which the item is derecognised.

Cash and cash equivalents

Cash and short-term deposit in the consolidated statement of financial position comprise cash at banks 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 equivalents consist of cash and short term deposits, as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Financial Instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Classification and measurement of financial assets at amortised cost

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.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Classification and measurement of financial assets at amortised cost (Continued)

A financial asset is classified as held for trading if:

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

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

Amortised cost and interest income

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

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 revenue and other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, loan and interest receivables, amount due from a shareholder and bank balances and cash). The amount of ECL is updated at 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, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after 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 reporting period as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost and interest income (Continued)

Impairment of financial assets (Continued)

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.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting 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, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost and interest income (Continued)

Definition of default (Continued)

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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.

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. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost and interest income (Continued)

Measurement and recognition of ECL (Continued)

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

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- 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.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 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 expense is recognised on an effective interest basis.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition

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

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

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 the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

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

Depreciation and estimated useful life of property, plant and equipment

Property, plant and equipment are depreciated on a systematic basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the estimated useful life of the property, plant and equipment. If the expectation differs from the original estimates, such differences from the original estimates will affect the depreciation charges in the year in which the estimates change. The carrying amount of the Group's property, plant and equipment as at 31 March 2020 was HK$3,350,687(2019: HK$3,964,173).

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is the higher of their fair value less costs of disposal and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment as at 31 March 2020 was HK$3,350,687 (2019: HK$3,964,173). No impairment loss has been recognised as at 31 March 2020 and 2019.

Impairment of right-of-use assets

Right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2020, the carrying amounts of right-of-use assets amounted to HK$13,225,040, No impairment losses were recognised during the year ended 31 March 2020. Details of the right-of-use assets are disclosed in note 16.

Determining the lease term

As explained in note 2, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying assets to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated impairment loss on trade receivables, loan and interest receivables and other receivables

The Group makes impairment loss based on an assessment of the recoverability of trade receivables, loan and interest receivables and other receivables. Allowances are applied to trade receivables, loan and interest receivables and other receivables where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. In determining whether impairment loss on receivables is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying amount. If the financial conditions of customers or debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The carrying amounts of the Group's trade receivables, loan and interest receivables and other receivables were HK$22,800,777 (2019: HK$82,262,278), HK$531,864,960 (2019: HK$475,934,692) and HK$15,883,490 (2019: HK$22,060,811) respectively.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement at amortised cost in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6.

Income taxes

As at 31 March 2020, no deferred tax asset has been recognised in respect of tax losses amounting to HK$13,836,695 (2019: HK$11,926,719) due to the unpredictability of future profits streams. The realisability of deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where it is expected to have sufficient taxable profits against which to utilise the benefits of the temporary differences in the foreseeable future, certain amount of deferred tax asset may arise, which would be recognised in profit or loss for the period.

5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders and benefit to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bonds, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group structures its capital with due consideration to risk. The Group manages and adjusts its capital structure in the light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may repurchase shares of the Company, issue new shares, or increase or reduce borrowings.

The Group is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020	2019
	HK$	HK$
Financial assets		
At amortised cost:		
Loans and receivables (including bank balances and cash)	**591,591,252**	657,120,553
Financial liabilities		
Financial liabilities at amortised cost	**128,227,581**	83,382,908

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loan and interest receivables, other receivables and deposits, amount due from a shareholder, bank balances and cash, trade and other payables, lease liabilities and bonds. Details of the financial instruments are disclosed in respective notes.

The Group's investment policy is to prudently invest all funds of the Group in a manner which will satisfy liquidity requirements, safeguard financial assets, and manage risks while optimising return on investments.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

All sales and purchases of the Group are denominated in the functional currency of the respective entities making the sales and purchases. Accordingly, the directors of the Company considered that the Group is not exposed to material transactional foreign currency risk. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's significant monetary asset (bank balances and cash) that is denominated in currency other than the functional currency of the respective entities holding the asset at the end of the reporting period is as follows:

	Assets	
	2020	2019
	HK$	HK$
Renminbi ("RMB")	**100,103**	106,381

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and RMB. The exposure of USD against HK$ is considered insignificant as HK$ is pegged to USD, therefore is excluded from the sensitivity analysis.

The following table details the Group's sensitivity of 5% (2019: 5%) increase and decrease in functional currencies of the respective entities against the relevant foreign currencies. 5% (2019: 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% (2019: 5%) change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax loss and other equity where functional currencies of the respective entities strengthen/weakening 5% (2019: 5%) against the relevant currency.

	RMB impact	
	2020	2019
	HK$	HK$
Profit after tax	**4,179**	4,441

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the loan and interest receivables (see note 20) bonds (see note 26) and lease liabilities (see note 16). The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

Management of the Group considers the interest rate risk for variable-rate bank balances are insignificant for the years ended 31 March 2020 and 2019. Hence, no sensitivity analysis is presented.

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk

As at 31 March 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk arising from money lending business, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The team monitors customers' repayment ability, requests the customers to provide collaterals and reviews the fair value of the collaterals. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 5% (2019: 6%) of the total loan and interest receivables as at 31 March 2020 was due from the largest borrower from the money lending segment and 21% (2019: 24%) of the total loan and interest receivables as at 31 March 2020 was due from the five largest borrowers from the money lending segment.

Loan receivables

Movement of allowance for expected credit losses:

	12m ECL HK$	Lifetime ECL not credit-impaired HK$	Lifetime ECL credit-impaired HK$	Total HK$
At 1 April 2018	3,018,430	–	–	3,018,430
Allowances for expected credit losses	175,333	–	–	175,333
Reversal of allowances for expected credit losses	(2,874,960)	–	–	(2,874,960)
At 31 March 2019 and 1 April 2019	318,803	–	–	318,803
Allowance for expected credit losses	814,320	–	–	814,320
Reversal of allowances for expected credit losses	(74,079)	–	–	(74,079)
At 31 March 2020	1,059,044	–	–	1,059,044

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk (Continued)

With respect of credit risk arising from trade and other receivables during the years ended 31 March 2020 and 2019, the Group's exposure to credit risk arising from default of the counterparties is limited as the counterparties have good history of repayment. In addition, the Group reviews the recoverable amount of each individual receivable balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 46% (2019: 38%) and 99% (2019: 83%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively at 31 March 2020.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables

	Within 90 days HK$	Total HK$
As at 31 March 2019		
Expected credit loss rate	0.54%	0.54%
Gross carrying amount (HK$)	82,707,321	82,707,321
Lifetime ECL	(445,043)	(445,043)
	82,262,278	82,262,278

	Within 90 days HK$	**Total HK$**
As at 31 March 2020		
Expected credit loss rate	**1.02%**	**1.02%**
Gross carrying amount (HK$)	**23,036,149**	**23,036,149**
Lifetime ECL	**(235,372)**	**(235,372)**
	22,800,777	**22,800,777**

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Other receivables

For other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

The movement of loss allowances for other receivables are as follows:

	12m ECL HK$	Lifetime ECL not credit-impaired HK$	Lifetime ECL credit-impaired HK$	Total HK$
At 1 April 2018	230,246	–	–	230,246
Allowance for expected credit losses	7,303	–	–	7,303
Reversal of allowance of ECL (Note)	(156,270)	–	–	(156,270)
Balance as at 31 March 2019 and 1 April 2019	81,279	–	–	81,279
Allowance for expected credit losses	225,084	–	–	225,084
Reversal of allowance of ECL (Note)	(34,135)	–	–	(34,135)
Balance as at 31 March 2020	272,228	–	–	272,228

Note: Reversal of allowance of ECL is due to the Group's recovery of other receivables.

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has 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 non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	On demand or less than one year HK$	Between one to five years HK$	Total undiscounted cash flows HK$	Carrying amount HK$
As at 31 March 2020				
Non-derivative financial liabilities:				
Trade and other payables	**45,638,191**	**–**	**45,638,191**	**45,638,191**
Bonds (Note)	**73,715,750**	**–**	**73,715,750**	**69,229,000**
Lease liabilities	**8,398,395**	**5,215,255**	**13,613,650**	**13,360,390**
	127,752,336	**5,215,255**	**132,967,591**	**128,227,581**
As at 31 March 2019				
Non-derivative financial liabilities:				
Trade and other payables	14,953,908	–	14,953,908	14,953,908
Bonds (Note)	73,850,000	–	73,850,000	68,429,000
	88,803,908	–	88,803,908	83,382,908

Note: As at 31 March 2020, the aggregate undiscounted principal amount of the bonds amounted to HK$70,000,000 (2019: HK$70,000,000). The repayment obligations of the Company under the instruments of the Bonds is guaranteed by Jun Qiao. Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in all the mining assets held by Jun Qiao Group, including mining structure and plant and equipment, prepaid lease payment, mining right and reserves and exploration right, and prepayments for exploration and evaluation activities (the "Mining Assets") and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. In addition, the holders of the Bonds have the early redemption option to request for early redemption after the fourth anniversary of the issue date up to the maturity date. The directors of the Company considered that the Group does not have an unconditional right to defer settlement of the Bonds for at least 12 months after the reporting period and hence classified the Bonds as current liabilities.

7. REVENUE AND SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focus on types of goods or services delivered or provided. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reporting and operating segments under HKFRS 8 are as follows:

(i) Money lending segment engages in the provision of financing services; and

(ii) Trading segment engages in the trading of goods and commodities.

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

For the year ended 31 March 2020

	Money lending HK$	**Trading HK$**	**Total HK$**
Revenue	**89,701,100**	**1,072,452,535**	**1,162,153,635**
Segment profit	**88,956,531**	**13,051,614**	**102,008,145**
Unallocated corporate income and gain			**51,112**
Unallocated corporate expenses			**(36,972,184)**
Finance cost			**(4,984,168)**
Profit before tax			**60,102,905**

For the year ended 31 March 2019

	Money lending HK$	Trading HK$	Total HK$
Revenue	74,131,590	835,950,320	910,081,910
Segment profit	74,603,847	3,635,235	78,239,082
Unallocated corporate income and gain			5,811,543
Unallocated corporate expenses			(27,484,296)
Finance cost			(4,650,000)
Profit before tax			51,916,329

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in current year (2019: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit from each segment without allocation of directors' salaries, certain bank interest income included in other income and gain, net loss on disposal of property, plant and equipment, gain on disposal of subsidiaries, certain general and administrative expenses, share of result of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2020 **HK$**	2019 HK$
Segment assets		
Money lending	**534,227,942**	496,750,029
Trading	**401,709,937**	321,728,118
Unallocated corporate assets	**31,060,472**	50,167,814
Consolidated assets	**966,998,351**	868,645,961

	2020 **HK$**	2019 HK$
Segment liabilities		
Money lending	**12,781,214**	4,855,194
Trading	**69,770,783**	19,762,015
Unallocated corporate liabilities	**83,717,373**	79,074,102
Consolidated liabilities	**166,269,370**	103,691,311

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, certain other receivables, deposits and prepayments and certain bank balances and cash which are managed on a group basis.

– all liabilities are allocated to reportable and operating segments other than certain other payables, bonds and certain lease liabilities which are managed on a group basis.

In measuring the Group's segment assets and liabilities, deferred tax asset of HK$357,861 (2019: HK$260,391) were allocated to money lending segment and deferred tax asset of HK$2,093 (2019: HK$527) was allocated to trading segment. However, the relevant income tax expense of HK$10,534,043 (2019: HK$7,648,435) was not included in the measurement of segment results.

Other segment information

For the year ended 31 March 2020

	Money lending HK$	Trading HK$	Unallocated HK$	Total HK$
Amounts include in the measure of segment results or segment assets:				
Depreciation of property, plant and equipment	55,378	354,345	820,438	1,230,161
Depreciation of right-of-use assets	503,378	1,560,432	6,472,160	8,535,970
Additions to non-current assets (Note)	–	1,055,793	13,408,022	14,463,815
Bank interest income	–	10,555	8,985	19,540
Allowance for expected credit losses on trade receivables	–	218,750	–	218,750
Reversal of allowance for expected credit losses on trade receivables	–	(428,421)	–	(428,421)
Allowance for expected credit losses on other receivables	–	225,084	–	225,084
Reversal of allowance for expected credit losses on other receivables	–	(34,135)	–	(34,135)
Allowance for expected credit losses on loan receivables	814,320	–	–	814,320
Reversal of allowance for expected credit losses on loan receivables	(74,079)	–	–	(74,079)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:				
Finance costs	17,747	47,170	4,919,251	4,984,168
Income tax expenses	8,141,170	2,392,873	–	10,534,043

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

For the year ended 31 March 2019

	Money lending HK$	Trading HK$	Unallocated HK$	Total HK$
Amounts include in the measure of segment results or segment assets:				
Depreciation of property, plant and equipment	49,230	239,775	910,774	1,199,779
Additions to non-current assets (Note)	149,200	259,018	733,275	1,141,493
Bank interest income	–	(32,489)	(76,432)	(108,921)
Allowance for expected credit losses on trade receivables	–	296,034	–	296,034
Reversal of allowance for expected credit losses on trade receivables	–	(16,882)	–	(16,882)
Allowance for expected credit losses on other receivables	–	7,303	–	7,303
Reversal of allowance for expected credit losses on other receivables	–	(156,270)	–	(156,270)
Allowance for expected credit losses on loan receivables	175,333	–	–	175,333
Reversal of allowance for expected credit losses on loan receivables	(2,874,960)	–	–	(2,874,960)
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:				
Finance costs	–	–	4,650,000	4,650,000
Income tax expenses	6,594,846	1,053,589	–	7,648,435

Note: Non-current assets excluded investment in an associate and deferred tax assets.

Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major products and provision of services to external customers:

	2020 HK$	2019 HK$
Revenue from money lending	**89,701,100**	74,131,590
Revenue from trading of goods and commodities	**1,072,452,535**	835,950,320
	1,162,153,635	910,081,910

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Please refer to note 3 for details of revenue recognition.

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets, excluding deferred tax asset and interest in an associate, is presented based on the geographical location of the assets.

	Hong Kong		PRC (excluding Hong Kong)		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
For the year ended 31 March						
Segment revenue	**302,183,831**	136,201,812	**859,969,804**	773,880,098	**1,162,153,635**	910,081,910
At 31 March						
Non-current assets	**15,950,977**	4,017,106	**1,187,024**	767,378	**17,138,001**	4,784,484

Note: Non-current assets excluded investment in an associate and deferred tax asset.

Information about major customers

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

	2020	2019
	HK$	HK$
Customer A[1]	**N/A**[2]	139,004,892
Customer B[1]	**307,858,206**	129,069,297
Customer C[1]	**N/A**[2]	98,029,673
Customer D[1]	**322,319,007**	N/A[2]

1 Revenue from trading
2 The corresponding revenue did not contribute over 10% of the total revenue of the Group

8. OTHER INCOME AND GAIN

	2020 HK$	2019 HK$
Bank interest income	**19,540**	108,921
Gain on disposal of motor vehicles	**42,098**	–
Gain on disposal of subsidiaries (Note 33)	**–**	5,735,111
	61,638	5,844,032

9. FINANCE COSTS

	2020 HK$	2019 HK$
Effective interest expense on bonds (Note 26)	**4,650,000**	4,650,000
Interest on lease liabilities	**334,168**	–
	4,984,168	4,650,000

10. PROFIT BEFORE TAX

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

	2020 HK$	2019 HK$
Auditors' remuneration	**1,300,000**	1,300,000
Cost of inventories recognised as expense	**1,054,070,055**	823,076,956
Depreciation of property, plant and equipment	**1,230,161**	1,199,779
Net loss on disposal of property, plant and equipment	**48,949**	–
Depreciation of right-of-use assets	**8,535,970**	–
Exchange loss/(gain), net	**74,408**	(781,174)
Employee benefit expenses	**15,685,144**	14,719,498
Minimum lease payment under operating leases in respect of land and buildings	**–**	4,206,708
Expenses relating to short-term lease	**132,800**	–

11. EMPLOYEE BENEFIT EXPENSES

	2020 HK$	2019 HK$
Wages, salaries and other benefits (including directors' remunerations (Note (b)))	**15,147,494**	14,252,800
Retirement benefit costs (including directors' remunerations (Note (b))) – defined contribution schemes (Note (a))	**537,650**	466,698
	15,685,144	14,719,498

Notes:

(a) No forfeited contribution was available at the end of the reporting period to reduce future contributions (2019: nil).

(b) Directors' and chief executive's emoluments

The remunerations paid or payable of each to the 9 (2019: 7) directors, including the chief executive, were as follows:

For the year ended 31 March 2020	Executive directors					Non-executive director	Independent non-executive directors			
	Chow Wang* HK$	Wang Zhaoqing HK$	Chu Ka Wa HK$	Wang Minghui^ HK$	Yin Pinyao^ HK$	Fong For HK$	Leung Ka Kui HK$	Wong Chui San, Susan HK$	Jiang Zhi HK$	Total HK$
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:										
Fee	–	–	–	–	–	254,400	254,400	254,400	254,400	1,017,600
Salaries	1,320,789	705,350	900,158	140,627	140,627	–	–	–	–	3,207,551
Contributions to retirement benefits schemes	18,000	18,000	18,000	6,360	6,360	–	–	–	–	66,720
Discretionary bonus (Note)	106,000	58,300	74,200	6,447	6,447	–	–	–	–	251,394
Total emoluments	1,444,789	781,650	992,358	153,434	153,434	254,400	254,400	254,400	254,400	4,543,265

11. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Notes: (Continued)

(b) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2019	Executive directors			Non-executive director	Independent non-executive directors			
	Chow Wang* HK$	Wang Zhaoqing HK$	Chu Ka Wa HK$	Fong For HK$	Leung Ka Kui HK$	Wong Chui San, Susan HK$	Jiang Zhi HK$	Total HK$
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:								
Fee	–	–	–	250,800	250,800	250,800	250,800	1,003,200
Salaries	1,501,333	701,360	959,420	–	–	–	–	3,162,113
Contributions to retirement benefits schemes	18,000	18,000	18,000	–	–	–	–	54,000
Discretionary bonus (Note)	106,000	58,300	74,200	–	–	–	–	238,500
Total emoluments	1,625,333	777,660	1,051,620	250,800	250,800	250,800	250,800	4,457,813

* Mr. Chow Wang's emoluments disclosed above include those services rendered by him as the Chief Executive Officer.

^ Mr. Wang Minghui and Mr. Yin Pinyao were appointed as executive directors of the Company with effect from 12 September 2019.

There were no emoluments paid by the Group to any directors or the chief executive of the Group as compensation for loss of office for the years ended 31 March 2020 and 2019.

No emoluments were paid by the Group to any directors or the chief executive of the Group as an inducement to join or upon joining the Group for the years ended 31 March 2020 and 2019.

No director or the chief executive waived or agreed to waive his emoluments during the two years ended 31 March 2020 and 2019.

Note: Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2019: two) were directors and the chief executive of the Company whose emoluments are disclosed in (b) above. The emoluments of the remaining three (2019: three) individuals were as follows:

	2020 HK$	2019 HK$
Wages, salaries and other benefits	**4,225,000**	4,208,000
Employers' contribution to retirement schemes	**54,000**	54,000
	4,279,000	4,262,000

The emoluments were within the following band:

	Number of individuals	
	2020	2019
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$2,000,000	**2**	2

12. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

13. INCOME TAX EXPENSES

	2020	2019
	HK$	HK$
Current tax:		
– Hong Kong Profits Tax	**9,913,733**	6,709,403
– PRC Enterprise Income Tax	**719,346**	489,482
Deferred tax (Note 27)	**(99,036)**	449,550
	10,534,043	7,648,435

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%.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25% from 1 January 2008 onwards.

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

	2020	2019
	HK$	HK$
Profit before tax	**60,102,905**	51,916,329
Calculated at the rates applicable to profit in the tax jurisdiction concerned	**10,154,728**	7,638,295
Tax effect of income not taxable for tax purpose	**(109,051)**	(259,391)
Tax effect of expenses not deductible for tax purpose	**378,220**	474,531
Statutory tax concession	**(205,000)**	(205,000)
Tax effect of tax losses not recognised	**315,146**	–
Income tax expenses	**10,534,043**	7,648,435

Details of deferred tax are set out in note 27.

14. EARNINGS PER SHARE

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

	2020	2019
	HK$	HK$
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**49,573,533**	44,271,814
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**6,448,152,160**	5,804,316,544

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive share in existence during the years ended 31 March 2020 and 2019.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
	HK$	HK$	HK$	HK$	HK$
COST					
At 1 April 2018	5,412,036	2,683,362	210,145	727,510	9,033,053
Addition	692,164	–	207,521	241,808	1,141,493
Exchange realignment	(53,507)	–	(1,914)	(24,564)	(79,985)
At 31 March 2019 and 1 April 2019	6,050,693	2,683,362	415,752	944,754	10,094,561
Addition	732,524	989,100	53,103	33,190	1,807,917
Disposal	(1,945,945)	–	–	–	(1,945,945)
Exchange realignment	(95,340)	–	(3,294)	(24,343)	(122,977)
At 31 March 2020	**4,741,932**	**3,672,462**	**465,561**	**953,601**	**9,833,556**
ACCUMULATED DEPRECIATION					
At 1 April 2018	1,806,279	2,683,362	78,428	391,445	4,959,514
Provided for the year	998,860	–	99,497	101,422	1,199,779
Exchange realignment	(24,919)	–	(428)	(3,558)	(28,905)
At 31 March 2019 and 1 April 2019	2,780,220	2,683,362	177,497	489,309	6,130,388
Provided for the year	888,469	192,022	103,240	46,430	1,230,161
Disposal	(846,996)	–	–	–	(846,996)
Exchange realignment	(23,909)	–	(2,354)	(4,421)	(30,684)
At 31 March 2020	**2,797,784**	**2,875,384**	**278,383**	**531,318**	**6,482,869**
CARRYING VALUES					
At 31 March 2020	**1,944,148**	**797,078**	**187,178**	**422,283**	**3,350,687**
At 31 March 2019	3,270,473	–	238,255	455,445	3,964,173

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives or under the UOP method as follows:

Motor vehicles	6 years
Leasehold improvements	3 years or over the lease term, whichever is shorter
Computer equipment	3 years
Furniture and fixtures	3 years

16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) Right-of-use assets

	Leased properties HK$
Cost	
At 1 April 2019 (Note 2)	9,173,502
Additions	12,655,898
Exchange realignment	(82,763)
At 31 March 2020	**21,746,637**
Accumulated depreciation and impairment losses	
At 1 April 2019 (Note 2)	–
Charge provided for the year	8,535,970
Exchange realignment	(14,373)
At 31 March 2020	**8,521,597**
Carrying amounts	
At 31 March 2020	**13,225,040**
At 1 April 2019 (restated)	9,173,502

Lease liabilities of HK$13,360,390 are recognised with related right-of-use assets of HK$13,225,040 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of total cash outflow of leases was set out in the consolidated statement of cash flows.

During the current year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of one to three 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.

16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities

	2020	
	Present value of the minimum lease payments HK$	**Total minimum lease payments HK$**
Within 1 year	**8,313,293**	**8,398,395**
After 1 year but within 2 years	**4,352,423**	**4,489,783**
After 2 years but within 5 years	**694,674**	**725,472**
	5,047,097	**5,215,255**
	13,360,390	**13,613,650**
Less: total future interest expenses		**(253,260)**
Present value of lease obligations		**13,360,390**

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2.

17. INVESTMENT IN AN ASSOCIATE

Details of the Group's investment in an associate is as follows:

	2020 HK$	2019 HK$
Cost of investment in an associate	**378,077**	524,163
Share of result for the year	**(149,827)**	(146,086)
	228,250	378,077
Amount due from an associate (Note)	**–**	34,640
	228,250	412,717

Note: The amount due from an associate is unsecured and interest-free. In the opinion of the directors of the Company, the Company will not demand repayment within one year from the end of the reporting period and is therefore considered as non-current.

17. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Details of the Group's associate at the end of reporting period is as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributed to the Group	Principal activity
Era Blue Esports Limited	HK$2,970,000	HK	23.57%	Provision of esports services

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

	2020 HK$	2019 HK$
Current assets	**903,053**	1,278,174
Non-current assets	**65,339**	381,633
Current liabilities	**–**	(55,680)
Revenue	**1,825**	120,690
Expenses	**(637,493)**	(891,229)
Loss for the period	**(635,668)**	(770,539)
Other comprehensive income for the year	**–**	–
Total comprehensive expense for the year	**(635,668)**	(770,539)

Reconciled to the Group's interests the associate:

	2020 HK$	2019 HK$
Gross amount of the net asset of the associate	**968,392**	1,604,127
Group's effective interest	**23.57%**	23.57%
Group's share of net assets of the associate	**228,250**	378,077
Amount due from an associate	**–**	34,640
Carrying amount in the consolidated financial statement	**228,250**	412,717

18. INVENTORIES

	2020 HK$	2019 HK$
Finished goods	**13,394,914**	–

The directors have assessed the net realisable values and condition of the Group's inventories as at 31 March 2020 and have considered no write-down of obsolete inventories to be made.

19. TRADE RECEIVABLES

	2020 **HK$**	2019 HK$
Trade receivables	**23,036,149**	82,707,321
Less: Allowance for expected credit losses	**(235,372)**	(445,043)
	22,800,777	82,262,278

Trade receivables in relation to trading are having an average credit period of 90 days (2019: 90 days).

Movement in the allowances for expected credit losses of trade receivables

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in HKFRS 9 for the years ended 31 March 2020 and 2019, are as follows:

	Total HK$
Balance as at 1 April 2018	165,891
Allowance for expected credit losses	296,034
Reversal of allowance for expected credit losses (Note)	(16,882)
Balance as at 31 March 2019 and 1 April 2019	445,043
Allowance for expected credit losses	218,750
Reversal of allowance for expected credit losses (Note)	(428,421)
Balance as at 31 March 2020	235,372

Note: Reversal of allowance of ECL is due to the Group's recovery of trade receivables.

The following is an ageing analysis of the Group's trade receivables (before provision for expected credit loss) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2020 **HK$**	2019 HK$
0 – 90 days	**23,036,149**	82,707,321

At the end of the reporting period, none of the Group's trade receivables was past due but not impaired at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collaterals for receivables above.

20. LOAN AND INTEREST RECEIVABLES

	2020	2019
	HK$	HK$
Loan receivables		
Secured	**342,369,052**	381,202,454
Unsecured	**176,015,612**	89,417,034
	518,384,664	470,619,488
Interest receivables	**14,539,340**	5,634,007
	532,924,004	476,253,495
Less: Allowance for expected credit losses	**(1,059,044)**	(318,803)
	531,864,960	475,934,692

Movement in the allowances for expected credit losses of loan receivables

Movement in lifetime ECL that has been recognised for loan receivables in accordance with the general approach set out in HKFRS 9 for the years ended 31 March 2020 and 2019, are as follows:

	12m ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
	HK$	HK$	HK$	HK$
At 1 April 2018	3,018,430	–	–	3,018,430
Allowances for expected credit losses	175,333	–	–	175,333
Reversal of allowance for expected credit losses	(2,874,960)	–	–	(2,874,960)
At 31 March 2019 and 1 April 2019	318,803	–	–	318,803
Allowances for expected credit losses	814,320	–	–	814,320
Reversal of allowance for expected credit losses	(74,079)	–	–	(74,079)
At 31 March 2020	1,059,044	–	–	1,059,044

20. LOAN AND INTEREST RECEIVABLES (CONTINUED)

The maturity profile of the loan receivables (before allowance for expected credit loss) at the end of the reporting period, analysed by the maturity date, is as follows:

	2020 HK$	2019 HK$
Within one year	517,822,390	469,799,177
Two to five years	562,274	820,311
	518,384,664	470,619,488
Carrying amount analysed for reporting purpose:		
Current assets	531,302,686	475,114,381
Non-current assets	562,274	820,311
	531,864,960	475,934,692

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 30 days to 5 years (2019: 45 days to 5 years). The loans provided to customers bore fixed interest rate ranging from 1% – 2.4% (2019: 1% – 2.5%) per month, depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

The following is an aged analysis of loan and interest receivables, presented based on the dates which loans are granted to borrowers and interests are accrued.

	2020 HK$	2019 HK$
Within 90 days	284,275,687	314,814,705
91 – 180 days	71,538,755	100,582,440
181 – 365 days	175,194,594	59,518,059
Over 365 days	855,924	1,019,488
	531,864,960	475,934,692

The Group's financing advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements. At 31 March 2020 and 2019, all the loan and interest receivables are neither past due nor impaired and represented loans granted to creditworthy borrowers for whom there were no recent history of default.

Movement in allowance for ECL that has been recognised for loan and interest receivables under ECL model of HKFRs 9 for the year ended 31 March 2020 and 2019 were detailed in note 6.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$	2019 HK$
Other receivables (Notes (i) and (iii))	**15,883,490**	22,060,811
Deposit	**3,588,277**	2,198,603
Prepayments (Note (ii))	**344,848,254**	206,887,600
	364,320,021	231,147,014

Notes:

(i) As at 31 March 2020, included in the balance was advances to suppliers and potential suppliers who are independent third parties in the amount of HK$14,863,802 (2019: HK$14,687,481) that are interest-free, unsecured and recoverable on demand.

(ii) Included in the balance was prepayment to suppliers of HK$344,005,557 (2019: HK$205,946,742).

(iii) Movement in allowance for ECL that has been recognised for other receivables under ECL model of HKFRS 9 for the years ended 31 March 2020 and 2019 were detailed in note 6.

22. AMOUNT DUE FROM A SHAREHOLDER

	Maximum amount outstanding during the year	2020 HK$	2019 HK$
Yunnan Baiyao Group Co., Limited	11,723,250	**10,425,788**	–

The amount due from a shareholder was unsecured, interest-free and recoverable on demand.

23. BANK BALANCES AND CASH

	2020 HK$	2019 HK$
Cash at banks and in hand	**7,027,960**	74,664,169

The remittance of bank balance and cash denominated in RMB out of the PRC is subject to the foreign exchange control restrictions imposed by the government of the PRC.

23. BANK BALANCES AND CASH (CONTINUED)

Bank balance and cash were denominated in the following currencies:

	2020 HK$	2019 HK$
RMB	**1,610,882**	9,315,619
HKD	**5,118,381**	65,263,812
Others	**298,697**	84,738
	7,027,960	74,664,169

24. TRADE AND OTHER PAYABLES

	2020 HK$	2019 HK$
Trade payables (Notes (a) and (b))	**42,556,625**	592,272
Other payables and accrued charges (Note (c))	**3,081,566**	14,361,636
	45,638,191	14,953,908

Notes:

(a) The ageing of trade payables were within 90 days based on the invoice date at the end of the reporting period.

(b) The credit period for trade payables ranging from 45 to 180 days (2019: 45 to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

(c) As at 31 March 2019, balance included advance from an independent third party of HK$3,615,430 that are interest-free, unsecured and repayable on demand.

25. CONTRACT LIABILITIES

The following provides information about contract liabilities from contract with customers:

	Total HK$
Balance at 1 April 2019	**15,009,993**
Decrease in contract liability as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	**(15,009,993)**
Increase in contract liabilities excluding amounts recognised as revenue during the year	**23,683,820**
Balance at 31 March 2020	**23,683,820**

The contract liabilities represent deposits received from customers for trading of goods and commodities. The amount of contract liabilities as at 31 March 2020 is expected to be recognised as revenue in twelve months.

26. BONDS

As at 31 March 2020, the Group has unsecured bonds with aggregate principal of HK$70,000,000 (2019: HK$70,000,000) with the following major terms:

Issue price:	100% of the principal amount
Interest:	5.5% per annum payable semi-annually in arrear
Maturity:	7 years from date of issuance unless early redeemed
Early redemption options:	– The holder can request for early redemption after the fourth anniversary of the issue date up to the maturity date at a redemption amount of 80% of the outstanding principal; and – The Group can early redeem the bonds after the fifth anniversary of the issue date up to the maturity date at a redemption amount of 100% of the outstanding principal.

The movements of the bonds are set out below:

	2020 **HK$**	2019 HK$
Carrying amount at the beginning of the year	**68,429,000**	67,629,000
Effective interest charge for the year (Note 9)	**4,650,000**	4,650,000
Interest paid	**(3,850,000)**	(3,850,000)
Carrying amount at the end of the year	**69,229,000**	68,429,000
Less: Bonds repayable after one year shown under non-current liabilities	**–**	–
Current portion	**69,229,000**	68,429,000

The Company's bonds carry interest at effective interest rate of 7.22% (2019: 7.22%) per annum.

Note: The repayment obligations of the Company under the instruments of the Bonds is guaranteed by Jun Qiao. Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the Mining Assets and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. Due to the purported transfer of 90% equity of Yin Di Mining to Henan Guiyuan and related incidents as disclosed in the Company's announcements dated 15 January 2017, 22 January 2017 and 1 February 2017, the Company de-consolidated the De-consolidated Subsidiaries. In addition, the holders of the Bonds have the early redemption option to request for early redemption after the fourth anniversary of the issue date up to the maturity date. The directors of the Company considered that the Group does not have an unconditional right to defer settlement of the Bonds for at least 12 months after the reporting period and hence classified the Bonds as current liabilities.

27. DEFERRED TAX ASSETS

	2020 HK$	2019 HK$
Deferred tax asset	**359,954**	260,918

The following are the major deferred tax asset recognised and movements thereon during the current and prior years:

	Allowance for expected credit loss on trade receivables and loan receivables HK$	Depreciation in excess of the related depreciation allowances HK$	Total HK$
At 1 April 2018	500,826	209,642	710,468
Charged to profit or loss (Note 13)	(447,696)	(1,854)	(449,550)
At 31 March 2019 and 1 April 2019	53,130	207,788	260,918
Credited/(charged) to profit or loss (Note 13)	124,419	(25,383)	99,036
At 31 March 2020	**177,549**	**182,405**	**359,954**

At the end of the reporting period, the Group has unused tax losses of HK$13,836,695 (2019: HK$11,926,719) available for offset against future profits. No deferred tax asset (2019: nil) has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

28. SHARE CAPITAL

	2020		2019	
	No. of shares	Amount HK$	No. of shares	Total HK$
Authorised:				
Ordinary shares of HK$0.01 each	**20,000,000,000**	**200,000,000**	20,000,000,000	200,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**6,448,152,160**	**64,481,522**	5,448,152,160	54,481,522
Issue of shares upon shares subscription (Note (i))	**–**	**–**	1,000,000,000	10,000,000
At 31 March	**6,448,152,160**	**64,481,522**	6,448,152,160	64,481,522

Note:

(i) On 22 November 2018, 1,000,000,000 shares were allotted and issued to Yunnan Baiyao Holdings Co., Ltd. ("Yunnan Baiyao Holdings") at the subscription price of HK$0.18 per share, raising total proceeds of HK$178,800,000 net of direct expenses.

29. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") approved by the shareholders at an annual general meeting of the Company held on 30 September 2013 (the "Adoption Date"). Under the Share Option Scheme, the directors of the Company may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares ("Shares") in the Company subject to the terms and conditions stipulated therein.

Details of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions and potential contributions which the participants have made or may make to the Group and to motivating the participants to utilise their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the participants whose contributions are or will be beneficial to the long term growth of the Group.

(ii) Participants

The directors of the Company may, at their discretion, invite any participant ("Participant") including any executive director, non-executive director or employee (whether full time or part time), consultant, contractor to the Group or any entity in which any member of the Group holds any interest ("Invested Entity").

(iii) Maximum number of shares

(1) 30% Limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company must not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

(2) 10% Limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to Participants specifically identified.

29. SHARE OPTION SCHEME (CONTINUED)

(iv) Maximum Entitlement of Each Participant

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% (0.1% for any director, chief executive or substantial shareholder) of the Shares in issue. Where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% (0.1% for any director, chief executive or substantial shareholder) of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

(v) Price of Shares

The exercise price must be at least the higher of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

(vi) Amount payable upon acceptance of the option

HK$1.00 is payable by each participant to the Company on acceptance of an offer of an option, which shall be paid within 21 days from the date of offer.

(vii) Time of Exercise of Option

An option shall be exercisable at any time during a period to be notified by the directors of the Company to each grantee, provided that no option shall be exercisable later than ten years after its date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no performance target which must be achieved before an option can be exercised.

(viii) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date.

No share option has been granted, exercised or lapsed under the Share Option Scheme during year ended 31 March 2020 (2019: nil).

There is no outstanding option as at 31 March 2020 (2019: nil).

30. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$
Within one year	5,796,999
In the second to fifth years inclusive	3,629,671
	9,426,670

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for terms ranging from 1 to 3 years. Rentals were fixed at the inception of the leases.

The Group is the lessee in respect of a number of office premise which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases as disclosed in note 2. From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 16.

31. MATERIAL RELATED PARTY TRANSACTIONS

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

	2020 **HK$**	2019 HK$
Purchases of plant extracts from related companies (Note)	**904,800**	–
Short-term employee benefits	**4,543,265**	4,457,813

The remunerations of directors and key executives are determined by the remuneration committee of the Company having regards to the performance of individuals and market trends.

Note:

During the year ended 31 March 2020, Wan Long Xing Ye (a wholly-owned subsidiary of the Company) entered into a supply agreement with Yunnan Baiyao Holdings Ltd ("Yunnan Baiyao"). Pursuant to the agreement, Yunnan Baiyao and its subsidiaries (collectively referred to as "Yunnan Baiyao Group") shall sell/provide the following to Wan Long Xing Ye: (i) supply of plant extracts; (ii) provision of ancillary testing, logistics, import and export and related services as part of the Group's ordinary and usual course of business, commencing from 1 May 2019 and up to 31 March 2022. Further details of these continuing connected transactions were set out in the section headed "Connected Transactions" under the Report of the Directors.

32. RETIREMENT BENEFITS PLANS

Hong Kong

The Group participates in the MPF Scheme. Where staff are eligible to the MPF Scheme, both the Group and staff are required to contribute 5% of the employees' relevant income, capped at HK$1,500 per month from each party. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to certain exceptions. Staff may elect to contribute more than the minimum as a voluntary contribution.

The total contribution to the MPF scheme charged to consolidated statement of profit or loss was HK$336,904 (2019: HK$300,396).

The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. All employees of the Group in the PRC are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

The total contribution to defined contribution retirement scheme organised by the government in the PRC charged to profit or loss was HK$200,746 (2019: HK$166,302).

33. DISPOSAL OF SUBSIDIARIES

Disposal of Jun Qiao

At 31 January 2019, the Group entered into a sale and purchase agreement to dispose of its 60% shareholding in Jun Qiao to an independent third party for a cash consideration of HK$100,000 together with a 30% proportionate sharing of the compensation, after costs, from the legal actions commenced by the Group in seeking to recover the Group's mining assets. Jun Qiao Group was engaged in the sale of mineral products and leasing of mining right. The Disposal was completed on 25 February 2019.

Consideration

	HK$
Total consideration	100,000

The net liabilities of the Jun Qiao Group at the date of disposal were as follows:

	HK$
Current assets	
Other receivables	1,173
Cash and cash equivalents	32,803
Current liabilities	
Amount due to non-controlling shareholders of subsidiaries	(4,375,651)
Other payables	(731,686)
Net liabilities disposed	(5,073,361)

33. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Gain on disposal of a subsidiary

	2019 HK$
Consideration received	100,000
Net liabilities disposed of	5,073,361
Release of exchange difference upon disposal	1,027,801
Non-controlling interests	(466,051)
Gain on disposal	5,735,111

Net cash inflow from disposal of subsidiaries

	2019 HK$
Consideration received in cash and bank balance	100,000
Less: cash and bank balance disposed of	(32,803)
	67,197

34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of Financial Position

As at 31 March 2020

	2020 HK$	2019 HK$
Non-current assets		
Property, plant and equipment	**1,921,183**	2,156,316
Right-of-use assets	**11,357,845**	–
Investment in an associate	**–**	34,640
Investments in subsidiaries	**204,660,860**	200,860,860
	217,939,888	203,051,816
Current assets		
Other receivables, deposits and prepayments	**3,421,035**	2,868,567
Amounts due from subsidiaries	**569,252,029**	544,145,482
Amount due from a shareholder	**10,413,979**	–
Bank balances and cash	**705,813**	35,667,366
	583,792,856	582,681,415
Current liabilities		
Amounts due to subsidiaries	**2,493,707**	2,060,142
Other payables	**3,000,000**	10,645,102
Bonds	**69,229,000**	68,429,000
Lease liabilities	**6,545,653**	–
	81,268,360	81,134,244
Net current assets	**502,524,496**	501,547,171
Total assets less current liabilities	**720,464,384**	704,598,987

34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

(a) Statement of Financial Position (Continued)

As at 31 March 2020

	2020 HK$	2019 HK$
Capital and reserves		
Share capital (Note 28)	**64,481,522**	64,481,522
Reserve (Note 34(b))	**651,070,142**	640,117,465
	715,551,664	704,598,987
Non-current liability		
Lease liabilities	**4,912,720**	–
	720,464,384	704,598,987

The financial statements were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

Chow Wang
Director

Chu Ka Wa
Director

34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

(b) Reserve

	Share premium HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total reserves HK$
At 1 April 2018	819,478,817	176,000	(354,469,966)	465,184,851
Profit and total comprehensive income for the year	–	–	6,132,614	6,132,614
Issue of shares upon share subscription (Note 28)	170,000,000	–	–	170,000,000
Transaction costs attributable to issue of shares	(1,200,000)	–	–	(1,200,000)
At 31 March 2019 and 1 April 2019	**988,278,817**	**176,000**	**(348,337,352)**	**640,117,465**
Profit and total comprehensive income for the year	**–**	**–**	**10,952,677**	**10,952,677**
At 31 March 2020	**988,278,817**	**176,000**	**(337,384,675)**	**651,070,142**

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amount of loans advanced from independent third parties HK$	Amount due to a non-controlling shareholder HK$	Bonds HK$	Lease liabilities HK$	Total HK$
As at 1 April 2018	5,356,092	4,375,651	67,629,000	–	77,360,743
Financing cash flow	(1,398,624)	–	(3,850,000)	–	(5,248,624)
Foreign exchange adjustment	(342,038)	–	–	–	(342,038)
Other non-cash movement	–	–	4,650,000	–	4,650,000
Disposal of subsidiary	–	(4,375,651)	–	–	(4,375,651)
As at 31 March 2019	**3,615,430**	**–**	**68,429,000**	**–**	**72,044,430**
Adjustment on HKFRS16	**–**	**–**	**–**	**9,173,502**	**9,173,502**
As at 1 April 2019, restated	**3,615,430**	**–**	**68,429,000**	**9,173,502**	**81,217,932**
Financing cash flow	**(3,615,430)**	**–**	**(3,850,000)**	**(8,638,988)**	**(16,104,418)**
Other non-cash movement:					
Finance costs	**–**	**–**	**4,650,000**	**334,168**	**4,984,168**
Additions to lease liabilities	**–**	**–**	**–**	**12,655,898**	**12,655,898**
Foreign exchange adjustment	**–**	**–**	**–**	**(164,190)**	**(164,190)**
As at 31 March 2020	**–**	**–**	**69,229,000**	**13,360,390**	**82,589,390**

36. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ register capital	Proportion ownership interests held by the Company Directly	Proportion ownership interests held by the Company Indirectly	Principal activities
Ban Loong Finance Company Limited	Hong Kong	HK$100	100.00% (2019: 100.00%)	–	Money lending
Wan Long Xing Ye Commercial Trading (Shenzhen) Limited*# (萬隆興業商貿(深圳)有限公司)	The PRC	HK$195,000,000	100.00% (2019: 100.00%)	–	Trading of goods and commodities
Wan Long Xing Ye Commercial Trading (Hong Kong) Limited	Hong Kong	HK$100	100.00% (2019: 100.00%)	–	Trading of goods and commodities

Notes:

* The entity is foreign-investment enterprise
\# The English name is for identification purpose only

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

As at 31 March 2020 and 2019, the Group has no subsidiary with material non-controlling interest hence no separate disclosure of its financial information.

37. LITIGATION

(a) On 13 January 2017, the Company was informed by the management of its indirect subsidiary, 桐柏縣銀地礦業有限責任公司 (Tong Bai County Yin Di Mining Company Limited) ("Yin Di Mining"), that it has received a copy of a civil ruling numbered (2017) Yu 1330 Min Chu No. 92 and dated 9 January 2017 (the "First Civil Ruling") issued by Tong Bai County People's Court ("Tong Bai Court") upon the asset-preserving application by Mr. Wang Huaqing (王華清) and Mr. Huang Suiyin (黃隨雲) on 9 January 2017 in respect of an alleged contractual dispute involving Yin Di Mining. Pursuant to the First Civil Ruling, it was ordered (inter alia) by Tong Bai Court that:

(i) The entire equity holding of Yin Di Mining be frozen and all transfer procedures involving the entire equity holding of Yin Di Mining be suspended with effect from 9 January 2017 to 8 January 2018;

(ii) The mining license numbered C4100002014053220134362 (the "Mining License") owned by Yin Di Mining be frozen and all transfer procedures involving the said Mining License be suspended with effect from 9 January 2017 to 8 January 2018; and

(iii) Yin Di Mining shall not sell, pledge, charge or create encumbrance of any nature over the said frozen assets.

Upon the First Civil Ruling coming to its knowledge and attention, the Company has immediately instructed its PRC legal advisers to investigate into the factual circumstances, the claims of the plaintiff and the merits of the case. Subject to further legal advice to be obtained by the Group, the Group currently intends to commence legal actions in the PRC to defend the Group's position and to uphold the Group's legitimate interest and control over its 90% equity interest in Yin Di Mining and the Mining License. Pending further investigation into the factual circumstances and the merits of the case and the obtaining of further legal advice, the Company is currently not in the position to make any pre-mature assessment on the potential impact of the First Civil Ruling on the operations and financial position of the Group.

During the year ended 31 March 2019, the Group disposed of its 60% shareholding in Jun Qiao Limited, thereby effectively disposing of the Group's right to recover Yin Di Mining in return of a cash payment plus an outcome sharing adjustment. The disposal was completed on 25 February 2019.

37. LITIGATION (CONTINUED)

(b) On 13 January 2017, the Company was given to understand that another civil judgment numbered (2016) Yu 01 Min Chu No. 709 and dated 10 October 2016 (the "Second Civil Judgment") was issued by Henan Province Zhengzhou City Intermediate People's Court ("Zhengzhou Court") in respect of the civil action filed by河南省桂圓實業有限公司(Henan Guiyuan Industry Co., Ltd.) ("Henan Guiyuan") with Zhengzhou Court on 6 May 2016 relating to an alleged equity transfer dispute involving the equity of Yin Di Mining owned by Jinfuyuan Mining. As revealed in the Second Civil Judgment, it appeared that Henan Guiyuan might have made allegations to Zhengzhou Court during the course of the litigation that (inter alia):

"On 28 February 2011, an equity transfer agreement (the "Equity Transfer Agreement") was signed between Henan Guiyuan (as transferor) and Jinfuyuan Mining (as transferee) for the transfer of 95% equity of Yin Di Mining for the consideration of RMB28,000,000 payable in cash, and Henan Guiyuan completed the transfer of the 95% equity of Yin Di Mining to Jinfuyuan in April 2011 in performance of the terms of the agreement. However, Jinfuyuan Mining only paid RMB3,000,000 by way of deposit to Henan Guiyuan between March and November 2011. On 30 May 2011, Henan Guiyuan and Jinfuyuan Mining signed a supplemental agreement such that if Jinfuyuan Mining failed to pay the balance of RMB25,000,000 within 60 days, then it shall (i) re-transfer the equity holding in Yin Di Mining to Henan Guiyuan unconditionally; (ii) allow the RMB3,000,000 deposit be forfeited; and (iii) accept liability on breach of contract. Under Clause 8.1 of the Equity Transfer Agreement, the quantum of damages for breach of contract is RMB5,000,000, Despite numerous repayment reminders, the remaining balance of the promised consideration was never paid save and except three small payments totaling RMB50,000 made between January 2013 and November 2014. On 18 December 2015, Jinfuyuan Mining signed a declaration and gave it to Henan Guiyuan, confirming that it owed the outstanding consideration to Henan Guiyuan, voluntarily accepted all civil liabilities and consequence and agreed to re-transfer its equity holding in Yin Di Mining to Henan Guiyuan."

Based on the allegations of Henan Guiyuan (which the Company, Yin Di Mining and Jinfuyuan Mining intend to deny categorically), Henan Guiyuan requested Zhengzhou Court to order (inter alia) that: (a) the Equity Transfer Agreement be terminated and that all the equity holding in Yin Di Mining held by Jinfuyuan Mining be re-transferred to Henan Guiyuan; (b) loss and damages for breach of contract in the amount of RMB5,000,000 be awarded; and (c) costs to be borne by Jinfuyuan Mining.

As revealed in the Second Civil Judgment, it appears to the Company that certain individuals might have falsely held themselves out to have authority from Jinfuyuan Mining and produced fraudulent documents to the Zhengzhou Court during the course of the litigation in an attempt to reverse the Equity Transfer Agreement and to cause the equity holding in Yin Di Mining to be transferred to Henan Guiyuan without the knowledge of the Company, Yin Di Mining and Jinfuyuan Mining.

37. LITIGATION (CONTINUED)

(b) (Continued)

Pursuant to the Second Civil Judgment, it was ordered (inter alia) by Zhengzhou Court that:

(i) The Equity Transfer Agreement be terminated;

(ii) All equity holding of Yin Di Ming held by Jinfuyuan Mining be re-transferred to Henan Guiyuan;

(iii) Damages of RMB500,000 be awarded to Henan Guiyuan; and

(iv) Costs of RMB211,800 be borne by Jinfuyuan Mining.

Upon searches of public records conducted by the Group's legal advisers, the Company was given to understand that a ruling enforcement order numbered (2016) Yu 01 Zhi No. 1301-1 and dated 23 November 2016 (the "Enforcement Order") was issued by the Zhengzhou Court ordering Jinfuyuan Mining to transfer the entire equity holding in Yin Di Ming to Henan Guiyuan.

Upon the Second Civil Judgment coming to its knowledge and attention, the Company has immediately instructed its PRC legal advisers to investigate into the factual circumstances as to how the matter might have arisen in the first place and how the legal action could be commenced, tried, compromised and decided without the Group's knowledge whatsoever. Subject to the further legal advice to be obtained by the Group, the Group currently intends to commence legal actions in the PRC to defend the Group's position and to uphold the Group's legitimate interest and control over its 90% equity interest in Yin Di Mining and the Mining License. In addition, the Company may also consider filing criminal complaints with the relevant law enforcement authorities to investigate into any unlawful activities of the any persons and entities who might have given fraudulent evidence and documents to the Court during the course of the litigation. Pending further investigation into the factual circumstances and the obtaining of further legal advice, the Company is currently not in the position to make any final assessment on the impact of the Second Civil Judgment on the operations and financial position of the Group.

The Group has now filed criminal complaints with the relevant PRC law enforcement authorities about suspected conspiracy of fraud, false litigation and suspected use of forged documents during the course of the obtaining of the Second Civil Judgment and the Enforcement Order. During the year ended 31 March 2019, the Group disposed of its 60% shareholding in Jun Qiao Limited, thereby effectively disposing of the Group's right to recover Yin Di Mining in return of a cash payment plus an outcome sharing adjustment. The disposal was completed on 25 February 2019.

38. MAJOR NON-CASH TRANSACTION

During the current year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$12,655,898 and HK$12,655,898, respectively, in respect of lease arrangements for office premises.

39. EVENTS AFTER THE REPORTING PERIOD

Since late January 2020, the outbreak of Coronavirus Disease 2019 (the "COVID-19 Outbreak") has been rapidly evolving globally. Since then, the economic and financial markets have been significantly impacted. During the year ended 31 March 2020, the COVID-19 Outbreak had no material impacts on the financial performance of the Group. However, the management of the Group expects that revenue generated from trading of goods and commodities of 2021 might be adversely affected to a certain extent, which will depend on the new development concerning the global severity of and actions taken to contain the COVID-19 Outbreak that are highly uncertain. The Group will continue to pay close attention to the development of the COVID-19 Outbreak and evaluate its impact on the consolidated financial statements and operation results.

40. COMPARATIVE INFORMATION

The Group has initially applied HKFRS 16 on 1 April 2019. Under the transition methods, comparative information is not restated. Further details of the change in accounting policies are disclosed in note 2.

41. APPROVAL AND AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2020.

FIVE-YEAR FINANCIAL SUMMARY

	2016 HK$'000 (restated)	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	(116,374)	299,259	767,607	910,082	**1,162,154**
(Loss)/profit before tax	(41,427)	(196,424)	(184)	51,916	**60,103**
Taxation charge	(940)	(2,661)	(1,310)	(7,648)	**(10,534)**
(Loss)/profit after tax	(42,367)	(199,085)	(1,494)	44,268	**49,569**
(Loss)/profit attributable to shareholders	(33,538)	(197,882)	(1,466)	44,272	**49,574**
(Loss)/earnings attributable to shareholders per share	(1.45) HK cents	(6.04) HK cents	(0.03) HK cents	0.76 HK cents	**0.77 HK cents**
ASSETS AND LIABILITIES					
Total assets	603,904	460,938	737,703	868,646	**966,998**
Current liabilities	(24,425)	(116,616)	(181,108)	(103,691)	**(161,222)**
Total assets less current liabilities	579,479	344,322	556,595	764,955	**805,776**
Shareholders' fund	326,166	344,729	556,132	764,030	**799,809**
Provision for reinstatement costs, deferred tax liabilities, bonds and convertible bonds	145,531	66,829	67,629	68,429	**69,229**
Funds employed	471,697	411,558	623,761	832,459	**869,038**
Return on average shareholders' fund (%)	(10.8)	(574)	(2.6)	5.8	**5.8**
Dividends per share	–	–	–	–	**–**