中發展控股有限公司

ZHONG FA ZHAN HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code : 00475

Annual Report 2017/18

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wu Hao *(Chairman)*
Mr. Hu Yangjun
Mr. Hu Yishi (resigned on 1 December 2017)
Mr. Chan Wing Yuen, Hubert *(Chief Executive)*
Ms. Kwong Wai Man, Karina
(resigned on 1 December 2017)

Non-executive Director

Mr. Li Wei Qi, Jacky

Independent non-executive Directors

Mr. Wu Chi Keung
Mr. Heung Chee Hang, Eric
(resigned on 20 October 2017)
Ms. Kwok Pui Ha
Mr. Jin Qingjun (appointed on 20 October 2017)

Audit Committee

Mr. Wu Chi Keung *(Chairman)*
Mr. Heung Chee Hang, Eric
(resigned on 20 October 2017)
Ms. Kwok Pui Ha
Mr. Jin Qingjun (appointed on 20 October 2017)

Remuneration Committee

Mr. Wu Chi Keung *(Chairman)*
Mr. Chan Wing Yuen, Hubert
Mr. Heung Chee Hang, Eric
(resigned on 20 October 2017)
Mr. Jin Qingjun (appointed on 20 October 2017)

Nomination Committee

Mr. Wu Chi Keung *(Chairman)*
Mr. Chan Wing Yuen, Hubert
Ms. Kwok Pui Ha

Company Secretary

Mr. Chow Chi Shing

Head Office and Principal Place of Business in Hong Kong

Room 2202, 22/F., Chinachem Century Tower
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Wanchai
Hong Kong

Registered Office

Cricket Square
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Hong Kong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Shanghai Pudong Development Bank

Legal Advisers

K&L Gates
Angela Ho & Associates

Auditor

Deloitte Touche Tohmatsu

Company Website

www.475hk.com

Stock Code

475

CHAIRMAN'S STATEMENT

To our Shareholders,

On behalf of the board of directors (the "Board" or "Directors") of Zhong Fa Zhan Holdings Limited ("Zhong Fa Zhan" or the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018 (the "Current Year").

The Group commits to connecting people to the jewelry and solar energy to fuel the quality of everyday life. The Current Year has been a challenging yet encouraging year for the Group.

Jewelry Business

During the Current Year, the overall improved customer confidence, wedding jewelry demand as well as 2-child policy brought jewelry to a recovery track in the PRC. In Hong Kong, jewelry retailing also showed sign of improvement with more than 58 million tourists visit Hong Kong of which over 44 million came from the PRC. Furthermore, Hong Kong consumers possessed high purchasing power due to wealth effect derived from continued increase of equity and property price. In view of these, the Group during the Current Year resumed the jewelry wholesale business in Hong Kong and its overall jewelry business recorded improved revenue during the Current Year.

Solar Energy Business

During the Current Year, the Group commenced the manufacture in the Yuyao Factory following the Group signed a memorandum of understanding with the landlord to grant a right to use the Yuyao Factory free-of-charge on an interim basis in November 2017. The Group also received a formal orders of 1,000 sets collectors recently from our customer which revenue for solar energy business is expected to book in the coming year.

The Group is committed to expand the solar energy business. To cater for tapping increasing demands in the PRC, the Group set up a sales office in central business district of Hangzhou city after acquiring an office property with a gross floor area of approximately 223.53 square metres in Hangzhou, Zhejiang Province, the PRC. The Group also decided to acquire the land and the Yuyao Factory built on it to power the future growth.

In the coming year as the jewelry market warms up, the Group will put more resources to expand the jewelry business both in Hong Kong and the PRC. Meanwhile, the Group will grow the solar energy business via expanding its sales channels, maximizing the production capacity and investing to strengthen its products.

Appreciation

On behalf of the Board, I would like to extend my heartfelt gratitude to all shareholders, customers and business partners of the Company for their continuing support to the Group. I also wish to express my appreciation to the Group's directors, management and staff for their contributions and commitment to the Group over last year.

Wu Hao
Chairman and Executive Director

Hong Kong, 28 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2018 (the "Current Year"), the Group has been principally focusing on its jewelry wholesale business and the development of the solar energy business.

Jewelry Business

During the Current Year, the Group resumed the jewelry wholesale business in Hong Kong eyeing on improved retail sentiment and continued to engage in the provision of the wholesale of jewelry principally in the PRC. For the Current Year, the financial results was very encouraging as a result of increased purchasing power of customers in Hong Kong due to active bull market for the capital market as well as the property market, as well as wedding jewelry demand and 2-child policy enforced in the PRC.

According to the statistics from the National Bureau of Statistics of China, the annual Gross Domestic Product grew 6.9% year-on-year in year 2017, well above the official target of near 6.5% and a 26-year low of 6.7% in year 2016. The PRC economy continued to expand by 6.8% year-on-year in the first quarter of year 2018. Meanwhile, retail sales grew 9.8% in the first quarter of year 2018. In March 2018 alone, retail sales increased by 10.1% comparing with the previous month, beating market consensus of 9.7%. It was the steepest increase in retail trade since November 2017.

With profound experience and by leveraging the business networks of external consultants engaged, the Group's sales team therefore grasped the opportunities of improving business environment in the Current Year and resulted in successfully identifying potential new customers and established better business relationships with the existing customers.

Solar Energy Business

Solar energy is regarded as infinite in the long-term and is an ample renewable energy resource available. The Group answered to the global call for this renewable energy via entering into an exclusive technology licensing agreement with Suncool AB, a leading energy conservation technologies development company in Sweden, covering the Greater China region in late year 2015. With the well-established international sales channels of Suncool AB, and the optimistic prospects under favourable policy environment globally, the Group expects the growth opportunity for this solar energy business is enormous.

Since then, the Group has been involved in the provision of proprietary thermal solar-powered interior climate solutions and products with an advanced and integrated heating, cooling and energy reservation. The products are developed and manufactured through the adoption of licensed CoolStore proprietary thermal solar collector production technologies. The Group also distributes products such as solar photovoltaic components to build a fast track for enhancing the Group's market presence as well as building sales network.

The Group is proud to have completed the technology application localization with technique enhancement during the Current Year. It has successfully launched a pilot project for offering solar cooling proprietary technology products and solutions in Wuhu, Anhui Province, the PRC during the Current Year which is expect to build a sound foundation for constructing business track records and paving way for market expansion for solar energy business.

The Group has always been planning to commence the manufacture and sale of solar energy products as soon as it obtained the licences. Initially the Group expected the construction work of the solar energy factory would be completed and manufacture could be commenced by late 2016. The Factory did not complete as scheduled and therefore the Group expediently used a temporary production line housed inside a short-term leased building in Yuyao. During the Current Year, the Group finally made a break-through by signing a MOU with the landlord of the Factory to grant a right to use the Factory free-of-charge on an interim basis. The Group then move in the Factory and commenced the manufacture in the new factory for the orders of 100 sets collectors with cooling-store pipes. The Group was thrilled to receive encouraging purchase order of 1,000 sets collectors from a customer in May 2018 which the production was commenced as at the date of this announcement and is expected to start making contribution to solar energy business in the same year. In April 2018, the Group decided to acquire the Factory together with the land where the Factory thereon against the backdrop of enabling the Group to cope with its future development while at the same time saving rental cost of the factory in the long run.

During the Current Year, the Group acquired an office property with a gross floor area of approximately 223.53 square metres in Hangzhou, Zhejiang Province, the PRC. The Group intends to use the office as the sales office of the solar energy business due to its ideal and convenient location in central business district of Hangzhou city and the office is not far from the Yuyao Factory as well. The establishment of sales office in Hangzhou will mark the Group's dedication in committing more resources and efforts towards development of the solar energy business. This will strengthen the Group's national network for long term growth.

Acquisition of Hangzhou Property as sales office

On 30 August 2017, Yuyao Yiheng Solar Technology Company Limited* (余姚市億恆太陽能科技有限公司) ("Yuyao Yiheng"), a wholly-owned subsidiary of the Company, and Hainan Kay Hing Technology Development Company Limited* (海南凱興科技開發有限公司) ("Hainan Kay Hing") entered into a sale and purchase agreement in relation to acquire a property situated at Room 607, 10 Guan Yi Hou, Shangcheng District, Hangzhou, Zhejiang Province, the PRC (the "Hangzhou Property") from Hainan Kay Hing by Yuyao Yiheng (the "Acquisition of Hangzhou Property"), with a consideration of approximately RMB3.9 million (equivalent to approximately HK$4.6 million). As Mr. Hu Yangjun, the Company's controlling shareholder and executive Director, and his spouse are direct beneficial owner of approximately 90% and 10% in the registered capital of Hainan Kay Hing respectively, the Acquisition of Hangzhou Property constitutes a connected transaction of the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Acquisition of Hangzhou Property is only subject to the reporting and announcement requirements but is exempt from the Company's independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 30 August 2017 for the details.

Acquisition of the Target Land Parcel and the Factory

On 13 November 2017, the Company, Ningbo Shenggu Energy Reservation Technology Co., Ltd.* (寧波升谷節能科技有限公司) ("Ningbo Shenggu"), the Company's wholly-owned subsidiary, and CECEP (Yuyao) Low Carbon Technology Development Co., Ltd.* (中節能（余姚）低碳技術開發有限公司) ("CECEP Yuyao") entered into a memorandum of understanding (the "MOU") in relation to the proposed acquisition of a parcel of land of a site area of approximately 49,000 square meters located in the location of north side of Binhai Avenue, Binhai New Area, Yuyao, Zhejiang Province, the PRC held by CECEP Yuyao (the "Target Land Parcel") together with the factory constructed by CECEP Yuyao thereon (the "Factory" or the "Yuyao Factory"). The MOU also granted exclusive rights to the Group to use the Factory free-of-charge. The gross floor area of the Factory is approximately 27,500 with annual maximum capacity of approximately 156,000 units of cooling-store pipes. For the MOU, the Group has also agreed to use the paid deposit amounting to approximately RMB3.8 million (equivalent to approximately HK$4.7 million) pursuant to the framework lease agreement entered into with CECEP Yuyao on 18 December 2015 as the refundable deposit (the "Security Deposit") for ensuring the Group in compliance with the terms and reserving as compensation for any damages on the facilities and equipment when using the Factory free-of-charge. Please refer to the announcement of the Company dated 13 November 2017 for the details.

OUTLOOK AND PROSPECTS

Jewelry business

The management of the Group believes a wide sales network and effective marketing strategies are essential for the success of jewelry business operation. In the coming year, the Group will continue to grow the jewelry business both in Hong Kong and the PRC with more resources to be allocated to sales and marketing of jewelry business including recruit more staff to develop more flexible and successful sales strategy, and with increased exposure to jewelry business trade fairs and exhibitions as well as further enhancement of customer servicing to achieve higher business goals.

After a tough but improving year 2017, a continued recovery is on the horizon for the Current Year. The Group believes that the future of purchasing has transformed to increased adoption of digital due to raised expectations of customer experience and a higher scrutiny on convenience, price, quality, newness and a personal touch. Potential customers will increasingly look to online platforms as the first point of search, attracted by their convenience, relevance and breadth of offering. The pace of innovation is spurred by the PRC's uniquely-demanding consumer landscape where 20% of internet users rely on mobile alone to access the internet, compared to just 5% in the United States. The Group therefore is planning to expand its sales channels to fashion jewelry online platform through strategic co-operations with other e-commerce service and solution providers. An initial contact has been made with a company in Hangzhou which is a service provider of e-commerce operation and solution with strong capabilities. Given the improving economic environment of the PRC and Hong Kong, the sales team of the Group is ready to take advantage of the opportunities ahead in order to strengthen the sustainable growth of the jewelry business.

Solar Energy Business

Looking forward, the Group will continue the focus on the customers' highest priorities and grow the solar energy market position. The Group believes that it has a compelling mix of technologies for the growing global market. It believes that long-term growth in the solar industry will be fueled by government incentives for solar energy as well increasing environmental awareness. To transition to a clean, renewable energy system by 2050, many countries have medium to long-term policies to support growth in solar energy, including China which has laid down 13th Five Year Plan (Year 2016 – 2020) to target 35GW by end 2015 and additional 65GW from 2016 to 2020. The country also gives tax incentives and low interest loans for solar energy enterprises in order to support the growth of solar energy industry.

Yuyao Factory provides ample capacity for the Group to drive its solar energy business. Leveraging on the international business network of Suncool AB, the Group will partner with our Sweden technology provider to expand into the global market. The Group has gained a group of potential customers from the Middle East and India and preparing to enter the American market in its next move. The Group is currently the sole thermal solar energy collector production base outside Europe, demonstrating our Sweden business partner is confident in the Group's manufacturing capacity and capability.

On the other hand, the Group will also continue its effort to develop PRC market with special attention on local government institutions and state-owned enterprises, especially focusing on exploring the projects of energy efficiency, energy performance contracting and Public-Private-Partnership model.

On 24 April 2018, the Company, Ningbo Shenggu and CECEP Yuyao entered into a conditional sale and purchase agreement (the "SPA"), pursuant to which Ningbo Shenggu has conditionally agreed to purchase by itself or any wholly-owned subsidiary of the Company established in the PRC, and CECEP Yuyao has conditionally agreed to sell the Target Land Parcel and the Factory, at the aggregate consideration of RMB 59.2 million (equivalent to approximately HK$73.9 million) subject to adjustment. Also, pursuant to the SPA, the outstanding consideration payable after the completion shall be set off against the Security Deposit. Mr. Li Wei Qi, Jacky, a non-executive Director, is also one of the director of CECEP Yuyao. As Mr. Hu Yishi, the Company's controlling shareholder is effectively the indirect beneficial owner of approximately 34.5% in the registered capital of CECEP Yuyao, the Acquisition of the Target Land Parcel and the Factory constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The Acquisition of the Target Land Parcel and the Factory is subject to the reporting, announcement and the Company's independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 24 April 2018 for the details. The circular containing, among other things, the notice convening the extra-ordinary general meeting for the purpose of considering and, if though fit, approving the SPA and the transactions contemplated thereunder is expected to be despatched on or before 13 July 2018, please refer to the announcement of the Company dated 1 June 2018 and 22 June 2018.

Financial Review

Revenue

Revenue of the Group for the Current Year was HK$28.1 million (2017: HK$10.2 million), representing an increase of approximately 175.0% as compared to that for the year ended 31 March 2017 (the "Previous Year"). The increase was primarily due to an increase in the revenue of jewelry business.

Revenue of the jewelry business increased by approximately 175.8% from approximately HK$10.0 million for the Previous Year to approximately HK$27.7 million for the Current Year due to the improving consumer sentiment under the revival of the PRC's domestic economy and expanded its business territorially by re-entering the Hong Kong wholesale market.

Revenue of the solar energy business increased by approximately 128.2% from approximately HK$188,000 for the Previous year to approximately HK$429,000 for the Current Year due to the contribution of revenue derived from the pilot project of the solar cooling proprietary technology products and solutions launched in the Current Year.

Gross profit

Gross profit increased from approximately HK$0.2 million for the Previous Year to approximately HK$1.1 million for the Current Year, representing an increase of approximately 490.6%. Meanwhile, gross profit margin increased from 1.9% for the Previous Year to 4.0% for the Current Year. The increase was mainly attributable to the contributions from new customers of jewelry business which have higher gross profit margins.

Other income

Other income increased from approximately HK$0.4 million for the Previous Year to approximately HK$1.2 million for the Current Year, representing an increase of approximately 206.4%. It was mainly attributable to the interest income received from bank structured deposits amounted to HK$0.5 million for the Current Year (2017: Nil).

Other gains and losses, net

The Group recorded other net loss of approximately HK$1.3 million for the Current Year (2017: other net gain of approximately HK$1.4 million), which was mainly attributable to the net loss on written-off of fixed assets and the net foreign exchange loss during the Current Year.

Selling and distribution costs and Administrative expenses

Selling and distribution costs and administrative expenses decreased from approximately HK$27.1 million for the Previous Year to approximately HK$21.4 million for the Current Year, representing a decrease of approximately 21.0%. It was mainly attributable to the decrease of expenses incurred by the head office during the Current Year. The Group will continue to take all necessary measures to control the cost to improve profitability in the future.

Equity-settled share-based payment

Equity-settled share-based payment decreased by 78.4% from approximately HK$12.9 million for the Previous Year to approximately HK$2.8 million for the Current Year mainly due to the warrants issued by the Company to Suncool AB has been fully vested during the Current Year.

Loss for the year

As a result of the foregoing, loss for the period reduced from approximately HK$37.9 million for the Previous Year to approximately HK$23.1 million for the Current Year, representing a decrease of approximately 39.1%. Basic loss per share were 7.0 HK cents (2017: 11.5 HK cents).

Liquidity, Financial Resources and Capital Structure

As at 31 March 2018, the Group had net current assets and current ratio stood at HK$13.2 million and 1.2 respectively (2017: HK$42.0 million and 23.7 respectively). The Group's gearing ratio as at 31 March 2018 was nil (2017: Nil) (total interest bearing borrowings divided by bank balance and cash as a percentage of total equity).

As at 31 March 2018, the inventories amounted to HK$1.2 million (2017: HK$0.2 million), mainly representing the goods-in-transit of solar cooling-stored pipes of the Group's solar energy business. As at 31 March 2018, the trade receivable and trade payable amounted to HK$2.2 million and HK$2.1 million respectively (31 March 2017:Nil and HK$1,000 respectively), both of which were mainly derived from the jewelry business. As at 31 March 2018, the bank balances and cash amounted to HK$58.2 million (2017: HK$38.5 million).

During the Current Year, the Group entered into five structured deposits with commercial banks in the PRC as part of the Group's treasury activities to maximise the use of its funds. The structured deposits were principal-protected products which very liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. As at 31 March 2018, a structured deposit amounted to approximately HK$21.2 million (2017: Nil) which was settled and redeemed upon maturity in April 2018. For details regarding the subscriptions of structured deposits, please refer to the announcement of the Company dated 12 June 2018 and the circular dated 16 July 2018.

As at 31 March 2018, the Group had no bank borrowings (2017: Nil). As at 31 March 2018, the Group had no banking facilities and none of the Group's assets were pledged to banks to secure any banking facilities (2017: Nil). The Group financed its liquidity operations requirements through cash flow generated from operations, loans from a controlling shareholder and proceeds from the issue of new shares in year 2015.

Use of Proceeds from the Subscriptions

On 1 July 2015, the Group entered into a subscription agreement (the "Suncool Subscriptions") with Suncool AB, a Swedish company, to allot and issue 6,000,000 new shares of the Company to Suncool AB at the subscription price of HK$2.10 per share. Warrants were also granted to Suncool AB for subscribing to an aggregate of 24,000,000 new shares of the Company at the exercise price of HK$2.50 per warrant share (the "Warrant(s)"). The Group also signed subscription agreements ("Investors Subscriptions", together with the Suncool Subscriptions, the "Subscriptions") with six independent investors to allot and issue an aggregate of 36,000,000 new shares of the Company to the six independent investors at the subscription price of HK$2.10 per share. As at 2 November 2015, the Group had completed the Subscriptions for a total of 36,000,000 shares, which generated total gross proceeds of approximately HK$75.6 million and net proceeds (which represent the total gross proceeds less relevant expenses, the "Net Proceeds") of approximately HK$74.7 million after deducting related expenses payable by the Company. For details regarding the Subscriptions, please refer to the Company's announcement dated 5 July 2015 and the circular dated 13 August 2015.

As disclosed in the announcements dated 12 September 2016, the Group was informed by CECEP Yuyao that the construction of the Factory has been delayed and therefore the development of solar energy business of the Group is prolonged. Accordingly, the Group considered that the upfront expenses including factory rent, leasehold improvement and other related general operating expenses were not significant as expected because of the delay in the occupation of the Factory, hence the use of proceeds has been changed and part of the proceeds intended to be used for the development of solar energy business in the amount of approximately HK$10 million has been allocated towards the general working capital of the Group.

In the circumstances, the details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the utilization of the Net Proceeds as at 31 March 2018 are as below:

Proposed use of Net Proceeds	**Original allocation** (Approximately) HK$'000	**Revised allocation** (Approximately) HK$'000	**Utilisation as at 31 March 2018** (Approximately) HK$'000	**Remaining balance after revised allocation** (Approximately) HK$'000
Repayment of shareholder's loan	7,600	7,600	7,600	–
Development of solar energy business	50,000	40,000	20,260 (Note 1)	19,740 (Note 3)
General working capital	17,100	27,100	27,100 (Note 2)	-
	74,700	74,700	54,960	19,740

Note 1: As at 31 March 2018, approximately HK$20.3 million was used for the development of solar energy business, including approximately HK$4.7 million as the Security Deposit, approximately HK$1.2 million for acquiring fixed assets including machineries, equipment and tools used in production, approximately HK$3.8 million for staff training costs, technical knowledge transfer and supporting service fees paid to Suncool AB and approximately HK$10.6 million for working capital of solar energy business including staff cost of HK$4.5 million.

Note 2: As at 31 March 2018, approximately HK$27.1 million was used as the general working capital of the existing businesses of the Group, including approximately HK$16.0 million for staff costs and office rent, approximately HK$4.3 million for legal and professional expenses (including audit fees) and approximately HK$6.8 million for other recurring operating expenses.

Note 3: In respect of the remaining unutilized proceeds, the Company intends to apply approximately HK$19.7 million for developing the solar energy business. The Company targets to use approximately HK$16.4 million towards acquiring fixed assets. Approximately HK$1.5 million will be used for staff training costs and technical knowledge transfer and supporting service fees paid to Suncool AB. Approximately HK$1.8 million will be set aside to continuously strengthen the Company's products by supporting the research and development activities with a focus on the solar heating and cooling techniques.

As at 31 March 2018, 24,000,000 outstanding Warrants have been vested and are currently exercisable, but none of the Warrants has been exercised yet. At the subscription price of HK$2.50 per warrant share and upon full exercise of the subscription rights attached to the Warrants, the aggregate amount of approximately HK$60 million raised would be expected to be applied as additional general working capital of the Group.

Charges on Group Assets

As at 31 March 2018, the Group did not have any charges on the Group's assets (2017: Nil).

Commitments and Contingent Liabilities

As at 31 March 2018, the Group did not have any capital commitments (2017: Nil) and had HK$7.6 million of operating lease commitments (2017: HK$3.2 million).

As at 31 March 2018, the Group did not have any significant contingent liabilities (2017: Nil).

Employee and Remuneration Policy

As at 31 March 2018, the Group had a total of 34 employees (2017: 26). The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group also provides internal training to employees when necessary and other staff benefits include share option scheme and corporate contribution to statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Foreign Exchange Fluctuation and Hedges

The business operations of the Group's subsidiaries were conducted mainly in the PRC with sales and purchase of the Group's subsidiaries denominated mainly in Renminbi. The Group's cash and bank deposits were denominated some in Hong Kong dollars, with some denominated in Renminbi. Any significant exchange rate fluctuation of Hong Kong dollars against Renminbi may have a financial impact on the Group. While the Group would closely monitor the volatility of the Renminbi exchange rate, the Directors considered that the Group's risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 31 March 2018, no forward foreign currency contracts are designated in hedging accounting relationships (2017: Nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in the section headed "Business Review" in relation to the Acquisition of the Hangzhou Property and the Acquisition of the Target Land Parcel and the Factory, there had been no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Year.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, the Group did not have other plans for material investments and capital assets.

Events After The Reporting Period

On 24 April 2018, the Company and Ningbo Shenggu being the purchaser, and CECEP Yuyao, being the landlord, entered into a sales and purchase agreement in relation to the Target Land Parcel and the Factory. Details of the acquisition are disclosed in the section headed "Acquisition of the Target Land Parcel and the Factory" under Business Review. Up to the date of this annual report, the acquisition has not yet been completed.

On 24 May 2018, Wealth Compass Limited, an indirectly wholly-owned subsidiary of the Company, has been granted a money lender's licence. Up to the date of this annual report, the money lending business had not been commenced. Save as disclosed above, the Group had no material event after 31 March 2018.

DIRECTORS AND COMPANY SECRETARY

Executive Directors

Mr. Wu Hao, aged 44, is our chairman and an executive Director. He joined the Group in February 2012 and is responsible for overall strategic planning and development. He has held directorship position within the other member of the Group. In 2008, Mr. Wu Hao joined Xinjiang Lian Rui Mining Company Limited* (新疆聯瑞礦業有限公司), which is principally engaged in mining resources business, and was appointed as its vice chairman in 2009. Mr. Wu Hao graduated in legal professional studies from Correspondence Institute of Party School of the Central Committee of Communist Party of China* (中共中央黨校函授學院) in 2002.

Mr. Hu Yangjun, aged 44, is an executive Director. He joined the Group in November 2011 and is responsible for reviewing and improving the operations of the Group. Mr. Hu Yangjun has corporate management experience in information technology and international trade and has worked in Zhejiang Orient Group* (浙江東方集團) and Zhejiang Ju Neng Dongfang Holdings Company Limited* (浙江巨能東方控股有限公司). Mr. Hu Yangjun was previously an executive director of Zheda Lande Scitech Limited (stock code: 8106) and Neo Telemedia Limited (stock code: 8167), both companies listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange. Mr. Hu Yangjun graduated from Anhui Normal University and he is currently a member of All-China Youth Federation.

Mr. Chan Wing Yuen, Hubert ("Mr. Chan"), aged 60, is our chief executive and an executive Director. He joined the Group in November 2011 and is responsible for business policy formulation and execution. He has held directorship position within the other members of the Group. Mr. Chan has been an executive director of Northern New Energy Holdings Limited (stock code: 8246) since August 2014, a company listed on the GEM of the Stock Exchange. Mr. Chan has also been an independent non-executive director of Tian Ge Interactive Holdings Limited (stock code: 1980) since June 2014 and FIT Hon Teng Limited (stock code: 6088) since November 2016, both companies listed on the Stock Exchange. He has also been an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd, a company listed on the Stock Exchange (stock code: 6116) and The Shanghai Stock Exchange (stock code: 603157), since July 2016. Mr. Chan spent over ten years with the Stock Exchange. He also held various positions with companies listed on the Stock Exchange. Mr. Chan was previously a director of Guangdong Investment Limited (stock code: 270), an independent non-executive director of China Smarter Energy Group Holdings Limited (stock code: 1004), an executive director and the chief executive of EverChina Int'l Holdings Company Limited (stock code: 202) and an executive director of Softpower International Limited (stock code: 380). Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Chan is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries and is also a member of both Hong Kong Securities and Investment Institute and The Hong Kong Institute of Directors. Mr. Chan is a member of the Chinese People's Political Consultative Conference – Heilongjiang Province Committee in the PRC.

* *translation for identification purpose only*

Non-executive Directors

Mr. Li Wei Qi, Jacky ("Mr. Li"), aged 46, was appointed as a non-executive Director in November 2011. Mr. Li has experience in the financial services field. Mr. Li is currently vice president of the marketing department of Emperor Bullion Investments (Asia) Limited, Emperor Futures Limited, Emperor Securities Limited and Emperor Wealth Management Limited. He is also a licensed representative under the Securities and Futures Ordinance (the "SFO") to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities, a licensed representative of the Professional Insurance Brokers Association to carry on long term insurance (including linked long term insurance) and general insurance regulated activities, a licensed representative of the Mandatory Provident Fund Schemes Authority to carry on related regulated activities and an account executive registered with The Chinese Gold & Silver Exchange Society. Mr. Li was previously vice president of the marketing department of Tanrich Futures Limited and was a person licensed by the Securities and Futures Commission for dealing and advising in futures contracts and asset management.

Independent Non-executive Directors

Mr. Wu Chi Keung ("Mr. Wu"), aged 61, was appointed as an independent non-executive Director in November 2011. Mr. Wu has experience in the financial audit field and was a partner of Deloitte Touche Tohmatsu. Mr. Wu has been an independent non-executive director of China Medical System Holdings Limited (stock code: 867) since June 2010, Jinchuan Group International Resources Co., Ltd (stock code: 2362) since January 2011, Huabao International Holdings Limited (stock code: 336) since August 2013, YuanShengTai Dairy Farm Limited (stock code: 1431) since November 2013, Huajin International Holdings Limited (stock code: 2738) since March 2016 and Zhou Hei Ya International Holdings Limited (stock code: 1458) since October 2016, all companies listed on the Stock Exchange. Mr. Wu was previously an independent non-executive director of COFCO Meat Holdings Limited (stock code: 1610), a company listed on the Stock Exchange. Mr. Wu graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in accountancy. He is an associate of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom (the "ACCA").

Ms. Kwok Pui Ha ("Ms. Kwok"), aged 49, was appointed as an independent non-executive Director in November 2011. Ms. Kwok is the group financial controller of CITIC International Assets Management Limited, a private equity investment and asset management company. Ms. Kwok had worked with Deloitte Touche Tohmatsu and has experience in financial management and accounting with companies listed on the Stock Exchange. Ms. Kwok graduated with a bachelor degree in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) and is a fellow member of the HKICPA, an Associate of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Securities and Investment Institute.

Mr. Jin Qingjun ("Mr. Jin"), aged 60, was appointed as an independent non-executive Director in October 2017. Mr. Jin is currently a senior partner of King & Wood Mallesons and a legal counsel for various securities companies and listed companies. His major areas of practice include securities, finance, investment, corporate, insolvency as well as foreign-related legal affairs. Mr. Jin is one of the first lawyers who were granted Security Qualification Certificate in the PRC and has focused on securities-related legal affairs for more than 20 years. Mr. Jin previously served as General Counsel of Shenzhen Stock Exchange and a member of its Listing Supervisory Council. In 2012, he was named one of the Top 10 PRC Lawyers of the Year and PRC Securities Lawyer of the Year. Mr. Jin has been an independent non-executive director of Times Property Holdings Limited (stock code: 1233) since October 2015, Sino-Ocean Group Holding Ltd. (stock code: 3377) since March 2016 and Bank of Tianjin Co., Ltd. (stock code: 1578) since March 2016, all companies listed on the Stock Exchange. He has also been a director of Konka Group Co., Ltd. (stock code: 000016, 200016), a company listed on the Shenzhen Stock Exchange, since March 2017, an independent director of CSG Holding Co., Ltd. (stock code: 000012, 200012), a company listed on the Shenzhen Stock Exchange, since December 2016, an external supervisor of China Merchants Bank Co., Ltd., a company listed on the Stock Exchange (stock code: 3968) and on the Shanghai Stock Exchange (stock code: 600036), since October 2014 and an independent non-executive of Guotai Junan Securities Co., Ltd., a company listed on the Stock Exchange (stock code: 2611) and the Shanghai Stock Exchange (stock code: 601211), since January 2011. Mr. Jin was an independent director of Gemdale Corporation, (stock code: 600383), a company listed on the Shanghai Stock Exchange. He was also an independent director of Masterwork Group Co., Ltd. (stock code: 300195) and Xi'an Dagang Road Machinery Co., Ltd. (stock code: 300103), both companies listed on the Shenzhen Stock Exchange. Mr. Jin is also an independent director of Invesco Great Wall Fund Management Co., Ltd. Mr. Jin obtained a bachelor of the arts in English from Anhui University. He received a master's degree in International Law from China University of Political Science and Law and a graduate diploma from the John F. Kennedy School of Government, Harvard Kennedy School. Mr. Jin is an adjunct professor at Chinese Academy of Governance, China University of Political Science and Law and Renmin University of China Lawyer College; a co-tutor for students of master's degree at the School of Law, Tsinghua University, an arbitrator of Shenzhen Court of International Arbitration, Shanghai International Economic and Trade Arbitration Commission and Arbitration Foundation of Southern Africa, a member of the Inter-Pacific Bar Association, and the PRC legal counsel of US Court of Appeals for the Washington D.C Circuit.

Company Secretary

Mr. Chow Chi Shing ("Mr. Chow"), aged 38, is the financial controller and company secretary of the Group. He joined the Group in 2015 and is responsible for the financial and accounting and company secretarial matters of the Group. Mr. Chow is experienced in the accounting and finance field, as well as in company secretarial practices. He worked in a leading international audit firm, companies listed on the Stock Exchange and a multi-national corporation. Mr. Chow graduated with a bachelor degree in accounting from the Hong Kong University of Science and Technology. Mr. Chow is a member of the HKICPA and a fellow member of the ACCA.

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize effective internal control, accountability and transparency of the Board and are adopted in the best interest of the Company and its shareholders.

Compliance with the Corporate Governance Code

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. The Company has applied the principles and complied with all the applicable code provisions set out in the CG Code throughout the year ended 31 March 2018 except for the deviation from code provision A.6.7 and E.1.2 as explained below.

Code Provision A.6.7

Under code provision A.6.7, independent non-executive Directors and non-executive Director should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other business engagement and work commitments, one of the independent non-executive Directors was unable to attend the Company's annual general meeting held on 7 September 2017.

Code Provisions E.1.2

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to respective pre-arranged business commitment which, Mr. Wu Hao, chairman of the Board, must attend, Mr. Wu was not present at the annual general meeting held on 7 September 2017. The meeting was chaired by Mr. Chan Wing Yuen, Hubert, an executive Director and the chief executive officer of the Company, to ensure effective communication with the shareholders thereat.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2018. The details of the interests and short positions of the Directors and their associates in the Shares are set out in the "Report of the Directors".

Board of Directors

The Board sets directions and formulates overall strategies of the Group, monitors its overall performance and maintains effective supervision over the management running the Group through relevant committees of the Board. In particular, the Board oversees the implementation of strategies by management, reviews the operational and financial performance, and provides oversight to ensure that a sound system of internal control and risk management is in place. Each director ensures that he/she carries out his/her duties in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interest of the Company and its shareholders at all times.

Board Composition

As at the date of this report, the Board comprises seven Directors, including three executive Directors, namely, Mr. Wu Hao (Chairman), Mr. Hu Yangjun and Mr. Chan Wing Yuen, Hubert; a non-executive Director, namely Mr. Li Wei Qi, Jacky; and three independent non-executive Directors, namely, Mr. Wu Chi Keung, Ms. Kwok Pui Ha and Mr. Jin Qingjun. Biographical details of the Directors are set out under the section headed "Directors and Company Secretary" on pages 13 to 15 of this annual report.

The composition of the Board is in accordance with the requirement of rule 3.10 of the Listing Rules. There are three independent non-executive Directors and two of them have accounting professional qualification. One-third of the members of the Board are independent non-executive Directors.

All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Board and General Meetings

During the year, the Board held nine meetings. The annual general meeting was held on 7 September 2017 with the attendance of the external auditor to answer questions. The Directors attended those meetings in person, by phone or through other electronic means of communication. The attendance of each Director is set out as follows:

	Attendance/Number of meetings held during the tenure of directorship	
Name	**Board meetings**	**General meetings**
Executive Directors		
Mr. Wu Hao	8/9	0/1
Mr. Hu Yangjun	5/9	0/1
Mr. Hu Yishi (resigned on 1 December 2017)	3/7	0/1
Mr. Chan Wing Yuen, Hubert	9/9	1/1
Ms. Kwong Wai Man, Karina (resigned on 1 December 2017)	7/7	1/1
Non-executive Director		
Mr. Li Wei Qi, Jacky	7/9	0/1
Independent non-executive Directors		
Mr. Wu Chi Keung	7/9	1/1
Mr. Heung Chee Hang, Eric (resigned on 20 October 2017)	2/5	0/1
Ms. Kwok Pui Ha	7/9	1/1
Mr. Jin Qingiun (appointed on 20 October 2017)	4/4	0/0

Management Function

The Company's articles of association set out matters which are specifically reserved to the Board for its decision. The management team meets together regularly to review and discuss with executive Directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

Relationships between Directors

Mr. Wu Hao, the chairman and an executive Director, is a cousin of Mr. Hu Yangjun and also a cousin of Mr. Hu Yishi (resigned on 1 December 2017), both being executive Directors. Mr. Hu Yangjun is the cousin of Mr. Hu Yishi. To the best knowledge of the Company, save as disclosed herein, during the year, none of the other current Directors has or maintained any financial, business, family or other material, relevant relationship with any of the other Directors.

Training and Support of Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

All Directors, namely Mr. Wu Hao, Mr. Hu Yangjun, Mr. Chan Wing Yuen, Hubert, Mr. Li Wei Qi, Jacky, Mr. Wu Chi Keung, Ms. Kwok Pui Ha and Mr. Jin Qingjun confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development by reading materials or participating course, seminar and online debriefs regarding taxation, compliance, and global economic development to develop and refresh their knowledge.

The Roles of the Chairman and Chief Executive

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Wu Hao, the chairman of the Board, is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner while Mr. Chan Wing Yuen, Hubert, the chief executive of the Group, is responsible for running the Group's business and the implementation of the approved strategies of the Group.

Non-Executive Directors

The term of the service contracts of all the non-executive Directors (including independent non-executive Directors) are appointed for a fixed term of one year and will be renewed automatically if no objection is raised by both parties. All Directors (including the executive Directors) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company and are eligible for re-election pursuant to the Company's articles of association.

Delegation by the Board

The Board has set up three Board committees, namely the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The audit committee of the Company (the "Audit Committee") has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The written terms of reference of the Audit Committee conforms to the requirements laid down in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wu Chi Keung, Ms. Kwok Pui Ha and Mr. Jin Qingjun. Mr. Wu Chi Keung is the chairman of the Audit Committee who is an associate of the HKICPA. He is experienced in the financial auditing field and was a partner of Deloitte Touche Tohmatsu.

The primary functions of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual items, reviewing the effectiveness of the Group's financial reporting processes and adequacy of internal control system, reviewing the risk management system and associated procedures, reviewing the scope and nature of the audit carried out by the Company's auditor. The Audit Committee meets at least twice a year to discuss any issues from the audit and any other matters the external auditor may wish to raise. The Audit Committee has reviewed the Group's annual results for the year ended 31 March 2018.

During the year, two meetings were held and the attendance of each member is set out as follows:

Name	Attendance/ No. of meetings held during the tenure of directorship
Mr. Wu Chi Keung	2/2
Mr. Heung Chee Hang, Eric	1/1
Ms. Kwok Pui Ha	2/2
Mr. Jin Qingjun	1/1

The following is a summary of work performed by the Audit Committee during the year:

1. Reviewed the Group's interim and annual results and corporate governance matters for inclusion in the Company's annual report for the year ended 31 March 2017 and interim report for the six months ended 30 September 2017 with the management and external auditor of the Company and recommended them to the Board for review and approval;

2. Reviewed the Company's financial controls, internal control and risk management systems and discussed the risk management and internal control systems with the management to ensure that management has performed its duty to have effective systems;

3. Reviewed the accounting principles and practices adopted by the Group with the management of the Company for the year ended 31 March 2017; and

4. Reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, their independence and objectivity and made recommendation to the Board on the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee")has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The written terms of reference of the Remuneration Committee conforms to the requirements laid down in the CG Code. As at the date of this report, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Wu Chi Keung, as chairman, and Mr. Jin Qingjun; and one executive Director, namely Mr. Chan Wing Yuen, Hubert. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration structure for all Directors and senior management of the Group. The annual emoluments payable to Directors were recommended by the Remuneration Committee, with a view to recruit and retain high-calibre personnel that are valuable to the Group, by making reference to the experience, responsibilities and duties as well as the prevailing market conditions. Details of Directors' remuneration for the year ended 31 March 2018 are set out in note 8 to the consolidated financial statements.

During the year, three meetings were held and the attendance of each member is set out as follows:

Name	**Attendance/ No. of meetings held during the tenure of directorship**
Mr. Wu Chi Keung	3/3
Mr. Heung Chee Hang, Eric	1/2
Mr. Chan Wing Yuen, Hubert	3/3
Mr. Jin Qingjun	1/1

The following is a summary of work performed by the Remuneration Committee during the year:

1. Reviewed the policy for the remuneration of executive Directors;

2. Assessed performance of executive Directors;

3. Reviewed the terms of executive Director's service contract;

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

5. Recommended to the Board the granting of share options to the employees and the consultants of the Company.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee")has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. As at the date of this report, the Nomination Committee comprises two independent non-executive Directors, namely Mr. Wu Chi Keung, as chairman and Ms. Kwok Pui Ha; and one executive Director, namely Mr. Chan Wing Yuen, Hubert.

The primary functions of the Nomination Committee include making recommendations to the Board on appointment of Directors and reviewing the structure, size and composition of the Board on a regular basis.

During the year, two meetings were held and the attendance of each member is set out as follows:

Name	Attendance/ No. of meetings held during the tenure of directorship
Mr. Wu Chi Keung	2/2
Ms. Kwok Pui Ha	2/2
Mr. Chan Wing Yuen, Hubert	2/2

The following is a summary of work performed by the Nomination Committee during the year:

1. Reviewed the policy for the nomination of Directors and senior management;

2. Reviewed the structure, size, composition and the board diversity policy (including the skills, knowledge and experience) of the Board;

3. Recommended to the Board the re-appointment of Mr. Hu Yangjun and Mr. Hu Yishi as executive Directors; and Mr. Wu Chi Keung, Mr. Heung Chee Hang, Eric and Ms. Kwok Pui Ha as independent non-executive Directors; and

4. Assessed the independence of the independent non-executive Directors.

5. Recommended to the Board the appointment of Mr. Jin Qingjun as an independent non-executive Director.

Nomination Criteria and Procedures

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and to support the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and potential contribution that the selected candidates will bring to the Board and the Company.

The Nomination Committee will monitor the implementation of this policy and will from time to time review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers the current Board's composition satisfies the diversification requirements. This policy is published on the Company's website for public information.

Auditor's Remuneration

Analysis of remuneration paid in respect of audit and non-audit services provided by the external auditor, Messrs. Deloitte Touche Tohmatsu, for the year ended 31 March 2018 is as follows:

Nature of services	**Amount** HK$'000
Audit services	447
Non-audit services – Interim Review	165
Non-audit services – Others	59

Company Secretary

Mr. Chow Chi Shing has been the company secretary of the Company since November 2015. Mr. Chow reports to the chief executive of the Group directly and is responsible to the Board for ensuring that the Board procedures, applicable law, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of Directors. According to the Rule 3.29 of the Listing Rules, Mr. Chow has taken no less than 15 hours of relevant professional training for the year ended 31 March 2018.

Responsibilities in Respect of the Financial Statements

The Directors are responsible for ensuring that the consolidated financial statements for each financial year are prepared to reflect a true and fair view of the state of affairs, profitability and cash flows of the Group in accordance with the disclosure requirements of the Listing Rules, Hong Kong Companies Ordinance and the applicable accounting standards.

The Directors acknowledge their responsibilities for the preparation of consolidated financial statements for the year ended 31 March 2018. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relatively to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement issued by the external auditor of the Company regarding its reporting responsibilities was set out in detail in the Independent Auditor's Report on pages 41 to 44 of this annual report.

Risk Management and Internal Control

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard shareholder investments and the Group's assets and reviewing the effectiveness of such system on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

Risk management organizational structure

Board

The Board is responsible for assessing and determining the nature and extent of risks that the Company is willing to accept for achieving the purposes, and procuring the Company to set up and maintain proper and effective risk management and internal control systems. With the assistance of the Audit Committee, whose authority has been delegated by the Board, the Board maintains constant monitoring of the risk management and internal control systems of the Group, as well as conducting review at least once year as to its effectiveness.

Audit Committee

The Audit Committee is responsible for the risk management and internal control systems that provides advices and supports to the Board in respect of all risk-related matters, including monitoring the implementation of the overall risk management procedures of the Group, conducting review on the risk register of the Group, review and approve the internal control review plan and its results.

Management

The management of the Group is responsible for identifying and continuous monitoring of the Group's exposure to risks in relation to strategy, operation, finance, reporting and compliance during the daily operations of the Group. It reports to the Board and the Audit Committee regarding the risks and their changes, formulates a set of internal control measures to mitigate the risks, collects through various channels the deficiencies of the internal control system and conducts rectifications in a timely manner.

Internal Audit Function

The Group has put in place the internal audit function. Annual review on the effectiveness of the risk management procedures of the Group will be conducted by the management and the Audit Committee, and professional internal control advisers may be consulted if necessary. The plan of internal control review will be submitted to the Audit Committee for review and approval, and the person in charge of the internal control review will also report the review results to the Audit Committee.

Risk management procedures

The Group has established a risk management framework, including the construction of the architecture for the aforementioned organisation and definition of the responsibilities of all parties concerned, and prepared risk management policies and processes and clarified the risk assessment procedures, which, specifically include risk identification, risk analysis, risk control and risk report.

Step 1: Risk identification – identify current risks exposed to the Group and business and existing management and control measures therefor.

Step 2: Risk analysis – analyse the possibility, extent of influence and existing management and control measures, identify risk exposure, and propose further countermeasures.

Step 3: Risk control – implement and periodically detect the identified risks to ensure effective operation of risk countermeasures.

Step 4: Risk report – summarise the results of risk management analysis, prepare action plans and report to the management, Audit Committee and the Board.

The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary. With the assistance of the Audit Committee, the Board has reviewed and been aware of the effectiveness and sufficiency of risk management and internal control systems of the Group.

Main Features of Risk Management and Internal Control System

Maintaining an effective internal control system (Operational Level)

- Definite internal control policies and procedures are in place to enable clear segregation of responsibilities, authority and accountability of different departments and positions;
- Code of conducts have been formulated to promote integrity and ethical conducts to the staff;
- Whistleblowing system is set up to encourage employees to report any misconduct or fraud;

- Appropriate IT system access restrictions have been set to avoid disclosure of price sensitive information;
- Policies regarding insider information disclosure are established, which involve reporting channels. The person in charge of the information disclosure will be responsible for answering external enquiries and seek consultation from professional financial consultants or the Stock Exchange when necessary.

During the year ended 31 March 2018, the Board had reviewed the effectiveness of the internal control policies and procedures, including the procedures regarding financial reporting and those as stipulated under the Listing Rules. When carrying out review on the risk management and internal control procedures, the Board had taken into consideration the adequacy of resources for accounting, internal audit and financial reporting, the qualifications and experience of the staff, trainings to be provided to the staff and the relevant budget.

Ongoing monitoring of risks (Risk management level)

Based on the risk management policies as formulated by the Board, the management will communicate with different operational departments and collect information of significant risk factors which will affect the Group in a bottom up approach and consistently monitor changes in risks. Risks which have been identified will be recorded in a risk register. Regular assessment will be carried out on the potential impact to the Group and the possibility of occurrence of each major risk so as to lay down relevant internal control measures.

During the year ended 31 March 2018, the management had reviewed risk management structure and procedures and had submitted to the Board and the Audit Committee a risk assessment report and a 3-year plan of internal control review, so that the Board and the Audit Committee can enable effective monitoring of the Group's major risk and better understanding of how the management handle and mitigate the risks.

Independent review

The internal audit team of the Group is comprised of the persons who are not responsible for areas under the review. The list and scope of review have been approved by the Audit Committee. The team conducts independent review on risk management and internal control systems of the Group so as to assess the effectiveness. A report of internal control review is submitted to the Audit Committee.

During the year ended 31 March 2018, the internal audit team had completed review on internal control for the year, period of reviews covered transactions carried out from 1 April 2017 to 31 March 2018. The management had implemented rectifications and remediated internal control weaknesses identified. The internal audit team had report the review results to the Audit Committee.

Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

Constitutional Documents

During the year ended 31 March 2018, there were no changes to the constitutional documents of the Company. An up to date set of memorandum of association of the Company and articles of association of the Company are available on both the websites of the Company and the Stock Exchange.

Communications with Shareholders and Shareholders' Right

The Company has adopted the shareholder communication policy and the procedures for shareholders to propose a person for election as Director to ensure that our shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable them to exercise their rights in an informed manner and to allow them to engage actively with the Company.

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures set out in the preceding paragraph.

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal office address at Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

Investor Relations

The Company endeavours to maintain good investor relationship with the shareholders and potential investors by way of meeting them at annual general meetings and publishing interim and annual reports on the websites of the Company and the Stock Exchange.

The Company's website has set up as a means to provide information of the Company to the shareholders and potential investors and to communicate with them directly and effectively. Shareholders are also encouraged to attend the Company's annual general meetings and general meetings for which notices are served for an adequate period in accordance with the provisions of the Listing Rules and the Company's articles of association. The Directors are available to answer questions on the Group's business at the meetings.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements for the year ended 31 March 2018.

Principal Activities

The Group is principally engaged in jewelry wholesale business in the PRC and Hong Kong and solar energy business in the PRC. The principal activities of the Company's subsidiaries are set out in note 26 to the consolidated financial statements. Details and respective analysis of the main segments information of the Group during the year are set out in note 4 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 March 2018 and a review of the Group's future development is set out in the section headed "Management Discussion and Analysis" of this annual report.

Environmental Policy and Performance

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility. The Group is committed to maximize energy conservation in its offices by promoting efficient use of resources such as lighting and air-conditioning systems and encouraging recycle of office supplies and other materials. The Group continually seeks to identify and manage energy efficiency opportunities in order to minimize environmental impacts attributable to its operational activities if possible.

Environmental, Social and Governance Report

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report has been published.

Compliance with Relevant Law and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations.

As far as the Board and management are aware, the Group has complied all relevant laws and regulations in material aspects which may have significant impact on the business and operations of the Group during the year ended 31 March 2018.

Principal Risks and Uncertainties Facing the Company

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

Risk of Economic Downturn

As jewelry belongs to luxury consumer goods, the impact on consumer confidence and purchasing power exerted by global financial and economic environment may affect sales and results of the Group. If the market economy of China continues to slow down, the consumer sentiment towards jewelry will be further declined, which may affect revenue of the Group. On the other hand, costs such as rentals, labour cost and transportation cost may be influenced by the economic environment. Therefore, the Group's management will refine and review business strategies based on its analysis of the macroeconomic changes, and consider business diversification so as to adapt to the overall economic change.

Risk of Regulatory Policies

The Chinese government is gradually intensifying requirements on energy conservation and environment protection. While the Group's current operation is in compliance with regulatory requirements, any future changes in relevant laws or regulations may have an impact on the operation and may increase expenses and costs. Therefore, the policies which are in compliance with relevant laws and regulations have been in place to minimize such risks. In addition, the Group has been maintaining a close communication with government departments proactively to take measures timely in line with the industrial changes and standards of policymaking.

Technical Risk

The future returns and success of the Group depend heavily on specialised technology applied in products. The business and profitability of the Group may be affected by launch of any major technology. Also, the competitors' duplication of the specialised technology may lead to a decline in the market position of our products. Not only has the Group ensured its specialised technology applied in products has been registered legally under the Intellectual Property Law of China, it has also entered into employment contracts with non-disclosure terms with the personnel which may access to the specialised technology, and has strictly controlled the access area and authority.

Risk of Human Resources

There is a fierce competition in the industry and regions where the Group operates. Thanks to experienced and skillful key personnel, including management, research and development personnel and technical engineers, the Group is able to maintain a competitive position. The incapability of attracting sufficient key personnel or outflow of skillful and experienced talents may impair the normal operation or quality of the Group, or even restrict its development. The Group is fully aware of such risks and endeavors to provide competitive remuneration packages as well as various incentive mechanism to attract suitable talents while catering to the overall need for saving costs, in order to meet the requirement of corporate development. The Group will also review the employers' benefit regularly, conduct manpower planning to replenish sufficient staff in time.

Financial Risks

The Group also faces financial risks in the ordinary course of business. Details of financial risk management objectives and policies are set out in notes 21 and 22 to the consolidated financial statements.

Relationship with Employees, Customers and Suppliers

The Company recognizes that employees are our valuable assets. Thus, the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, the management will continue to ensure effective communication and develop mutually beneficial relationships with them. During the year under review, there was no material and significant dispute between the Group and its customers, suppliers or other business partners.

Use of Proceeds

For the details of the use of proceeds from the Subscriptions, please refer to the "Use of Proceeds from the Subscriptions" paragraph under the section headed "Management Discussion and Analysis" of this annual report.

Results and Dividends

The results of the Group for the year ended 31 March 2018 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 45 to 95 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

Annual General Meeting

The forthcoming Annual General Meeting (the "AGM") is to be held on Thursday, 6 September 2018 and the notice of the AGM will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required by the Listing Rules.

Closure of Register of Members

The register of members will be closed from Monday, 3 September 2018 to Thursday, 6 September 2018 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on Friday 31 August 2018.

Summary of Financial Information

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

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

Borrowings

The Group had no bank borrowings and no banking facilities as at 31 March 2018.

Subsidiaries

Particulars of the Group's principal subsidiaries are set out in note 26 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Distributable Reserves

The Company had no reserves available for distribution to the shareholders as at 31 March 2018 and 2017.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 17 to the consolidated financial statements.

Unlisted Warrants

Details of movement in the Company's unlisted warrants during the year set out in note 19 to the consolidated financial statements.

Major Customers and Suppliers

For the year ended 31 March 2018, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 93.4% of the total sales of the Group and the largest customer included therein amounted to approximately 51.1%.

For the year ended 31 March 2018, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 95.3% of the total purchases of the Group and the largest supplier included therein amounted to approximately 50.7%.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Directors

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

Executive Directors:
Mr. Wu Hao *(Chairman)*
Mr. Hu Yangjun
Mr. Hu Yishi (resigned on 1 December 2017)
Mr. Chan Wing Yuen, Hubert *(Chief Executive)*
Ms. Kwong Wai Man, Karina (resigned on 1 December 2017)

Non-executive Director:
Mr. Li Wei Qi, Jacky

Independent non-executive Directors:
Mr. Wu Chi Keung
Mr. Heung Chee Hang, Eric (resigned on 20 October 2017)
Ms. Kwok Pui Ha
Mr. Jin Qingjun (appointed on 20 October 2017)

According to the article 83(3) of the articles of association of the Company, Mr. Jin Qingjun (who was appointed on 20 October 2017 as an independent non-executive Director) being Director appointed by the Board to fill casual vacancies, shall hold office only until the forthcoming AGM and being eligible, offer himself, for re-election as Director at the forthcoming AGM.

According to the article 84(1) of the articles of association of the Company, Mr. Wu Hao, Mr. Hu Yangjun, Mr. Chan Wing Yuen, Hubert, Mr. Li Wei Qi, Jacky, Mr. Wu Chi Keung and Ms. Kwok Pui Ha, all being Directors shall retire from office by rotation at the forthcoming AGM. Ms. Kwok Pui Ha has informed the Board that she would not offer herself for re-election and accordingly will retire as a Director at the conclusion of the AGM. Save for Ms. Kwok Pui Ha, the other retiring Directors, being eligible, will offer themselves for re-election as Director at the forthcoming AGM.

The biographical details of the Directors are set out under the section "Directors and Company Secretary" of this annual report.

Update on Directors' Information under Rule 13.51B(1) of the Listing Rules

Upon specific enquiry by the Company and confirmations from the Directors, the changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual reports are set out below:

With effect from 20 October 2017, (i) Mr. Heung Chee Hang, Eric resigned as an independent non-executive Director and members of each of the Audit Committee and the Remuneration Committee; (ii) Mr. Jin Qingjun was appointed as independent non-executive Director and members of each of the Audit Committee and the Remuneration Committee. Please refer to the announcement of the Company dated 20 October 2017.

With effect from 1 December 2017, (i) Mr. Hu Yishi resigned as an executive Director of the Company and (ii) Ms. Kwong Wai Man, Karina resigned as an executive Director and authorized representative of the Company as required under Rule 3.05 of the Listing Rules. Please refer to the announcement of the Company dated 1 December 2017.

With effect from 12 December 2017, Mr. Wu Chi Keung, an independent non-executive Director, resigned as an independent non-executive director of COFCO Meat Holdings Limited (Stock Code: 1610, which shares are listed on the Stock Exchange).

Directors' Service Contracts

None of the Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Permitted Indemnity Provision

During the year and the time when this Report of the Directors are approved, a permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the laws of Hong Kong). The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

Directors' Interests in Contracts of Significance

Save as disclosed in the section headed "Related Party Transactions and Connected Transactions" in this report of the Directors, no contracts of significance, to which the Company, its holding company, fellow subsidiaries or its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

As at 31 March 2018, none of the Directors and their respective associates (as defined in the Listing Rules) on the Stock Exchange has an interest in any business which competes or may compete with the business in which the Group is engaged.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2018, the interests and short positions of the Directors and their associates in the ordinary shares (the "Share(s)"), underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions

Ordinary Shares of HK$0.01 each

Name of Director	Capacity	Number of issued ordinary Shares held (including underlying shares)	Percentage of the issued ordinary share capital of the Company
Mr. Hu Yangjun	*(Note)*	207,454,000	62.85%
Mr. Wu Hao		2,736,000	0.83%
Mr. Li Wei Qi, Jacky		2,736,000	0.83%

Notes: Mr. Hu Yangjun had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich Capital Limited ("Resources Rich"), a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.

Save as disclosed above, as at 31 March 2018, no interest and short position in the Shares, underlying Shares or debentures were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executives of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

Save as disclosed above, at no time during the year was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

The Company adopted a share option scheme at the annual general meeting of the Company held on 9 September 2016 (the "2016 Scheme"). The purpose of the 2016 Scheme is to facilitate the retention and the recruitment of high-calibre staff of the Group and/or any entities in which the Group holds any equity interests (if applicable) and attract resources that are valuable to the Group or those invested entities and benefit to the Company's future business development.

The participants of the 2016 Scheme include any employee (whether full-time or part time including any executive Director), officer (including any non-executive Director and independent non-executive Director) and substantial shareholder, consultant, agent, adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, any member of or any invested entity of the Group, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the above mentioned category(ies) of persons, or any other person who the Board considers, in its sole discretion, has contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the 2016 Scheme and any other share option schemes of the Company shall not in aggregate exceed 33,005,400 representing 10% of the shares in issue as at 9 September 2016 (being the date of the annual general meeting approving the 2016 Scheme) and as at the date of this report.

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the 2016 Scheme and any other share option scheme (if any) adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue unless otherwise approved by the Company's shareholders. Where any grant of options to a substantial shareholder, an independent non-executive Director, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive Director or a company beneficially owned by any substantial shareholder or independent non-executive Director of the Company) would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted to such person in any 12-month period up to and including the date of the grant:

(i) representing in aggregate over 0.1% of the total number of shares of the Company in issue; and

(ii) having an aggregate value, based on the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million,

such grant of option shall be subject to prior approval of the shareholders of the Company who are not a grantee, his associates, or a core connected person of the Company as defined in the Listing Rules.

Options granted must be taken up within 28 days from the date of offer, upon payment of HK$10 by way of consideration for the grant. Subject to terms and conditions upon which the option was granted, options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The 2016 Scheme has a life of 10 years and will expire on 8 September 2026.

During the year ended 31 March 2018, the Company has granted 16,000,000 share options to the employees and consultants of the Company at the exercise price of HK$1.148 per option. On 31 March 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,000,000 (31 March 2017: Nil), representing 4.8% (31 March 2017: Not applicable) of the shares of the Company in issue at that date, further details are disclosed in note 19 to the consolidated financial statements.

Details of the movements of share options granted, exercised or cancelled/lapsed during the year and outstanding as at 31 March 2018 are as follows:

	Number of share options							
Category of eligible participants	**At 1 April 2017**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**At 31 March 2018**	**Date of grant[1]**	**Exercisable period (both dates inclusive)**	**Exercise price per share**
Employees								
in aggregate	–	1,800,000	–	–	1,800,000	9 March 2018	1 July 2018 to 8 March 2028	1.148[2]
	–	3,600,000	–	–	3,600,000	9 March 2018	1 January 2019 to 8 March 2028	1.148[2]
	–	3,600,000	–	–	3,600,000	9 March 2018	1 July 2019 to 8 March 2028	1.148[2]
	–	**9,000,000**	**–**	**–**	**9,000,000**			
Consultants								
in aggregate	–	1,400,000	–	–	1,400,000	9 March 2018	1 July 2018 to 8 March 2028	1.148[2]
	–	2,800,000	–	–	2,800,000	9 March 2018	1 January 2019 to 8 March 2028	1.148[2]
	–	2,800,000	–	–	2,800,000	9 March 2018	1 July 2019 to 8 March 2028	1.148[2]
	–	**7,000,000**	**–**	**–**	**7,000,000**			
Total all categories	**–**	**16,000,000**	**–**	**–**	**16,000,000**			

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The weighted average closing price of the Company's shares immediately before the grant dates of the share options was HK$1.148 per share. The closing price of the Company's shares immediately before the date on which the options were granted was HK$1.14 per share.

Substantial Shareholders

As at 31 March 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors and their associates, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long Positions

Ordinary Shares of HK$0.01 each

Name of Shareholder	Capacity	Number of issued ordinary Shares held	Percentage of the issued ordinary share capital of the Company
Resources Rich	*(Note 1)*	204,718,000	62.03%
Mr. Hu Yangjun	*(Note 2)*	207,454,000	62.85%
Mr. Hu Yishi	*(Note 3)*	207,454,000	62.85%
Ms. Zhang Qi	*(Note 4)*	207,454,000	62.85%
Ms. Lin Min, Mindy	*(Note 5)*	207,454,000	62.85%
Suncool AB	*(Note 6)*	30,000,000	9.09%
Stiftelsen Industrifonden	*(Note 7)*	30,000,000	9.09%

Notes:

(1) 50% of the entire issued share capital of Resources Rich is owned by Mr. Hu Yangjun while the other 50% is owned by Mr. Hu Yishi. Mr. Hu Yangjun and Mr. Hu Yishi are deemed to be interested in all the Shares in which Resources Rich is interested by virtue of the SFO.

(2) Mr. Hu Yangjun had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.

(3) Mr. Hu Yishi had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yishi, within the meaning of Part XV of the SFO.

(4) Ms. Zhang Qi is the spouse of Mr. Hu Yangjun. Accordingly, she is deemed to be interested in the 207,454,000 Shares which Mr. Hu Yangjun is interested in pursuant to the SFO.

(5) Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi. Accordingly, she is deemed to be interested in the 207,454,000 Shares which Mr. Hu Yishi is interested in pursuant to the SFO.

(6) According to the disclosure of interest notices filed by Suncool AB, Suncool AB had a direct interest of 30,000,000 Shares and 24,000,000 Shares of which represent the warrants granted by the Company to subscribe for 24,000,000 Shares at subscription price of HK$2.5 per Share.

(7) According to the disclosure of interest notices filed by Stiftelsen Industrifonden, Stiftelsen Industrifonden owned 47% shareholding interest in Suncool AB. Stiftelsen Industrifonden was deemed to be interested in 30,000,000 Shares held by Suncool AB pursuant to the SFO and 24,000,000 Shares of which represent the warrants granted to Suncool AB by the Company to subscribe for 24,000,000 Shares at subscription price of HK$2.5 per Share.

Save as disclosed above, as at 31 March 2018, there were no other parties, had interests or short positions in the Shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Related Party Transactions and Connected Transactions

During the year ended 31 March 2018, the Company and the Group had connected transactions, details are set out in the sections headed "Acquisition of Hangzhou Property as sales office" and "Acquisition of the Target Land Parcel and the Factory" of Management Discussion and Analysis in this annual report. Details of the related party transactions of the Group for the year ended 31 March 2018 are set out in note 25 to the consolidated financial statements.

Save as disclosed above, none of the related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, which are subject to the requirements of announcement or independent shareholders' approval. The Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions as set out in this annual report.

Save as disclosed above, no transaction during the year ended 31 March 2018 constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed Shares during the year ended 31 March 2018.

Contracts of Significance

Save as disclosed in the section headed "Acquisition of Hangzhou Property as sales office" and "Acquisition of the Target Land Parcel and the Factory" of Management Discussion and Analysis in this annual report in relation to the sales and purchase agreement of the Acquisition of Hangzhou Property, the MOU and the SPA, there had been no contract of significance between the Company or any of its subsidiary and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiary for the year ended 31 March 2018.

Equity-Linked Agreement

Save as disclosed in the sections headed "Share Option Scheme" and "Unlisted Warrants" above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2018 or subsisted at the said period.

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.

Emolument Policy

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their performance and work experience and the prevailing market rates.

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

Employee Retirement Benefit

Particulars of the retirement scheme of the Group are set out in note 20 to the consolidated financial statements.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

Audit Committee

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 March 2018.

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wu Chi Keung (chairman of the Audit Committee), Ms. Kwok Pui Ha and Mr. Jin Qingjun.

Corporate Governance

A report on the principal corporate governance practice adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

Events After The Reporting Period

The material events after 31 March 2018 is set out in the section headed "Events After The Reporting Period " under Management Discussion and Analysis" of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive or similar rights under the memorandum and articles of association of the Company and the laws of the Cayman Islands where the Company is incorporated.

Sufficiency of Public Float

During the year ended 31 March 2018 and at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

Auditor

The consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wu Hao
Chairman and Executive Director

Hong Kong, 28 June 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF
ZHONG FA ZHAN HOLDINGS LIMITED
中發展控股有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zhong Fa Zhan Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 45 to 95, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key Audit Matter (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition We identified revenue recognition as a key audit matter due to its significance of the revenue from sales of jewelry products to the consolidated statement of profit or loss and other comprehensive income. Revenue from the sales of jewelry products is recognised when the products are delivered and titles have passed. The accounting policy for revenue recognition is disclosed in note 3 to the consolidated financial statements. The Group has recognised revenue of sales of jewelry products of approximately HK$27,677,000 for the year ended 31 March 2018, and the details are disclosed in note 4 to the consolidated financial statements.	Our procedures in relation to revenue recognition of sales of jewelry products included: • Obtaining an understanding of the revenue business process; • Understanding and testing the key controls that management have in place over revenue recognition and placed specific attention on the accuracy and timing of the revenue recognition; and • Checking a selection of sales transactions to the corresponding invoices, delivery documents and settlement records.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements (Continued)

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yu Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	4	**28,106**	10,222
Cost of sales		**(26,978)**	(10,031)
Gross profit		**1,128**	191
Other income		**1,189**	388
Other gains and losses, net	5	**(1,262)**	1,432
Selling and distribution costs		**(448)**	(313)
Administrative expenses		**(20,930)**	(26,763)
Equity-settled share-based payments	19	**(2,776)**	(12,876)
Loss before taxation		**(23,099)**	(37,941)
Income tax	6	**–**	–
Loss for the year	7	**(23,099)**	(37,941)
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		**3,124**	(2,074)
Total comprehensive expense for the year		**(19,975)**	(40,015)
Loss per share	9		
Basic and diluted (HK cents)		**(7.00)**	(11.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment	11	**13,540**	1,692
Rental deposits		**237**	399
		13,777	2,091
Current assets			
Inventories	12	**1,158**	168
Trade receivables	13	**2,229**	–
Other receivables, deposits and prepayments	13	**6,885**	5,206
Structured deposit	14	**21,217**	–
Bank balances and cash	14	**58,211**	38,515
		89,700	43,889
Current liabilities			
Trade payables	15	**2,139**	1
Other payables and accruals	15	**2,889**	1,849
Loans from a controlling shareholder	16	**71,518**	–
		76,546	1,850
Net current assets		**13,154**	42,039
Total assets less current liabilities		**26,931**	44,130
Capital and reserves			
Share capital	17	**3,301**	3,301
Reserves		**23,630**	40,829
		26,931	44,130

The consolidated financial statements on pages 45 to 95 were approved and authorised for issue by the Board of Directors on 28 June 2018 and are signed on its behalf by:

Wu Hao	**Chan Wing Yuen, Hubert**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	3,301	151,578	2,411	8,279	6,709	(101,009)	71,269
Loss for the year	–	–	–	–	–	(37,941)	(37,941)
Exchange differences arising on translation to presentation currency	–	–	–	–	(2,074)	–	(2,074)
Total comprehensive expense for the year	–	–	–	–	(2,074)	(37,941)	(40,015)
Lapse of share options	–	–	(2,411)	–	–	2,411	–
Equity-settled share-based payment *(note 19)*	–	–	–	12,876	–	–	12,876
At 31 March 2017	3,301	151,578	–	21,155	4,635	(136,539)	44,130
Loss for the year	–	–	–	–	–	(23,099)	(23,099)
Exchange differences arising on translation to presentation currency	–	–	–	–	3,124	–	3,124
Total comprehensive expense for the year	–	–	–	–	3,124	(23,099)	(19,975)
Equity-settled share-based payments *(note 19)*	–	–	820	1,956	–	–	2,776
At 31 March 2018	3,301	151,578	820	23,111	7,759	(159,638)	26,931

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(23,099)**	(37,941)
Adjustments for:		
Interest income	**(1,004)**	(45)
Equity-settled share-based payment	**2,776**	12,876
Depreciation of property, plant and equipment	**1,293**	581
Loss on written-off of property, plant and equipment	**63**	–
Operating cash flows before movements in working capital	**(19,971)**	(24,529)
Increase in inventories	**(835)**	(168)
(Increase) decrease in trade receivables	**(2,159)**	3,507
Increase in other receivables, deposits and prepayments	**(925)**	(576)
Increase (decrease) in trade payables	**2,072**	(4)
Increase (decrease) in other payables and accruals	**905**	(710)
NET CASH USED IN OPERATING ACTIVITIES	**(20,913)**	(22,480)
INVESTING ACTIVITIES		
Interest received	**1,004**	45
Purchase of property, plant and equipment	**(12,494)**	(1,410)
Placement of structured deposits	**(146,132)**	–
Withdrawal of structured deposits	**126,097**	–
NET CASH USED IN INVESTING ACTIVITIES	**(31,525)**	(1,365)
FINANCING ACTIVITY		
Advance from a controlling shareholder	**67,699**	–
CASH FROM FINANCING ACTIVITY	**67,699**	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,261**	(23,845)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**38,515**	64,039
Effect of foreign exchange rate changes	**4,435**	(1,679)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**58,211**	38,515

1. GENERAL

Zhong Fa Zhan Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Resources Rich Capital Limited, a company incorporated in the British Virgin Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in jewelry wholesale business in the People's Republic of China ("PRC") and Hong Kong and solar energy business in the PRC. The Company and its subsidiaries are collectively referred to as the Group.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), as the Company's shares are listed on the Stock Exchange, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

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

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balance of these items is provided in note 23. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 23, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

Except for the above, the application of the other 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.

New and revised HKFRSs and interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[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 2021.

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the initial application of HKFRS 9 may have a potential impact on the classification and measurement of the financial assets as follows:

- Structured deposit as disclosed in note 14: The contractual cash flows of the structured deposit are not solely payments of principal and interest on the principal outstanding and therefore is measured at fair value through profit or loss; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables, other receivables, deposits and bank balances. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses as at 1 April 2018.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In year 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

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

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

HKFRS 16 Leases (Continued)

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$7,591,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$451,000, as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments of refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated outcome returns, rebates and other similar allowances.

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

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

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

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and impairment losses, if any.

Depreciation 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 amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful life 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.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belong. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Leasehold land and building

When the Group makes payment for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve and the amounts will not be reclassified to profit or loss.

Government grants

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Income tax

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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 are 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the 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 in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

For loans and receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 the Group 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 instruments (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 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 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

Financial liabilities including trade and other payables and loans from a controlling shareholder are subsequently measured at amortised cost, using the effective interest method.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

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

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

At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

Warrants granted to a technology provider

Warrants issued in exchange for services are measured at the fair value of services received, unless that fair value cannot be estimated reliably, in which case the services received are measured by reference to the fair value of the warrants granted. The fair value of the services received are recognised as expenses, with a corresponding increase in equity (warrants reserve), when the counterparties render services (unless the services qualify for recognition as assets).

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the amounts received and receivable for goods sold in the normal course of jewelry wholesale business and solar energy business, net of discounts and sales related taxes.

The following is an analysis of the Group's revenue for the year:

	2018 **HK$'000**	2017 HK$'000
Revenue from sales of jewelry products	**27,677**	10,034
Revenue from sales of solar energy products	**429**	188
	28,106	10,222

Segment information

Information regularly reviewed by the chief operating decision maker (the "CODM"), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on nature of the Group's businesses and operations. The Group's reportable and operating segments are therefore as follows:

(i) Jewelry wholesale business (wholesale of jewelry products); and

(ii) Solar energy business (manufacture and sales of integrated heating and cooling products using thermal solar collectors and sales of solar photovoltaic components).

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the loss by each segment without allocation of central administration costs, directors' remuneration at the head office and unallocated corporate income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue and results

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

For year ended 31 March 2018

	Jewelry wholesale business HK$'000	**Solar energy business HK$'000**	**Total HK$'000**
Revenue	**27,677**	**429**	**28,106**
Segment loss	**(691)**	**(8,612)**	**(9,303)**
Unallocated corporate income			**1,189**
Unallocated corporate expenses			**(14,985)**
Loss before taxation			**(23,099)**

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For year ended 31 March 2017

	Jewelry wholesale business HK$'000	Solar energy business HK$'000	Total HK$'000
Revenue	10,034	188	10,222
Segment loss	(96)	(19,216)	(19,312)
Unallocated corporate income			1,820
Unallocated corporate expenses			(20,449)
Loss before taxation			(37,941)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both years.

Segment assets and liabilities

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

	2018 HK$'000	2017 HK$'000
Jewelry wholesale business	**2,915**	–
Solar energy business	**13,093**	5,334
Total segment assets	**16,008**	5,334
Structured deposit	**21,217**	–
Bank balances and cash	**58,211**	38,515
Other unallocated assets	**8,041**	2,131
Consolidated assets	**103,477**	45,980
Jewelry wholesale business	**2,181**	1
Solar energy business	**2,136**	138
Total segment liabilities	**4,317**	139
Unallocated liabilities	**72,229**	1,711
Consolidated liabilities	**76,546**	1,850

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

- all assets are allocated to reportable segments other than certain property, plant and equipment, certain other receivables, deposits and prepayments, structured deposit and bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and accruals and loans from a controlling shareholder.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2018

Amounts included in the measure of segment results or segment assets and liabilities:

	Jewelry wholesale business HK$'000	**Solar energy business HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Depreciation of property, plant and equipment	**–**	**180**	**1,113**	**1,293**
Equity-settled share-based payments	**359**	**1,956**	**461**	**2,776**
Additions to property, plant and equipment	**–**	**5,539**	**6,955**	**12,494**

For the year ended 31 March 2017

Amounts included in the measure of segment results or segment assets and liabilities:

	Jewelry wholesale business HK$'000	Solar energy business HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	–	71	510	581
Equity-settled share-based payment	–	12,876	–	12,876
Additions to property, plant and equipment	–	849	561	1,410

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are currently carried out in the PRC, the country of domicile, and Hong Kong (2017: in the PRC excluding Hong Kong).

All the revenue of the Group was derived from external customers of jewelry wholesale business located in the PRC and Hong Kong (2017: in the PRC excluding Hong Kong) and solar energy business located in the PRC.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2018 **HK$'000**	2017 HK$'000
The PRC	**13,342**	784
Hong Kong	**198**	908
	13,540	1,692

Note: Non-current assets excluded rental deposits.

The Group's revenue from external customers based on the location of customers are detailed below:

	2018 **HK$'000**	2017 HK$'000
The PRC	**20,158**	10,222
Hong Kong	**7,948**	–
	28,106	10,222

4. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2018 **HK$'000**	2017 HK$'000
Customer A *(Note 2)*	**14,364**	6,660
Customer B *(Note 2)*	**4,411**	*Note 1*
Customer C *(Note 2)*	**3,071**	*Note 1*
Customer D *(Note 2)*	***Note 1***	1,126

Notes:

(1) The corresponding customer did not contribute more than 10% of the total sales of the Group.

(2) Revenue generated from jewelry wholesale business.

5. OTHER GAINS AND LOSSES

	2018 **HK$'000**	2017 HK$'000
Loss on written-off of property, plant and equipment	**(63)**	–
Net exchange (loss) gain	**(1,199)**	1,092
Others	**–**	340
	(1,262)	1,432

6. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax had been made as the Group had no estimated assessable profit arising from Hong Kong for both years.

Under the law of the PRC on Enterprise Income Tax (the "EIT law") and Implementation Regulation of the EIT Law, the tax rate applied to the PRC subsidiaries is 25%. No provision for the PRC Enterprise Income Tax ("EIT") has been made for the Group's PRC subsidiaries as they have no estimated assessable profit for both years.

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

	2018 **HK$'000**	2017 HK$'000
Loss before taxation	**(23,099)**	(37,941)
Taxation at the EIT rate of 25% (2017: 25%)	**(5,774)**	(9,485)
Tax effect of income not taxable for tax purpose	**(10)**	(93)
Tax effect of expenses not deductible for tax purpose	**2,700**	5,318
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,453**	2,832
Utilisation of tax losses previously not recognised	**(123)**	–
Tax effect of tax losses not recognised	**1,754**	1,428
Income tax for the year	**–**	–

For the year ended 31 March 2018

7. LOSS FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,360**	581
Less: amount capitalised in inventories	**(67)**	–
	1,293	581
Auditor's remuneration	**450**	644
Operating lease payments in respect of rented properties	**2,353**	2,172
Staff costs (including directors' remuneration (note 8)):		
– salaries, allowances and other benefits	**9,904**	11,070
– retirement benefit scheme contributions	**302**	474
Total staff costs	**10,206**	11,544
Cost of inventories recognised as an expense	**26,978**	10,031
Interest income from bank deposits (included in other income)	**(551)**	(45)
Interest income from structured deposits (included in other income)	**(453)**	–
Government subsidies (included in other income)	**–**	(346)

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and the chief executive's emoluments

For the year ended 31 March 2018

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Wu Hao	200	288	12	500
Hu Yangjun	200	–	–	200
Hu Yishi *(note (b))*	133	–	–	133
Chan Wing Yuen, Hubert *(note (a))*	200	1,950	116	2,266
Kwong Wai Man, Karina *(note (b))*	133	1,248	76	1,457
Non-executive director				
Li Wei Qi, Jacky	200	–	–	200
Independent non-executive directors				
Wu Chi Keung	200	–	–	200
Heung Chee Hang, Eric *(note (c))*	111	–	–	111
Kwok Pui Ha	200	–	–	200
Jin Qingjun *(note (d))*	90	–	–	90
Total emoluments	1,667	3,486	204	5,357

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

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

For the year ended 31 March 2017

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Wu Hao	200	432	18	650
Hu Yangjun	200	–	–	200
Hu Yishi	200	–	–	200
Chan Wing Yuen, Hubert *(note (a))*	200	1,950	116	2,266
Kwong Wai Man, Karina	200	1,820	109	2,129
Non-executive director				
Li Wei Qi, Jacky	200	–	–	200
Independent non-executive directors				
Wu Chi Keung	200	–	–	200
Heung Chee Hang, Eric	200	–	–	200
Kwok Pui Ha	200	–	–	200
Total emoluments	1,800	4,202	243	6,245

Notes:

(a) Chan Wing Yuen, Hubert is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(b) Mr. Hu Yishi and Ms. Kwong Wai Man, Karina resigned as executive directors of the Company on 1 December 2017.

(c) Mr. Heung Chee Hang, Eric resigned as an independent non-executive director on 20 October 2017.

(d) Mr. Jin Qingjun was appointed as an independent non-executive director on 20 October 2017.

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

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

During the years ended 31 March 2018 and 2017, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

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

The non-executive director's emoluments shown above were for his services as the director of the Company and its subsidiaries.

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

Employees' emoluments

Of the five highest paid individuals of the Group, three (2017: three) are directors of the Company whose emoluments are set out in disclosures above. The emoluments of the remaining two (2017: two) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**1,405**	1,664
Retirement benefit scheme contributions	**64**	83
	1,469	1,747

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	2018 No. of employee	2017 No. of employee
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1

During the years ended 31 March 2018 and 2017, no emoluments were paid by the Group to the above-mentioned individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. LOSS PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Loss for the purposes of calculating basic and diluted loss per share: Loss for the year attributable to owners of the Company	**(23,099)**	(37,941)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**330,054,000**	330,054,000

The computation of diluted loss per share for both years does not assume the exercise of share options and warrants since it would result in a decrease in loss per share.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2016	–	1,658	–	765	827	3,250
Additions	–	560	557	120	173	1,410
Exchange realignments	–	–	(12)	(4)	(3)	(19)
At 31 March 2017	–	2,218	545	881	997	4,641
Additions	4,789	5,923	51	1,702	29	12,494
Written-off	–	(1,658)	–	(310)	–	(1,968)
Exchange realignments	283	349	61	113	19	825
At 31 March 2018	5,072	6,832	657	2,386	1,045	15,992
DEPRECIATION						
At 1 April 2016	–	1,656	–	383	331	2,370
Provided for the year	–	228	27	56	270	581
Exchange realignments	–	–	(1)	–	(1)	(2)
At 31 March 2017	–	1,884	26	439	600	2,949
Provided for the year	80	584	58	344	294	1,360
Eliminated on written off	–	(1,658)	–	(247)	–	(1,905)
Exchange realignments	5	23	7	8	5	48
At 31 March 2018	85	833	91	544	899	2,452
CARRYING VALUES						
At 31 March 2018	4,987	5,999	566	1,842	146	13,540
At 31 March 2017	–	334	519	442	397	1,692

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

Leasehold building	Over shorter of 30 years or the lease term
Leasehold improvements	Over shorter of 5 years or the lease term
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

12. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	**130**	98
Work in progress	**78**	70
Goods in transit	**950**	–
	1,158	168

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables

	2018	2017
	HK$'000	HK$'000
Trade receivables	**2,229**	–

The following is an ageing analysis of trade receivables based on invoice date at the end of the reporting period, which approximate the respective revenue recognition dates:

	2018	2017
	HK$'000	HK$'000
Within 1 month	**1,575**	–
Over 1 month but within 3 months	**654**	–
	2,229	–

The Group allowed a credit period ranging from 30 to 120 days to its customers. No trade receivables were past due at the end of the reporting period for which the Group had not provided for impairment loss for both years.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Other receivables, deposits and prepayments

	2018 HK$'000	2017 HK$'000
Other receivables	**1,652**	548
Deposits *(Note)*	**5,144**	4,444
Prepayments	**89**	214
	6,885	5,206

Note:

Included in deposits is an amount of RMB3,795,000 (equivalent to approximately HK$4,736,000) (2017: RMB3,795,000 (equivalent to approximately HK$4,281,000)) representing six months of rent payable (the "Rent Payable") to a private company incorporated in the PRC as the landlord (the "Landlord") under a framework tenancy agreement which was entered into between the Company and the Landlord on 18 December 2015. Mr. Hu Yishi, was the then executive director and is a controlling shareholder of the Company, is the indirect beneficial owner having significant influence over the Landlord and therefore, the Landlord is a related party of the Group. Pursuant to the agreement, the Landlord was required to construct a factory (the "Factory") for the Group to use as the production plant for the solar energy business and, during the period commenced from 18 December 2015 and ended on 31 August 2017, the Group could enter into the tenancy for the Factory for a lease term from any time after the completion of construction of the Factory until 31 August 2017. However, the framework tenancy agreement was not renewed upon its expiration on 31 August 2017 and, due to unexpected additional time required for the construction of the Factory, the completion of the Factory was delayed. On 13 November 2017, the Group and the Landlord entered into a memorandum of understanding (the "MOU") in relation to the Group's proposed acquisition of the Factory. Pursuant to the MOU, the Landlord agreed that the Group could use the Factory, when it completed the construction and commences for the operation, for production and operation at no cost until the execution of the acquisition agreement or lease agreement in relation to the Factory or on 30 June 2018, whichever is later. The Group agreed to use the Rent Payable as the refundable security deposit for any damage on facilities or equipment during the period the Group could use the Factory at no cost. Therefore, the deposit is classified as current asset as at 31 March 2018. On 24 April 2018, the Group entered into a sales and purchase agreement with the Landlord in relation to the acquisition of the Factory and the details are set out in note 28. Up to the date these consolidated financial statements are authorised for issue, the construction of the Factory has been completed and the sales and purchase agreement has not been approved by shareholders of the Company.

14. STRUCTURED DEPOSIT AND BANK BALANCES AND CASH

Structured deposit

As at 31 March 2018, the Group had a structured deposit agreement which it entered into with a bank in the PRC. The bank guaranteed 100% of the invested principal amount and returns of which are determined by reference to the change in interest rates quoted in the market as specified in the agreement.

Major terms of the structured deposit at the end of the reporting period are as follows:

At 31 March 2018

Principal amount	Maturity	Annual interest rate (Note)
RMB17,000,000	9 April 2018	From 3.75% to 4.15%

Note: The annual interest rate is dependent on whether 3 month USD London Inter Bank Offered Rate for deposits in USD meets a specified benchmark on a particular date.

Bank balances and cash

The amounts included short-term deposits with an original maturity of three months or less. Bank deposits carried interest at prevailing market interest rates at 0.001% to 0.5% (2017: 0.001% to 0.5%) per annum.

15. TRADE AND OTHER PAYABLES AND ACCRUALS

Trade payables

	2018 HK$'000	2017 HK$'000
Trade payables	**2,139**	1

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

	2018 HK$'000	2017 HK$'000
Within 1 month	**1,495**	1
Over 1 month but within 3 months	**642**	–
Over 3 months but within 6 months	**2**	–
	2,139	1

The average credit period on purchase of goods is 180 days.

Other payables and accruals

	2018 HK$'000	2017 HK$'000
Other payables	**1,972**	300
Accruals	**917**	1,549
	2,889	1,849

16. LOANS FROM A CONTROLLING SHAREHOLDER

The loans from a controlling shareholder are unsecured, interest-free and repayable on demand.

For the year ended 31 March 2018

17. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each		Nominal value	
	2018	2017	**2018**	2017
			HK$'000	HK$'000
Authorised:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning and end of the year	**330,054,000**	330,054,000	**3,301**	3,301

18. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of HK$28,436,000 (2017: HK$26,496,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$17,980,000 (2017: HK$16,529,000) that will expire in 5 years from the year of origination which is ranging from year 2019 to year 2023 (2017: year 2018 to year 2022). During the year ended 31 March 2018, tax losses of approximately HK$4,584,000 (2017: HK$8,352,000) originated from the PRC entities were expired. Other losses may be carried forward indefinitely.

19. SHARE OPTIONS SCHEME AND WARRANTS

Share options scheme

On 9 September 2016, the Company had terminated the share option scheme adopted by the Company on 26 February 2007 (the "Share Option Scheme 2007"), which had supposed to expire on 25 February 2017, and adopted a new share option scheme (the "New Share Option Scheme") for the purpose of recognising and acknowledging the contributions made by the participants to the Company, motivating the participants to optimise their performance and efficiency for the benefits of the Group and to maintain or attract business relationship with the participants whose contributions are beneficial to the growth of the Group.

The Group may grant to any participant who has made valuable contributions to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable resources of the Group based on his or her work experience and knowledge in the industry, or is expected to be able to contribute to the prosperity, business development or growth of the Group based on his or her business connection and network.

The New Share Option Scheme became effective on 9 September 2016 and, unless otherwise cancelled or amended, will remain in force for a period of ten years from the date of its adoption. HK$10.00 is payable by each eligible participant to the Company on acceptance of the grant of an option.

19. SHARE OPTIONS SCHEME AND WARRANTS (Continued)

Share options scheme (Continued)

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant in any 12-month period must not exceed 1% of the aggregate number of shares of the Company in issue. Where any further grant of options to an eligible participant would result in the shares issued or to be issued upon exercise of all options granted and to be granted to such eligible participant in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders in general meeting with such an eligible participant and his associates abstaining from voting.

The exercise price of the share options is determined by the committee of the board of the directors of the Company, but is at least be the highest of: (a) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (b) the average of the closing prices of the shares as stated in the daily quotation sheets issued by the Stock Exchange over the five trading days immediately preceding the date of grant; and (c) the nominal value of a share.

On 9 March 2018, an aggregate of 16,000,000 share options with an exercise price of HK$1.148 per share was granted by the Company to eligible employees and consultants. The share options granted are exercisable from 1 July 2018 to 8 March 2028 and are vested in three tranches at the beginning of each exercisable period with (i) 3,200,000 share options shall become exercisable from 1 July 2018 to 8 March 2028; (ii) 6,400,000 share options shall become exercisable from 1 January 2019 to 8 March 2028; and (iii) 6,400,000 share options shall become exercisable from 1 July 2019 to 8 March 2028.

The fair value of the share option granted on 9 March 2018 was calculated using the Binomial model. The inputs into the model were as follows:

Stock price	HK$1.14 per share
Exercise price	HK$1.148 per share
Risk-free rate	2.09%
Expected dividend yield	0%
Expected volatility	56.09%
Expiry date	8 March 2028
Time to maturity	10 years

Expected volatility was determined by using the average historical volatility of comparable companies and the Company as at valuation date.

19. SHARE OPTIONS SCHEME AND WARRANTS (Continued)

Share options scheme (Continued)

The following table discloses details of the options held by directors of the Company and employees and other eligible participants and movements in such holdings during both years.

The Share Option Scheme 2007

				Number of options		
Grantee	Date of grant	Exercise price HK$	Exercise period	Outstanding at 1 April 2016	Lapsed during the year	Outstanding at 31 March 2017
Directors	27 June 2012	1.53	27 June 2012 to 30 December 2016	3,546,000	(3,546,000)	–
Exercisable at the beginning/end of the year				3,546,000		–
Weighted average exercise price				HK$1.53	HK$1.53	–

The New Share Option Scheme

				Number of options		
Grantee	Date of grant	Exercise price HK$	Exercise period	Outstanding at 1 April 2017	Granted during the year	Outstanding at 31 March 2018
Employees	9 March 2018	1.148	1 July 2018 to 8 March 2028	–	9,000,000	9,000,000
Consultants	9 March 2018	1.148	1 July 2018 to 8 March 2028	–	7,000,000	7,000,000
				–	16,000,000	16,000,000
Exercisable at the beginning/end of the year				–		–
Weighted average exercise price				–	HK$1.148	HK$1.148

The estimated fair value of share options granted on 9 March 2018 was HK$9,133,000.

During the year ended 31 March 2018, the Group recognised the total expense of HK$820,000 in relation to these share options.

19. SHARE OPTIONS SCHEME AND WARRANTS (Continued)

Unlisted warrants

On 2 October 2015, an aggregate of 24,000,000 warrants with an exercise price of HK$2.5 per warrant share was granted by the Company to Suncool AB under the Suncool Subscriptions (defined in the Company's circular dated 13 August 2015). The warrants granted are exercisable from 1 October 2016 to 30 September 2018 and are vested in three tranches at the beginning of each exercisable period with (i) 8,000,000 warrants shall become exercisable from 1 October 2016 to 30 September 2018; (ii) 8,000,000 warrants shall become exercisable from 1 April 2017 to 30 September 2018; and (iii) 8,000,000 warrants shall become exercisable from 1 October 2017 to 30 September 2018.

The following table discloses details of the warrants held by Suncool AB and movements in such holding during the year.

				Number of warrants				
Grantee	**Date of grant**	**Exercise price**	**Exercise period**	**Outstanding at 1 April 2016**	**Granted during the year**	**Outstanding at 31 March 2017**	**Granted during the year**	**Outstanding at 31 March 2018**
		HK$						
Suncool AB	2 October 2015	2.5	1 October 2016 to 30 September 2018	24,000,000	–	24,000,000	–	24,000,000
Exercisable at the beginning/ end of the year				–		8,000,000		24,000,000
Weighted average exercise price				HK$2.5	HK$2.5	HK$2.5	HK$2.5	HK$2.5

The estimated fair value of warrants granted on 2 October 2015 was HK$23,111,000.

During the year ended 31 March 2018, the Group recognised the total expense of HK$1,956,000 (2017: HK$12,876,000) in relation to these warrants.

20. RETIREMENT BENEFIT SCHEME

Since 1 December 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. Contributions are made based on a percentage of the employee's salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred in accordance with the rules of the MPF scheme.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK$302,000 (2017: HK$474,000) represents contributions paid to the schemes by the Group at rates specified in the rules of the schemes.

21. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the issuance of new shares and raising of new borrowings.

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**82,245**	38,642
Financial liabilities		
Amortised cost	**75,629**	301

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, structured deposit, bank balances and cash, trade and other payables and loans from a controlling shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate structured deposit and bank balances. It is the Group's policy to keep its bank balances at floating rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors of the Company consider the Group's exposure to interest rate risk relating to variable-rate structured deposit and bank balances is insignificant. Accordingly, no sensitivity analysis is presented.

22. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk

The Group's major monetary assets and liabilities are denominated in the functional currencies of the respective group entities, except for certain balances denominated in HK$ while the group entities have either United States dollar ("US$") or RMB as their functional currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against HK$	**1,196**	7	**–**	–
Functional currency as RMB against HK$	**9,871**	24,943	**(3,611)**	(769)

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For a group entity its functional currency is US$ holding monetary assets and/or liabilities denominated in HK$, the directors of the Company consider that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$. Accordingly, no sensitivity analysis is presented below.

Sensitivity analysis

If HK$ against RMB increases/decreases by 5%, with all other variables held constant, the Group's pre-tax loss for the year would decrease/increase by approximately HK$313,000 (2017: HK$1,691,000). 5% is the sensitivity rate used by the management of the Group in the assessment of the reasonably possible change in the foreign exchange rate.

The directors of the Company consider that other than those mentioned above, the sensitivity of the Group's exposure against the changes in other foreign exchange rate is not significant as the foreign currency denominated monetary assets and liabilities of individual group entities were insignificant at the end of the reporting period.

22. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The carrying amounts of the financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk, which will cause financial loss to the Group in the event of the counterparties failure to discharge their obligations in relation to each class of recognised financial assets. 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. The management of the Group closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2018, the Group had a concentration of credit where 100% of the Group's total trade receivables balance was due from the four major customers. The directors of the Company were of the opinion that the credit risk in respect of these customers are not material as continuous repayments from these customers were noted subsequent to the end of the reporting period.

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

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents (including structured deposit and cash and cash equivalents) deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

In the preparation of the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the Group's cash flows requirement in the coming 12 months from the end of the reporting period. In the opinion of the directors of the Company, the consolidated financial statements have been prepared on a going concern basis as the Group was granted a standby facility of RMB40,000,000 from a controlling shareholder at the end of the reporting period and the amount is repayable after 12 months upon draw down and the Group obtained an undertaking from a controlling shareholder about not to demand for the repayment of the loans of HK$71,518,000 due to him as at 31 March 2018 until the Group has financial ability to do so.

22. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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 table includes both interest and principal cash flows.

	Weighted average interest rate % per annum	On demand HK$'000	Less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2018					
Trade payables	–	–	2,139	2,139	2,139
Other payables	–	–	1,972	1,972	1,972
Loans from a controlling shareholder	–	71,518	–	71,518	71,518
		71,518	4,111	75,629	75,629

	Weighted average interest rate % per annum	Less than 1 year and total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2017			
Trade payables	–	1	1
Other payables	–	300	300
		301	301

Fair value

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

23. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITY

The table below details changes in the Group's liability arising from financing activity, including both cash and non-cash changes. Liability arising from financing activity is that for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activity.

	Loans from a controlling shareholder HK$'000
At 1 April 2017	–
Financing cash flows	67,699
Exchange difference	3,819
At 31 March 2018	71,518

24. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**2,189**	1,585
In the second to fifth year inclusive	**5,402**	1,597
	7,591	3,182

Leases are negotiated for terms ranging from one to ten years and rentals are fixed for the lease terms.

25. RELATED PARTY TRANSACTIONS

Sales of products to a related company

During the year, the Group entered into the following transactions with a related party:

	2018	2017
	HK$'000	HK$'000
Sales of solar energy products to a related company (note)	**429**	–

Note: The director of this company is one of the controlling shareholders of the Company.

Compensation of key management personnel

The remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 8 is as follows:

	2018	2017
	HK$'000	HK$'000
Short-term benefits	**5,958**	7,666
Post employment benefits	**268**	326
	6,226	7,992

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

Arrangement and deposit with a related company

Details of the arrangements for construction and leasing of a factory in the PRC used by the Group entered into between the Company and a private company influenced by Mr. Hu Yishi and the deposit paid to this related company are set out in notes 13 and 28.

Acquisition of a property from a related company

During the year ended 31 March 2018, the Group acquired a property in the PRC from a private company which is controlled by the Group's controlling shareholder at a cash consideration of RMB3,950,000. This transaction was disclosed in the Company's announcement dated 30 August 2017.

26. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries of the Company as at 31 March 2018 and 2017 are as follows:

Name of subsidiary	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/ registered capital		Proportion of nominal value of issued/ registered capital held by the Group		Principal activities
			2018	2017	**2018**	2017	
First Corporate International Limited*	British Virgin Islands ("BVI")	Hong Kong	**US$1**	US$1	**100%**	100%	Investment holding
Nation Power Group Limited*	BVI	Hong Kong	**US$100**	US$100	**100%**	100%	Investment holding
Sinoble Jewelry Limited	Hong Kong	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
廣州億恒珠寶有限公司 *(Note 1)*	The PRC	The PRC	**HK$15,000,000**	HK$15,000,000	**100%**	100%	Jewelry wholesale business
Guo Rong Holdings Limited	Hong Kong	Hong Kong	**HK$1**	HK$1	**100%**	100%	Cost center for other group entities
Global Fortune Investment Limited*	Republic of Seychelles	Hong Kong	**US$1**	US$1	**100%**	100%	Investment holding
Luck Sign Limited	Republic of Seychelles	Hong Kong	**US$1**	US$1	**100%**	100%	Investment holding
Sun Bless Limited	Hong Kong	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
寧波升谷節能科技有限公司 *(Note 1)*	The PRC	The PRC	**HK$25,000,000**	HK$25,000,000	**100%**	100%	Solar energy business for manufacturing and distribution of solar energy products

26. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/ registered capital		Proportion of nominal value of issued/ registered capital held by the Group		Principal activities
			2018	2017	**2018**	2017	
余姚市億恒太陽能科技有限公司 *(Note 1)*	The PRC	The PRC	**RMB60,000**	RMB60,000	**100%**	100%	Solar energy business for manufacturing and distribution of solar energy products
Wealth Compass Limited	Hong Kong	Hong Kong	**HK$1**	HK$1	**100%**	100%	Inactive
Asia Environment Protection Holding Co., Limited	Hong Kong	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Inactive
杭州鵬宸貿易有限公司 *(Note 2)*	The PRC	The PRC	**RMB5,000,000**	–	**100%**	–	Inactive
Effective Success Limited* *(Note 2)*	Republic of Seychelles	Hong Kong	**US$1**	–	**100%**	–	Investment holding
Choice Grand Limited *(Note 2)*	Republic of Seychelles	Hong Kong	**US$1**	–	**100%**	–	Investment holding
Intergage Holdings Limited *(Note 2)*	Hong Kong	Hong Kong	**HK$1**	–	**100%**	–	Investment holding
邑盟(上海)廣告有限公司 *(Notes 1 & 2)*	The PRC	The PRC	**HK$2,000,000**	–	**100%**	–	Inactive

* Directly held by the Company.

Notes:

(1) Registered as a wholly foreign owned enterprise.

(2) The subsidiaries were newly set up during the year ended 31 March 2018.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

For the year ended 31 March 2018

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	–	–
Amounts due from subsidiaries	–	200
	–	200
Current assets		
Deposits	90	–
Amounts due from subsidiaries	23,930	23,617
Bank balances	320	11,634
	24,340	35,251
Current liabilities		
Other payables and accruals	612	769
Loan from a controlling shareholder	3,000	–
	3,612	769
Net current assets	20,728	34,482
Total assets less current liabilities	20,728	34,682
Capital and reserves		
Share capital *(note 17)*	3,301	3,301
Reserves *(Note)*	17,427	31,381
Total equity	20,728	34,682

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

Movement in the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	151,578	22,666	2,411	8,279	(121,234)	63,700
Loss and total comprehensive expense for the year	–	–	–	–	(45,195)	(45,195)
Lapse of share options	–	–	(2,411)	–	2,411	–
Equity-settled share-based payment *(note 19)*	–	–	–	12,876	–	12,876
At 31 March 2017	151,578	22,666	–	21,155	(164,018)	31,381
Loss and total comprehensive expense for the year	–	–	–	–	(16,355)	(16,355)
Equity-settled share-based payments *(note 19)*	–	–	445	1,956	–	2,401
At 31 March 2018	151,578	22,666	445	23,111	(180,373)	17,427

28. EVENT AFTER THE REPORTING PERIOD

On 24 April 2018, the Company, a wholly-owned subsidiary of the Company being the purchaser, and the Landlord entered into a sales and purchase agreement in relation to the Factory and the land parcel the Factory situates. Pursuant to the agreement, the purchaser has conditionally agreed to purchase by itself or any wholly-owned subsidiary of the Company established in the PRC, and the Landlord has conditionally agreed to sell the Factory and the land parcel at an aggregate consideration of RMB59,212,000 (equivalent to approximately HK$73,908,000), subject to adjustment. The last instalment of the consideration shall be offset by the Rental Payable stated in note 13. Details of the acquisition are disclosed in the announcement of the Company dated 24 April 2018. Up to the date these consolidated financial statements are authorised for issue, the acquisition has not yet been completed.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**28,106**	10,222	17,765	57,092	67,591
Loss before taxation	**(23,099)**	(37,941)	(36,806)	(22,154)	(20,190)
Income tax credit	**–**	–	–	–	198
Loss for the year	**(23,099)**	(37,941)	(36,806)	(22,154)	(19,992)
Loss attributable to owners of the Company	**(23,099)**	(37,941)	(36,806)	(22,154)	(19,992)

ASSETS AND LIABILITIES

	At 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**13,777**	2,091	1,279	2,384	3,779
Current assets	**89,700**	43,889	72,600	35,457	41,587
Current liabilities	**(76,546)**	(1,850)	(2,610)	(12,351)	(28,076)
Net current assets	**13,154**	42,039	69,990	23,106	13,511
Total assets less current liabilities	**26,931**	44,130	71,269	25,490	17,290
Non-current liabilities	**–**	–	–	–	–
Net assets	**26,931**	44,130	71,269	25,490	17,290