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 2018/19

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wu Hao *(Chairman)*
Mr. Hu Yangjun
Mr. Chan Wing Yuen, Hubert *(Chief Executive)*

Non-executive Director

Mr. Li Wei Qi, Jacky

Independent non-executive Directors

Mr. Wu Chi Keung
Ms. Kwok Pui Ha (resigned on 6 September 2018)
Mr. Jin Qingjun
Ms. Sun Ivy Connie (appointed on 23 November 2018)

Audit Committee

Mr. Wu Chi Keung *(Chairman)*
Ms. Kwok Pui Ha (resigned on 6 September 2018)
Mr. Jin Qingjun
Ms. Sun Ivy Connie (appointed on 23 November 2018)

Remuneration Committee

Mr. Wu Chi Keung *(Chairman)*
Mr. Chan Wing Yuen, Hubert
Mr. Jin Qingjun

Nomination Committee

Mr. Wu Chi Keung *(Chairman)*
Mr. Chan Wing Yuen, Hubert
Ms. Kwok Pui Ha (resigned on 6 September 2018)
Ms. Sun Ivy Connie (appointed on 23 November 2018)

Company Secretary

Mr. Chow Chi Shing

Head Office and Principal Place of Business in Hong Kong

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Wanchai
Hong Kong

Registered Office

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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
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Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, 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

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 2019 (the "Current Year").

We finished the year with strong growth in our solar energy business and jewelry business, both of which recorded improved business scale and market share trends, though we had faced market contractions, currency devaluations, and rising freight costs. The Group's overall revenue increased by approximately 429% from the same period of last year to approximately HK$148.6 million (2018: HK$28.1 million).

Solar Energy Business

In view of the increasing global demand for green and renewable energy, since the Group's investment and engagement in the solar energy business in year 2015, we have been striving to enhance our competitiveness and influence in the market with our intelligent technology. We have launched various products since then, including solar cooling intelligent technology products, customised solar modules intelligent technology products, as well as new energy smart DC inverter products applicable to solar power stations, with an aim of expanding our product and business portfolio, thereby building and increasing the Group's development momentum in the business field. Our effort has been proved fruitful, as the Group's revenue for the Current Year has achieved a 231 times rise as compared to last year. The Group completed the purchase of Yuyao Land and Factory during the Current Year enabling us to handle orders more flexibly along with sub-contracting arrangement with quality contractors.

Moreover, the Group will continue to use the patent use rights as well as self-developed intelligent technology to develop the solar energy business and expand its market shares. In addition to the patent use right in the People's Republic of China (the "PRC") on solar thermal cooling-pipe proprietary technology obtained in year 2015, during the year we obtained the use rights of 10 patents for 15 years. Other than completing the sales order for our Swedish patent owner's project in Africa, after the obtaining of the new patents use right, the Group has also started the direct sales of solar energy products to clients outside the PRC. The Group successfully expanded its market share and customer base during the Current Year.

Leveraging on these patented intelligent technology, we have successfully captured more business opportunities. Our newly set up non-wholly owned subsidiaries in Taizhou City and Nanjing City of Jiangsu province helped to secure reliable, efficient and sustainable suppliers and technical support for us to expand our solar energy business to sales of customised solar modules intelligent technology products, sales of new energy smart DC inverter products applicable to solar power stations, and provision of energy efficiency analysis and technology improvement advisory services on solar energy projects. We also made significant progress in opening markets in the United Stated (the "US") and India.

Jewelry Business

During the Current Year, the increase in purchasing power of local consumers in Hong Kong and the rising number of visiting tourists brought by the open-up of Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macao Bridge have allowed the Group to capture new business opportunities, along with our timely strategy of raising the number and quality of sales force. We resumed the jewelry business in Hong Kong in year 2018 and continued to engage in providing products to jewelry distributors and retailing customers in the PRC. Since the Hong Kong market has been reopened, the amount of orders from Hong Kong customers rose steadily in this year. We are also considering to explore further business opportunities and open new sales channels for the Group's products.

Outlook

Despite the uncertainties brought about by the setting in of the Sino-US trade frictions since year 2018, coupled with the depreciation of Renminbi and fluctuations in the stock market, the Group will put its focus on technological improvement, such as reinforcing research and development, so as to identify more potential exclusive patent rights. The Group will remain cautiously optimistic and continue to strive to broaden our business channels and expand the customer base locally and globally while in search of strategic partners for other future developments.

Going forward, our objective remains consistent and clear and we will consistently deliver total returns to our shareholders. We are confident that we have the right strategy and plans in place even though we are operating in a very dynamic environment with changing government policies, geopolitical uncertainties, retail channel transformation, rising input costs and foreign exchange headwinds.

Appreciation

On behalf of the Board, I would like to thank our shareholders, customers and business partners for their continuous trust and support to the Group. I would also like to extend my gratitude to the Group's staff for their efforts and commitment to the Group in the past year.

Wu Hao
Chairman and Executive Director

Hong Kong, 28 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Current Year, the Group was principally engaged in the solar energy business and the jewelry business.

Solar Energy Business

During the Current Year, the Group continued to develop and expand the solar energy business in the PRC and other regions with its proprietary technology products and has achieved promising results which was shown in the significant increase in our revenue when compared to that of last year. We believe that the growing trend in the solar energy business is due to the increase in global demand for renewable energy. At present, renewable energy accounts for about two-thirds of the growth in global power generation. By the year of 2040, solar photovoltaics is expected to become the largest source of energy. The large-scale development and exploitation of renewable energy will become increasingly significant for the future global energy strategy. Besides, developing solar energy will significantly reduce the consumption of non-renewable energy, such as fossil fuels and hence limiting the pollution caused.

The revenue of this segment was mainly derived from the sales of the solar cooling intelligent technology products using solar thermal cooling-stored pipes and the customised solar modules intelligent technology products, including solar photovoltaic modules and new energy smart DC inverter products etc., and the provision of energy efficiency analysis and technical improvement advisory services on solar energy projects. The revenue recorded for solar energy business increased by approximately 231 times from approximately HK$0.4 million for the year ended 31 March 2018 (the "Previous Year") to approximately HK$99.7 million for the Current Year. The revenue attributable to the PRC market accounted for 91% (2018: 100%) of the overall segment sales, while other regions, including Hong Kong, accounted for 9% (2018: Nil). With expanding product portfolio, our segment profit margin increased from 6.8% for the Previous Year to 8.7% for the Current Year.

Obtaining New Patents Use Right and Expansion of our Intelligent Technology Base

The Group has been actively developing the solar energy business since year 2015, and always insists on using intelligent technology to enhance our competitiveness and influence in the market. Starting from obtaining the 15-year patent use right of solar cooling intelligent technology in the PRC from an innovative Swedish clean technology enterprise which uses such technology on CoolStore thermal cooling-stored pipes, by leveraging on the Swedish patent owner's extensive network and profound experience in the field of solar energy as well as energy conservation and environmental protection, we have established connections with a number of practitioners and potential partners in the field. Nonetheless, due to the deepened Sino-US trade frictions and tensions since year 2018, there is an increase in international economic uncertainty, and the global expansion progress for the patent owner's solar cooling projects has been adversely affected. It has led to a delay in delivery of solar cooling intelligent technology products using CoolStore thermal cooling-stored pipes, and our production plan has been slowed down accordingly. Despite this, we have completed the sales order of 100 sets of thermal solar energy collectors for our Swedish patent owner's project in Africa during the Current Year.

Meanwhile, we have further obtained 15-year patent use right of 10 patents, including packaging technology of photovoltaic modules, modules manufacturing technology, module cost reduction and efficiency improvement methods, and modules multi-environment applications from patent owners during the Current Year. These patents are applicable in different applications and able to enrich product types, ranging from the traditional field of distributed and surface power station, to agricultural tents, building-integrated photovoltaics ("BIPV") buildings, fishery-solar hybrid projects and distributed systems on high class villas, etc.

In contrast with regular products, products with patents as technical support can guarantee innovativeness, and lay a foundation of intelligent technology reservation for the Group to explore and enter into markets outside the PRC. We have signed two non-legally binding agreements of intent in the second half of the Current Year. One of the agreements of intent was signed with a major Indian infrastructure and energy conglomerate that engages in India's infrastructure for over 150 years and for purchasing approximately 1,000 megawatts high quality solar energy products from us in the coming three years; the other agreement of intent was signed with a large-scale PRC enterprise, engaging in the sales and promotion of photovoltaic system, that will prioritize their procurement of solar photovoltaic modules from us from year 2019 to 2021.

The potential cooperation serves four purposes to the Group: (1) to build up the order books and raise revenue potentially; (2) to provide more opportunities to muscle for and expand the market shares for solar intelligent technology products in an emerging economy – India; (3) to integrate the advantages and resources with the potential business partners to create greater commercial value in the future; and (4) the long-term strategic partnership in the field of solar energy photovoltaic system allows us to develop reliable, efficient and value-added customised solar modules intelligent technology products and provide effective and practical environmental protection solution to the solar energy end-users.

Set up of New Subsidiaries and Develop Our Own Intelligent Technology

With the increasing business opportunities due to the addition of patented intelligent technology, the Group has set up two new non-wholly owned subsidiaries respectively, NEF Power (Taizhou) Co., Ltd* (北能電氣(泰州)有限公司) and ET Solar Development Company Limited* (南京建展新能源科技研發有限公司) ("Nanjing ET Solar") in Taizhou City and Nanjing City of Jiangsu province respectively. One of the shareholders of the new non-wholly owned subsidiaries, CCNCC-ET International Limited ("CCNCC"), is an advanced solar energy solution provider with offices in Taizhou City and Nanjing City, which has long been dedicated to providing high quality products, technologies and services to satisfy diversified market demands for solar photovoltaics energy. The cooperation in establishment of new companies is expected to offer new opportunities for all parties.

The new subsidiaries will use the exclusive rights of the patented technologies obtained during the year to produce customised solar modules intelligent technology products and new energy smart DC inverter products applicable on solar power stations, by low-cost sub-contractors. The Group has also begun the production and development of our own solar energy intelligent technology products. The newly developed technology used is more efficient and safe. To capture new business opportunities, our newly recruited sales team has been actively participating in trade shows and exhibitions in the US, the Philippines, Austria, Japan, United Arab Emirates and the Netherlands to promote our brand and identify potential customers and suppliers, such as the Solar Power International 2018 held in Los Angeles of the US and the ASEAN Solar + Energy Storage Congress & Expo 2018 held in the Philippines.

Completion of purchase of Yuyao Land and Factory and Enhanced Business Network

In the Current Year, the purchase of Yuyao Land and Factory has been completed. This new factory, with a gross floor area of 27,250 square meters, enables us to handle orders more flexibly along with sub-contracting arrangement with quality contractors. The Group intends to lease un-utilized portions of Yuyao Factory to third parties to generate steady cash flow for the Group. Our offices are located in Yuyao, Hangzhou, Beijing, Taizhou, Nanjing, Hong Kong and the US. Our customers can meet our sales team at the most nearby office. In the long run, it would strengthen our business network.

Jewelry Business

During the Current Year, the jewelry business remains as one of the principal businesses of the Group which recorded encouraging results. Given the rising demands for jewelry products from Hong Kong and especially from the PRC customers, we resumed our jewelry business in Hong Kong in year 2018. Segment revenue has increased by 77% from HK$27.7 million for the Previous year to HK$48.9 million for the Current Year. The sales in Hong Kong accounted for 41% (2018: 28%) of the overall segment sales; while that of Mainland accounted for 59% (2018: 72%). By virtue of the creation of a larger customer portfolio with new customers in Hong Kong, our segment profit margin increased slightly from 4.0% for last year to 4.4% for the Current Year. Despite an increase in the number of visiting tourists brought by the opening of Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macao Bridge, the positive effects were neutralized by the economic uncertainties brought by the Sino-US trade war, along with the depreciation of Renminbi and fluctuations in the stock market.

In the Current Year, the Group increased efforts to expand its business network and established long-term network with suppliers to maintain supply stability and procurement costs. During the year, we have increased the number and quality of the sales force enabling the Group to develop more flexible and effective sales strategies. The Group's sales team succeeded in identifying new potential customers and established a better business relationship with our existing customers.

Also, the Group has actively participated in jewelry exhibitions, including the international jewelry exhibitions held in Hong Kong and Shenzhen, to explore business opportunities with new customers and suppliers. In addition to a revival of offline sales, we are actively considering to expand into the e-commerce sector and negotiate with an e-commerce operations solution provider. We are also negotiating with regional sales agencies of jewelry brands in South Korea and other countries to open new sales channel for the Group.

OUTLOOK AND PROSPECTS

Solar Energy Business

Looking forward, the Group will continue to excavate the potential of the growing solar energy market with its intelligent technology. Taking into consideration of the economic development and the rise in living standards in the PRC, we believe the solar energy business will bring us huge growth potentials and considerable investment returns. Our solar energy sales team will continue to identify potential customers in the PRC, including local government bodies, educational institutions, hotel chains and hospitals etc. Riding on the experience and network of our partners, we will work to develop, produce and sell more diversified products and solutions.

With more patented intelligent technology products, we will open more business channels and expand our customer base both locally and globally so as to increase our market share. While continuing to negotiate with customers in the US, Europe, Africa, India, the Middle East, Southeast Asia, the Group will also search for strategic partners to jointly develop, produce and sell more products and solutions with the support of Yuyao Factory in the future, such as customised solar modules intelligent technology products, new energy smart DC inverter products applicable on solar power stations and other intelligent technology products. The Group will further expand its market share by participating in trade fairs, solar energy exhibitions and industry forums in order to enlarge our market shares further. While we are actively striving to expand our global customer base, the overseas sales is also expected to increase. We will continue to join with other leading companies to build up more strategic cooperation with CCNCC and its related companies, and look forward to using our professional management experience and the brand and pipeline advantages of CCNCC to explore more smart new energy technology-based business opportunities.

Besides, the Group will set up a solar photovoltaic intelligent technology products research and testing centre and enlarge the scale of the existing team to reinforce the research, development and testing ability of our highly efficient new intelligent technology products as well as the testing and upgrading of intelligent technology products such as the micro inverter, power optimiser, fast power circuit breaker, all-in-one energy storage, etc. The Group can also act as an outsourcing service provider of external customers to provide quality test services. Furthermore, we will allocate more resources into researching and product quality improvement, such as performing the solar energy efficiency and effectiveness analysis, solar energy intelligent technology products quality control testing as well as improving the solar cooling intelligent technology products.

Jewelry Business

With the increase in disposable income of the PRC citizen, the rise of the middle class, and the implementation of policies to encourage consumption, the Group believes that the jewelry market of the PRC, particularly the third and fourth tier cities, still has huge potential. We believe that these cities will provide ample opportunity for jewelers to expand their markets. In addition to the customers in the PRC, our sales team has built up an extensive customer network in Hong Kong with an aim to gain a foothold in the market. We will endeavour to enhance our customer service quality and identify more business opportunities through participating in jewelry trade fairs and exhibitions.

We believe that the potential new sales channels will enable the Group to strengthen the sustainable development of its jewelry business and increase brand awareness. Despite the opportunities ahead, as the Sino-US trade war persists, coupled with the recent social conflicts and economic instability in Hong Kong, it is believed that there will be an impact on the growth of our business in the Hong Kong market. The Group will remain cautious in the jewelry businesses in Hong Kong and the PRC.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Year was approximately HK$148.6 million, representing an increase of approximately 429% as compared to approximately HK$28.1 million for the Previous Year. The increase was contributed by both jewelry business and solar energy business.

Revenue of the jewelry business increased by approximately 77% from approximately HK$27.7 million for the Previous Year to approximately HK$48.9 million for the Current Year. The increase was mainly attributable to the steady growth of the PRC's domestic consumption and spending, and the increase in sales order after the relationship with customers in Hong Kong has been strengthened during the Current Year.

Revenue of the solar energy business increased by approximately 231 times from approximately HK$0.4 million for the Previous Year to approximately HK$99.7 million for the Current Year. The increase was attributable to the revenue derived from the sales of solar cooling intelligent technology products using solar thermal cooling-stored pipes, and the customised solar modules intelligent technology products, including solar photovoltaic modules and new energy smart DC inverter products, etc, amounted to HK$95.8 million (2018: HK$0.4 million), as well as the provision of energy efficiency analysis and technical improvement advisory services on solar energy projects that started in the Current Year, which amounted to HK$3.9 million (2018: Nil). We will continue to optimize the quality of our solar energy products, diversify products and expand distribution channels to improve the market awareness of the Group.

Cost of Sales and Gross profit

Cost of sales of the Group for the Current Year was HK$137.9 million, representing an increase of 411%, as compared to approximately HK$27.0 million for the Previous Year.

Gross profit increased from approximately HK$1.1 million for the Previous Year to approximately HK$10.8 million for the Current Year, representing an increase of approximately 8.5 times. The increase was mainly attributable to the increase in the gross profit derived from the solar energy business segment from approximately HK$29,000 for the Previous Year to approximately HK$8.6 million for the Current Year. Meanwhile, gross profit margin increased from 4.0% for the Previous Year to 7.2% for the Current Year. The increase was mainly attributable to the contributions from new customers of both solar energy business and jewelry business with higher gross profit margins, as well as the energy efficiency analysis and technical improvement advisory services on solar energy projects that started in the Current Year.

Other income

Other income decreased from approximately HK$1.2 million for the Previous Year to approximately HK$0.8 million for the Current Year, representing a decrease of approximately 33%, which was mainly attributable to a decrease in the interest income received from the bank structured deposits.

Other gains and losses, net

The Group recorded net other gains of approximately HK$0.6 million for the Current Year (2018: net other losses of approximately HK$1.3 million), which was mainly attributable to the net foreign exchange gain during the Current Year.

Selling and distribution costs

Selling and distribution costs increased from approximately HK$0.4 million for the Previous Year to approximately HK$2.8 million for the Current Year, representing an increase of approximately 520%, which was primarily attributable to the increase in exhibition and marketing activities and additional sales and marketing staff after the expansion of our distribution and market networks during the Current Year.

Administrative expenses

Administrative expenses increased from approximately HK$20.9 million for the Previous Year to approximately HK$25.9 million for the Current Year, representing an increase of approximately 24%, which was mainly attributable to the legal and professional fees (non-recurring) incurred from the acquisition of Yuyao Land and Factory and the setting up of new subsidiaries during the Current Year, the increase in expenditure on research and development and the increased depreciation charges for the Current Year due to the newly acquired Yuyao Factory and plant and machinery.

Equity-settled share-based payment

Equity-settled share-based payment increased by 499% from approximately HK$2.8 million for the Previous Year to approximately HK$16.6 million for the Current Year. The increase was mainly attributable to the vested share options granted by the Company on 9 March 2018 and 19 October 2018 during the Current Year, which amounted to HK$6.8 million (2018: HK$0.8 million) and HK$9.8 million (2018: Nil) respectively. Also, as all warrants issued by the Company had lapsed in the Previous Year, no expenses arising from the warrants were recognised in the Current Year (2018: HK$2.0 million)

Finance cost

Finance cost for the Current Year represented the imputed interest on the long term interest-free loans from a controlling shareholder amounting to HK$1.1 million (2018: Nil).

Share of result of an associate

Share of result of an associate represented the share of loss amounted to HK$0.1 million (2018: Nil) of an associate, Nanjing ET Solars, arising from its establishment from 28 September 2018 to 31 December 2018 when the Group obtained the control of Nanjing ET Solar and Nanjing ET Solar ceased to be classified as an associate.

Income tax expense

Income tax expense of the Group recorded for the Current Year amounting to HK$0.2 million (2018: Nil) mainly represented the PRC enterprise income tax of a PRC subsidiaries.

Loss for the year attributable to the Owners of the Company

By reason of the factors stated above and the overall operating expenses incurred from setting up the new subsidiaries during the Current Year, the loss for the year attributable to the owners of the Company increased from approximately HK$23.1 million for the Previous Year to approximately HK$35.6 million for the Current Year, representing an increase of approximately 54%. Basic loss per share was 10.75 HK cents (2018: 7.00 HK cents).

Liquidity, Financial Position and Resources

As at 31 March 2019, the Group had net current assets and current ratio stood at HK$58.5 million and 2.2 respectively (2018: HK$13.2 million and 1.2 respectively). As at 31 March 2019, the inventories amounted to HK$2.3 million (2018: HK$1.2 million), mainly representing the finished goods of solar thermal cooling-stored pipes and solar photovoltaic modules and components in transit. As at 31 March 2019, the trade receivable and trade payable amounted to HK$24.7 million and HK$8.3 million respectively (2018: HK$2.2 million and HK$2.1 million respectively), both of which were mainly derived from the solar energy business.

As at 31 March 2019, the bank balances and cash amounted to HK$65.5 million (2018: HK$58.2 million). As at 31 March 2019, the Group had no structured deposits (2018: HK$21.2 million). During the Previous Year, the Group has entered into structured deposits with commercial banks in the PRC as part of the Group's treasury activities to maximise the use of its funds in the Previous Year. The structured deposits entered were principal-protected products with a relatively short term of maturity which were considered to be akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. For details regarding the subscriptions of structured deposits, please refer to the announcement and the circular of the Company dated 12 June 2018 and 16 July 2018 respectively. The Group's gearing ratio as at 31 March 2019 was nil (2018: Nil) (total interest bearing borrowings divided by bank balance and cash as a percentage of total equity).

As at 31 March 2019, the Group had no bank borrowings (2018: Nil) and no banking facilities (2018: Nil), and none of the Group's assets was pledged to banks to secure any banking facilities (2018: Nil). As at 31 March 2019, the Group had interest-free loans due to a controlling shareholder of approximately HK$106.7 million (2018: HK$71.5 million), and amongst the loans, none will be repayable within one year (2018: HK$71.5 million) and approximately HK$106.7 million (2018: Nil) will be repayable after one year.

During the Current Year, 8,100,000 shares of the Company at par value of HK$0.01 each had been issued and allotted by the Company as a result of the exercise of share options at an exercise price of HK$1.148. The gross proceeds of approximately HK$9.3 million were used as general working capital for the Group, including staff salary, inventory purchase and other operating expenditure.

The Group principally meets its working capital requirement and other liquidity requirements through a combination of operating cash flows, interest-free loans due from a controlling shareholder and proceeds from the issue of new shares in the Current Year.

Capital Structure

The Group's total assets and total liabilities as at 31 March 2019 amounted to approximately HK$183.6 million (2018: HK$103.5 million) and approximately HK$155.7 million (2018: HK$76.5 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.8 times as at 31 March 2019, as compared to that of approximately 0.7 times as at 31 March 2018.

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 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 the solar energy business of the Group was prolonged. Accordingly, the Group considered that the upfront expenses including factory rent, leasehold improvement and other related general operating expenses were not as 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 2019 are as below:

Proposed use of Net Proceeds	**Original planned use of the Net Proceeds** *(Approximately)* *HK$'000*	**Revised planned use of the Net Proceeds** *(Approximately)* *HK$'000*	**Actual use of the Net Proceeds up to 31 March 2019** *(Approximately)* *HK$'000*	**Unutilized balance as at 31 March 2019** *(Approximately)* *HK$'000*
Repayment of shareholder's loan	7,600	7,600	7,600	–
Development of solar energy business	50,000	40,000	38,600 *(Note 1)*	1,400 *(Note 3)*
General working capital	17,100	27,100	27,100 *(Note 2)*	–
	74,700	74,700	73,300	1,400

Note 1: As at 31 March 2019, approximately HK$38.6 million was used for the development of solar energy business, including approximately HK$21.0 million for acquiring Yuyao Land and Factory, approximately HK$1.3 million for acquiring other fixed assets including machineries, equipment and tools, approximately HK$5.3 million for staff training costs, technical knowledge transfer and supporting service fees paid to Suncool AB, approximately HK$0.4 million for research and development activities and approximately HK$10.6 million for working capital of solar energy business including staff cost of HK$4.5 million. The proceeds were used as intended.

Note 2: As at 31 March 2019, approximately HK$27.1 million was used as the general working capital of the existing businesses of the Group, including staff costs, office rent, legal and professional expenses and other recurring operating expenses. The proceeds were used as intended.

Note 3: The remaining unutilized proceeds approximately HK$1.4 million is intended to be used for supporting the research and development activities up to the first quarter of year 2020 with a focus on the solar energy techniques to continuously strengthen the Group's products.

Charges on Group Assets

As at 31 March 2019, the buildings with a net book value of approximately HK$52.1 million (2018: Nil) and the land use rights with a net book value of approximately HK$11.1 million (2018: Nil), have been pledged to CECEP (Yuyao) as collateral security for the outstanding consideration of the acquisition of Yuyao Land and Factory amounting to approximately HK$ 33.6 million (2018: Nil).

Commitments and Contingent Liabilities

As at 31 March 2019, the Group did not have any capital commitments (2018: Nil) and had HK$5.6 million of operating lease commitments (2018: HK$7.6 million).

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: Nil).

Employee and Remuneration Policy

As at 31 March 2019, the Group had a total of 74 employees (2018: 34). 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 for its employees in Hong Kong and the statutory central pension schemes for its employees in the PRC.

Foreign Exchange Fluctuation and Hedges

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

As at 31 March 2019, no forward foreign currency contracts are designated in hedging accounting relationships (2018: Nil).

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

Acquisition of Yuyao Land and Factory

In prior years, the Company, Ningbo Shenggu Energy Reservation Technology Co., Ltd.* (寧波升谷節能科技有限公司) ("Ningbo Shenggu"), a wholly-owned subsidiary of the Company, and Green Energy (Yuyao) Low Carbon Technology Development Co., Ltd.* (綠能(余姚)低碳技術開發有限公司) (formerly known as 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 framework tenancy agreement, where CECEP Yuyao was responsible for constructing a factory ("Yuyao Factory") in accordance with the Company's requirements on a parcel of land held by CECEP Yuyao with a site area of approximately 49,000 square metres located on the north side of Binhai Avenue, the Binhai New Area (now known as No. 61, Haichao Road, Sino-Italy Ningbo Ecological Park), Yuyao, Zhejiang Province, the PRC ("Yuyao Land Parcel"), and leasing the same to the Group.

To enable the Group to cope with its future development while at the same time saving rental costs of the factory in the long run, during the Previous Year, the Company, Ningbo Shenggu and CECEP Yuyao entered into a memorandum of understanding (the "MOU") in relation to the proposed acquisition of Yuyao Land Parcel and Yuyao Factory (together known as "Yuyao Land and Factory") and the granting of an exclusive right to the Group to use Yuyao Factory free-of-charge. A refundable deposit (the "Security Deposit") amounting to RMB3.8 million has been paid by the Group to CECEP Yuyao for ensuring the Group in compliance with the terms and reserving as compensation in case of any damages on the facilities and equipment. The gross floor area of Yuyao Factory is approximately 27,000 square metres.

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 Yuyao Land and Factory, at an aggregate consideration of RMB59.2 million, subject to adjustment. Further, pursuant to the SPA, the outstanding consideration payable after the completion shall be set off against the Security Deposit. Please refer to the announcements of the Company dated 24 April 2018, 28 September 2018 and 4 October 2018 and the circular dated 24 August 2018 for details. The SPA and the transactions contemplated thereunder have been approved at the extraordinary general meeting held on 20 September 2018. Please refer to the announcement of the Company dated 20 September 2018. The completion of the acquisition of Yuyao Land and Factory took place on 30 November 2018. The aggregate consideration had been adjusted to around RMB58.7 million (inclusion of value-added tax). As at 31 March 2019, according to the second and the third supplemental agreements dated 30 November 2018 and 23 April 2019 respectively, the remaining consideration payable to CECEP Yuyao after setting off against the Security Deposit amounted to around RMB28.9 million which is payable on or before 30 June 2019. Please refer to the announcements of the Company dated 30 November 2018 and 23 April 2019 for details. The consideration was fully paid as at the date of this annual report

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

Events After The Reporting Period

On 31 May 2019, Ningbo Shenggu entered into a lease agreement with Magna Seating (Taizhou) Co., Ltd* (麥格納座椅(台州) 有限公司) ("Magna Seating"), an independent third party which engaged in the manufacture of car seating, pursuant to which Ningbo Shenggu agreed to lease out a portion of Yuyao Factory, approximately 7,960 square meters, to Magna Seating from 1 June 2019 to 30 September 2023 for a monthly rental of approximately RMB127,000 for the first to the sixteenth months of the lease term and approximately RMB143,000 for the seventeenth to the fifty-second months of the lease term. The lease of the unutilised portion of Yuyao Factory will allow the Group to have a steady rental income which will enhance the working capital of the Group and the return to the Shareholders. The Board considered that the capacity of Yuyao Factory after the lease is capable of fulfilling the expected production in the future. Please refer to the announcement of the Company dated 31 May 2019 for details.

Save as disclosed above and in the section headed "Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies" in relation to the Acquisition of Yuyao Land and Factory, the Group had no material event after 31 March 2019.

* *translation for identification purpose only*

DIRECTORS AND COMPANY SECRETARY

Executive Directors

Mr. Wu Hao, aged 45, 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 45, 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 of Hong Kong Limited (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 61, 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 Zhonghua Gas Holdings Limited (formerly Known as "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 47, 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 62, 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, 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 Yuan Sheng Tai Dairy Farm Limited (stock code:1431) and COFCO Meat Holdings Limited (stock code: 1610), both are 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").

Mr. Jin Qingjun ("Mr. Jin"), aged 61, 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 2017, all companies listed on the Stock Exchange. He has also been a director of Shenzhen Kondarl (Group) Co. Ltd. (stock code: 000048), a company listed on the Shenzhen Stock Exchange, since September 2018, an independent director of Shenzhen Asiantime International Construction Co. Ltd. (stock code: 002811), a company listed on the Shenzhen Stock Exchange, since September 2018 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 2013. 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), Xi'an Dagang Road Machinery Co., Ltd. (stock code: 300103) and CSG Holding Co. Ltd (stock code: 000012, 200012), all of which are companies listed on the Shenzhen Stock Exchange. He was also a director of Konka Group Co., Ltd. (stock code: 00016, 200016), a company listed on the Shenzhen Stock Exchange. He was also 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). 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.

Ms. Sun Ivy Connie ("Ms. Sun"), aged 40, was appointed as an independent non-executive Director in November 2018. Ms. Sun is experienced in primary market investments, fund raising and fund management. She is the managing director of Regent Capital. a sizable private equity fund focusing on warehouse logistic projects and private equity investments. She is also one of the founders of Regent Capital. Ms. Sun had worked at a British law firms in Hong Kong and a PRC law firm in Beijing, China. During her practise, she specialised in merges and acquisitions, financial restructuring and listing. Ms. Sun obtained a Bachelor of Laws from Victoria University of Wellington in New Zealand. She was admitted as a barrister and solicitor of the High Court of New Zealand.

Company Secretary

Mr. Chow Chi Shing ("Mr. Chow"), aged 39, is the financial controller and company secretary of the Group. He joined the Group in year 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2019 except for the deviation from code provision A.5.1, A.6.7 and E.1.2 as explained below.

CG Code provision A.5.1

Under code provision A.5.1, the number of independent non-executive Directors shall represent the majority of the nomination committee. During the period between 6 September 2018 and 23 November 2018, due to the retirement of an independent non-executive Director, namely Ms. Kwok Pui Ha, who was also then a member of the nomination committee of the Company (the "Nomination Committee"), with effect on 6 September 2018, the Nomination Committee then only consisted of one executive Director and one independent non-executive Director. As Ms. Sun Ivy Connie was subsequently appointed as an independent non-executive Director, as well as, among others, a member of the Nomination Committee, on 23 November 2018 in order to replace the vacancy, such deviation from CG Code provision A.5.1 was rectified.

The Group also has an internal control system to perform the checks and balances function. There were also two independent non-executive Directors offering strong, independent and differing perspectives in the period mentioned above. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

CG Code provision A.6.7

Under code provision A.6.7, independent non-executive Directors and non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Mr. Jin Qingjun, an independent non-executive Director, was unable to attend both the annual general meeting of the Company held on 6 September 2018 (the "2018 AGM") and the extraordinary general meeting of the Company held on 20 September 2018 (the "EGM") due to other work commitments, and Mr. Li Wei Qi, Jacky, a non-executive Director, was unable to attend the EGM due to sickness.

CG Code Provision E.1.2

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting. Due to other urgent and important business engagement, Mr. Wu Hao, chairman of the Board, was not present at both the 2018 AGM and EGM. Both meetings were 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. The Chairman will endeavor to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

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 to all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2019. The details of the interests and short positions of the Directors and their associates in the shares of the Company 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, Mr. Jin Qingjun and Ms. Sun Ivy Connnie. Biographical details of the Directors are set out under the section headed "Directors and Company Secretary" on pages 17 to 20 of this annual report. In compliance with code provision A.1.8 of the CG Code, the Company has arranged appropriate insurance cover in respect of potential legal actions against its directors. One of the independent non-executive Directors has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. One third of the members of the Board are independent non-executive Directors.

The presence of three independent non-executive Directors is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances to safeguard the interests of shareholders and of the Group. The independent non-executive Directors provide to the Group a wide range of expertise and experience so that independent judgement can be exercised effectively. They have also participated in Board meetings and general meetings, dealt with potential conflicts of interest, served on the audit committee, remuneration committee and nomination committee of the Company and scrutinized the Group's performance and reporting. Through their active participation, the management process of the Company can be critically reviewed and controlled.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All Directors have given sufficient time and attention to the Company's affairs. The Board believes that the ratio between executive Directors and independent non-executive Directors provides reasonable and adequate checks and balances for the Board in the decision making process. The Board is responsible for the appointment of new Director and nomination for re-election by shareholders at the annual general meeting of the Company. Under the Article of Association, the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any new Director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office until the next annual general meeting after his/her appointment and shall then be eligible for re-election at such meeting.

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Following the retirement of Ms. Kwok Pui Ha as an independent non-executive Director and a member of the audit committee of the Company (the "Audit Committee") with effect from 6 September 2018, the number of independent non-executive Directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules, and the number of members of the audit committee of the Company fell below the minimum number prescribed under Rule 3.21 of the Listing Rules. As Ms. Sun Ivy Connie was subsequently appointed as an independent non-executive Director, as well as, among others, a member of the Audit Committee on 23 November 2018, the Company has three independent non-executive Directors and three audit committee members. As a result, the composition of the Board and the Audit Committee meet the requirements under Rules 3.10(1) and 3.21 of the Listing Rules respectively.

Independence

The Company has received an annual confirmation of independence from each of the independent non-executive Director in accordance with Rule 3.13 of the Listing Rules and each of them has declared fulfilment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Accordingly, the Company considers that all the independent non-executive Directors are independent.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Board and General Meetings

During the year, four full board meetings and two general meeting were held. The Directors attended those meetings in person, by phone or through other electronic means of communication. The external auditor has attended the 2018 AGM to answer questions. 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	4/4	0/2
Mr. Hu Yangjun	4/4	0/2
Mr. Chan Wing Yuen, Hubert	4/4	2/2
Non-executive Director		
Mr. Li Wei Qi, Jacky	4/4	1/2
Independent non-executive Directors		
Mr. Wu Chi Keung	4/4	2/2
Ms. Kwok Pui Ha (retired on 6 September 2018)	1/2	0/1
Mr. Jin Qingiun	4/4	0/2
Ms. Sun Ivy Connie (appointed on 23 November 2018)	2/2	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 day-to-day operational issues, financial and operating performance as well as to monitor and ensure that 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, an executive Director. 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 to 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, Mr. Jin Qingjun and Ms. Sun Ivy Connie confirmed that they have complied with 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 appointment letters of all the non-executive Directors (including independent non-executive Directors) are 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 of the Company (the "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 has been established with written terms of reference setting out the 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 of three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Jin Qingjun and Ms. Sun Ivy Connie. Mr. Wu Chi Keung is the chairman of the Audit Committee who is also 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 2019.

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	3/3
Ms. Kwok Pui Ha (resigned on 6 September 2018)	1/1
Mr. Jin Qingjun	3/3
Ms. Sun Ivy Connie (appointed on 23 November 2018)	2/2

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 2018 and interim report for the six months ended 30 September 2018 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 2018;

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; and

5. Made recommendations to the Board to adopt a revised terms of reference of the Audit Committee.

Remuneration Committee

The Remuneration Committee has been established with written terms of reference setting out the 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 of 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, with references to their experience, responsibilities and duties as well as the prevailing market conditions. Details of Directors' remuneration for the year ended 31 March 2019 are set out in note 9 to the consolidated financial statements.

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. Chan Wing Yuen, Hubert	2/2
Mr. Jin Qingjun	2/2

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 has been established with written terms of reference setting out the duties, responsibilities and authorities delegated to them by the Board. As at the date of this report, the Nomination Committee comprises of two independent non-executive Directors, namely Mr. Wu Chi Keung, as chairman and Ms. Sun Ivy Connie; and one executive Director, namely Mr. Chan Wing Yuen, Hubert.

The primary functions of the Nomination Committee include making recommendations to the Board on the appointment of Directors and reviewing the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy.

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
Ms. Kwok Pui Ha (resigned on 6 September 2018)	1/1
Mr. Chan Wing Yuen, Hubert	3/3
Ms. Sun Ivy Connie (appointed on 23 November 2018)	1/1

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. Wu Hao, Mr. Hu Yangjun and Mr. Chan Wing Yuen, Hubert as executive Directors; Mr. Li Wei Qi, Jacky as non-executive Director; and Mr. Wu Chi Keung and Mr. Jin Qingjun as independent non-executive Directors;

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

5. Recommended to the Board the appointment of Ms. Sun Ivy Connie as an independent non-executive Director;

6. Recommended the Board on the reappointment of the retiring Directors; and

7. Made recommendations to the Board to adopt a revised terms of reference of the Nomination Committee.

Nomination Policy

During the year, the Board adopted a nomination policy (the "**Nomination Policy**") on the recommendation of the Nomination Committee, which set out the criteria and process for the nomination and appointment of Directors of the Company. The Board considers that the Nomination Policy could ensure a balance of skills, experience and diversity of perspectives catered to the Company in the composition of the Board and the Board continuity and appropriate leadership at the Board level. The Nomination Policy applies to the Directors of the Company and where applicable, senior management being groomed for Board positions pursuant to the succession planning of the Company.

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

In evaluating and selecting any candidate for directorship, the Nomination Committee will consider (i) character and integrity; (ii) qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy of the Company (the "Board Diversity Policy") that are relevant to the Company's business and corporate strategy; (iii) any measurable objectives adopted for achieving diversity on the Board; (iv) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; (v) any potential contributions the candidate can bring to the Company and/or the Board in terms of qualifications, skills; (vi) experience, independence, gender and race diversity; (vii) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; (viii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of directors and succession planning.

The nomination process of selection and appointment of new Director

The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If the process yields more than one desirable candidate, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and the reference check on each candidate (where applicable). The Nomination Committee should then recommend that the Board appoint the most appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendations to shareholders with respect to the proposed election of directors at a general meeting.

The nomination process of re-election of Director at general meeting

The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each director and his/her level of participation and performance on the Board. The Nomination Committee and/or the Board should also review and determine whether the director continues to meet the criteria as set out above. The Nomination Committee and/or the Board should then make recommendations to shareholders in respect of the proposed re-election or replacement of directors at a general meeting. Where the Board proposes a resolution to elect or re-elect a candidate as director at a general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee has conducted regular reviews on the structure, size and composition of the Board and the Nomination Policy and considered that the current Nomination Policy complements the Company's corporate strategy and business needs.

Board Diversity Policy

The Board has adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board. 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. In designing the Board's composition, Board diversity is considered from a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies in order for the Board to be effective.

The Nomination Committee will monitor the implementation of this policy and will from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity 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 that the current Board's composition and the Board Diversity Policy satisfies the diversification requirements

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy") that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting the Group's working capital requirements and future growth as well as its shareholding value.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company (the "Articles of Association") and all applicable laws and regulations. The dividend payout ratio will vary from year to year. There is no assurance that a dividend will be proposed or declared in any particular amount for any given period. When considering the declaration and payment of dividends, the Board shall take into account of (i) financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) capital requirements and expenditure plans; (vi) interests of shareholders; (vii) any restrictions on payment of dividends; and (viii) any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate. The Company in general meeting may from time to time declare dividends in any currency to be paid to the shareholders of the Company but no dividends shall be declared in excess of the amount recommended by the Board subject to the Articles of Association and all applicable laws and regulations. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association. The Board will review the Dividend Policy as appropriate from time to time.

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 2019 is as follows:

Nature of services	**Amount** HK$'000
Audit services	600
Non-audit services – Interim Review	180
Non-audit services – Others	196

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 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 2019.

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 2019. 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 52 to 55 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 continuously monitoring 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 an 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. Such review aims to examine key issues in relation to the accounting practices and all material controls, identify deficiencies and ineffective parts in the design and implementation of internal controls, and propose recommendations for improvement. 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 2019, 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.

The Company has procedures and internal controls for the handling of confidential information and dissemination of inside information. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. The Company also established procedures to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 March 2019, 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 gain a better understanding of how the management handle and mitigate the risks.

Independent review

The internal audit team of the Group is comprised of 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 2019, the internal audit team had completed a review on internal control for the year, period of reviews covered transactions carried out from 1 April 2018 to 31 March 2019. The management had implemented rectifications and remediated internal control weaknesses identified. The internal audit team had report the review results to the Audit Committee.

During the year ended 31 March 2019, the Board, in conjunction with the Audit Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. A review of the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls has been conducted, and considered that the systems are effective and adequate. The Board has also reviewed adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions, and considered that they are adequate.

Constitutional Documents

During the year ended 31 March 2019, there were no changes to the constitutional documents of the Company. An up to date set of memorandum of association of the Company and the Articles of Association 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, 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 was 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 2019.

Principal Activities

The Group is principally engaged in jewelry business in the PRC and Hong Kong and solar energy business in the PRC, Hong Kong and other countries with its proprietary intelligent technology products and services. The principal activities of the Company's subsidiaries are set out in note 30 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 5 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 March 2019 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 2019.

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

The business environment in the near future is challenging due to a number of factors such as uncertainty over the global economy, the PRC economy entering a "new normal" and the escalated trade war between the PRC and the United States. The adverse changes of economic environment may result in reduced demand for our products, reduced sales price, order cancellations, lower revenue and margins and heavier burden on distribution costs. 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, 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 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 the 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 that 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 have access to the specialised technology, and has strictly controlled the access area and authority.

Risk of Human Resources

There is 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 25 and 26 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 2019 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 56 to 139 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

Annual General Meeting

The forthcoming annual general meeting of the Company is to be held on Thursday, 5 September 2019 (the "AGM") 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, 2 September 2019 to Thursday, 5 September 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on Friday 30 August 2019.

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 140 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 12 to the consolidated financial statements.

Borrowings

The Group had no bank borrowings and no banking facilities as at 31 March 2019.

Subsidiaries

Particulars of the Group's principal subsidiaries are set out in note 30 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 2019 and 2018.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 21 to the consolidated financial statements.

Unlisted Warrants

Details of movement in the Company's unlisted warrants during the year set out in note 22 to the consolidated financial statements.

Major Customers and Suppliers

For the year ended 31 March 2019, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 71.5% of the total sales of the Group and the largest customer included therein amounted to approximately 38.7%.

For the year ended 31 March 2019, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 75.8% of the total purchases of the Group and the largest supplier included therein amounted to approximately 41.0%.

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. Chan Wing Yuen, Hubert *(Chief Executive)*

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

Independent non-executive Directors:
Mr. Wu Chi Keung
Ms. Kwok Pui Ha (retired on 6 September 2018)
Mr. Jin Qingjun
Ms. Sun Ivy Connie (appointed on 23 November 2018)

According to the article 83(3) of the Articles of Association, Ms. Sun Ivy Connie (who was appointed on 23 November 2018 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, will offer herself, for re-election as Director at the forthcoming AGM.

According to the article 84(1) of the Articles of Association, Mr. Hu Yangjun, Mr. Chan Wing Yuen, Hubert, and Mr. Jin Qingjun, all being Directors shall retire from office by rotation and 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 following 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:

Ms. Kwok Pui Ha retired as an independent non-executive Director of the Company at the 2018 AGM and, as such, ceased to be a member of each of the Audit Committee and the Nomination Committee with effect from the conclusion of the 2018 AGM. Please refer to the announcement of the Company dated 6 September 2018.

Mr. Wu Chi Keung, an independent non-executive Director, resigned as an independent non-executive director of Yuan Sheng Tai Dairy Farm Limited (Stock Code: 1431, which shares are listed on the Stock Exchange) with effect from 28 September 2018.

Mr. Jin Qingjun, an independent non-executive Director, has been appointed as a director of Shenzhen Kondarl (Group) Co., Ltd (Stock Code: 000048, which shares are listed on the Shenzhen Stock Exchange) with effect from 17 September 2018. Also, Mr. Jin has been appointed as an independent director of Shenzhen Asiantime International Construction Co., Ltd (Stock Code: 002811, which shares are listed on the Shenzhen Stock Exchange) with effect from 3 September 2018. Mr. Jin Qingjun, resigned as a director of Konka Group Co., Ltd (Stock Code: 000016, 200016, which shares are listed on the Shenzhen Stock Exchange) with effect from 3 December 2018. Also, Mr. Jin resigned as an independent director of CSG Holding Co., Ltd (Stock Code: 000012, 200012, which shares are listed on the Shenzhen Stock Exchange) with effect from 10 April 2019. Mr. Jin also resigned as 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) with effect from 18 June 2019.

Ms. Sun Ivy Connie was appointed as independent non-executive Director and member of each of the Audit Committee and the Nomination Committee with effect from 23 November 2018. Please refer to the announcement of the Company dated 23 November 2018.

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 Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Related Party Transactions and Connected Transactions" in this report of the Directors, no transactions, arrangements or 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 2019, 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 2019, 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 Shares held	Number of underlying Shares	Total interest	Approximate Percentage of total issued Shares
Mr. Hu Yangjun	Interests of controlled corporation and personal interest	207,454,000[(1)]	330,000[(2)]	207,784,000	61.45%
Mr. Wu Hao	Personal interest	2,736,000	3,300,000[(2)]	6,036,000	1.78%
Mr. Chan Wing Yuen, Hubert	Personal interest	–	3,300,000[(2)]	3,300,000	0.98%
Mr. Li Wei Qi, Jacky	Personal interest	2,736,000	330,000[(2)]	3,066,000	0.91%
Mr. Wu Chi Keung	Personal interest	–	330,000[(2)]	330,000	0.1%
Mr. Jin Qingjun	Personal interest	–	330,000[(2)]	330,000	0.1%

Notes:

(1) 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.

(2) These interests represented the interests in underlying shares of the Company in respect of share options granted to the Directors under the Share Options Scheme.

Save as disclosed above, as at 31 March 2019, 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 "Share Option Scheme"). The purpose of the Share Option 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 to the benefit of the Company's future business development.

The participants of the Share Option 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 Share Option Scheme and any other share option schemes of the Company (the "Option Scheme Limit") shall not in aggregate exceed 33,005,400 representing 10% of the number of issued shares of the Company as at the annual general meeting held on 6 September 2018 where a resolution for approving the refreshment of the Option Scheme Limit was passed and approximately 9.76% of the Shares is in issue 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 Share Option 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 2019, the Company has granted 32,500,000 share options to the directors, the employees and consultants of the Company at the exercise price of HK$0.636 per option. On 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 38,420,000 (31 March 2018: 16,000,000), representing 11.36% (31 March 2018: 4.8%) of the shares of the Company in issue at that date, further details are disclosed in note 22 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 2019 are as follows:

	Number of share options							
Category of eligible participants	**At 1 April 2018**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**At 31 March 2019**	**Date of grant[1]**	**Exercisable period (both dates inclusive)**	**Exercise price per share**
Directors								
Mr. Hu Yangjun	–	330,000	–	–	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Wu Hao	–	3,300,000	–	–	3,300,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Chan Wing Yuen, Hubert	–	3,300,000	–	–	3,300,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Li Wei Qi, Jacky	–	330,000	–	–	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Wu Chi Keung	–	330,000	–	–	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Jin Qingjun	–	330,000	–	–	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
	–	**7,920,000**	**–**	**–**	**7,920,000**			
Employees								
in aggregate	1,800,000	–	(1,400,000)[4]	(400,000)	–	9 March 2018	1 July 2018 to 8 March 2028	1.148[2]
	3,600,000	–	(2,800,000)[4]	(800,000)	–	9 March 2018	1 January 2019 to 8 March 2028	1.148[2]
	3,600,000	–	–	(800,000)	2,800,000	9 March 2018	1 July 2019 to 8 March 2028	1.148[2]
	–	22,600,000	–	–	22,600,000	19 October 2018	1 January 2018 to 18 October 2028	0.636[3]
	9,000,000	**22,600,000**	**(4,200,000)**	**(2,000,000)**	**25,400,000**			

Category of eligible participants	Number of share options: At 1 April 2018	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 March 2019	Date of grant[1]	Exercisable period (both dates inclusive)	Exercise price per share
Consultants in aggregate	1,400,000	–	(1,400,000)[4]	–	–	9 March 2018	1 July 2018 to 8 March 2028	1.148[2]
	2,800,000	–	(2,500,000)[4]	–	300,000	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]
	–	2,000,000	–	–	2,000,000	19 October 2018	1 January 2018 to 18 October 2028	0.636[3]
	7,000,000	**2,000,000**	**(3,900,000)**	**–**	**5,100,000**			
Total all categories	**16,000,000**	**32,520,000**	**(8,100,000)**	**(2,000,000)**	**38,420,000**			

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.

(3) The weighted average closing price of the Company's shares immediately before the grant dates of the share options was HK$0.636 per share. The closing price of the Company's shares immediately before the date on which the options were granted was HK$0.610 per share.

(4) The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK$1.11 per share. The closing price of the Company's shares immediately before the date on which the options were exercised was HK$1.11 per share.

Substantial Shareholders

As at 31 March 2019, 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 shareholders	Capacity	Number of Shares held	Number of underlying Shares	Total interest	Approximate percentage of total issued Shares
Resources Rich	Beneficial interests	204,718,000[(1)]	–	204,718,000	60.54%
Mr. Hu Yangjun	Interests of controlled corporation and personal interest	207,454,000[(2)]	330,000[(3)]	207,784,000	61.45%
Mr. Hu Yishi	Interests of controlled corporation and personal interest	207,454,000[(4)]	–	207,454,000	61.35%
Ms. Zhang Qi	Interest of spouse	207,454,000[(5)]	330,000[(5)]	207,784,000	61.45%
Ms. Lin Min, Mindy	Interest of spuse	207,454,000[(6)]	–	207,454,000	61.35%

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) The interests in underlying shares of the Company are the share options granted to Mr. Hu Yangjun under the Share Options Scheme.

(4) 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.

(5) Ms. Zhang Qi is the spouse of Mr. Hu Yangjun. Accordingly, she is deemed to be interested in the same number of Shares and underlying Shares in which Mr. Hu Yangjun is interested in pursuant to the SFO.

(6) Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi. Accordingly, she is deemed to be interested in the same number of Shares and underlying Shares in which Mr. Hu Yishi is interested in pursuant to the SFO.

Save as disclosed above, as at 31 March 2019, there were no other parties, who 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.

Continuing Connected Transactions, Connected Transactions and Other Related Party Transactions

Save as disclosed below, the Company and its subsidiaries had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report in compliance with the requirements of Chapter 14A of the Listing Rules during the year ended 31 March 2019. The Directors confirm that they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected transactions

On 24 April 2018, Ningbo Shenggu as the purchaser and CECEP Yuyao as the vendor entered into a SPA pursuant to which, among others, Ningbo Shenggu conditionally agreed to acquire and CECEP Yuyao agreed to sell Yuyao Land and Factory located at Sino-Italian Ningbo Ecological Park of Yuyao, the PRC. The completion of the acquisition of Yuyao Land and Factory took place on 30 November 2018 and the adjusted consideration was RMB58,652,000 (inclusion of value-added tax). Mr. Li Wei Qi, Jacky, a non-executive Director, is also one of the directors of CECEP Yuyao. As Mr. Hu Yishi, the Company's controlling shareholder, is the indirect beneficial owner of approximately 34.5% in the registered capital of CECEP Yuyao, the acquisition of Yuyao Land and Factory constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. The acquisition of Yuyao Land and Factory is subject to the reporting, announcement and the Company's independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details have been disclosed in the section headed "Acquisition of Yuyao Land and Factory" under "Management Discussion and Analysis" of this annual report, the announcement dated 24 April 2018, 20 September 2018, 28 September 2018, 4 October 2018, 30 November 2018 and 30 June 2019 and the circular dated 24 August 2018 for details.

Continuing connected transactions

During the year, the Company and its subsidiaries did not have any continuing connected transactions which are required to be disclosed in this annual report.

Other related party transactions

The other related party transactions during the year as disclosed in note 29 to the consolidated financial statements are de minimis transactions that are partially exempted from announcement and/or independent shareholders' approval under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Company and its subsidiaries during the year ended 31 March 2019.

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 2019.

Contracts of Significance

Save as disclosed in the section headed "Acquisition of Yuyao Land and Factory" of Management Discussion and Analysis in this annual report in relation to 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 2019.

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 2019 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 their individual performance, the Company's operating results, and comparable market statistics.

Employee Retirement Benefit

Particulars of the retirement scheme of the Group are set out in note 24 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 2019.

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

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 2019 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 2019 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 2019

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 56 to 139, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 and solar energy products to the consolidated statement of profit or loss and other comprehensive income. Revenue from the sales of jewelry products and solar energy products is recognised when the control of the products is transferred to the customers upon delivery of the products to locations designated by the customers or picking up of the products by customers at the location determined by the Group. 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 and solar energy products of HK$48,909,000 and HK$95,799,000 respectively for the year ended 31 March 2019, 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 and solar energy 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 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Revenue	4	**148,623**	28,106
Cost of sales		**(137,863)**	(26,978)
Gross profit		**10,760**	1,128
Other income		**801**	1,189
Other gains and losses, net	6	**550**	(1,262)
Selling and distribution costs		**(2,776)**	(448)
Administrative expenses		**(25,910)**	(20,930)
Equity-settled share-based payments	22	**(16,621)**	(2,776)
Finance costs	19	**(1,063)**	–
Share of result of an associate		**(144)**	–
Loss before taxation		**(34,403)**	(23,099)
Income tax	7	**(203)**	–
Loss for the year	8	**(34,606)**	(23,099)
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(1,874)**	3,124
Total comprehensive expense for the year		**(36,480)**	(19,975)
(Loss) profit for the year attributable to:			
Owners of the Company		**(35,605)**	(23,099)
Non-controlling interests		**999**	–
		(34,606)	(23,099)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(37,478)**	(19,975)
Non-controlling interests		**998**	–
		(36,480)	(19,975)
Loss per share			
Basic (HK cents)	10	**(10.75)**	(7.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	12	**65,009**	13,540
Prepaid lease payment	13	**10,846**	–
Rental deposits		**237**	237
		76,092	13,777
Current assets			
Inventories	14	**2,267**	1,158
Trade receivables	15	**24,729**	2,229
Other receivables, deposits and prepayments	15	**11,058**	6,885
Contract assets	16	**3,704**	–
Prepaid lease payment	13	**245**	–
Structured deposit	17	**–**	21,217
Bank balances and cash	17	**65,467**	58,211
		107,470	89,700
Current liabilities			
Trade payables	18	**8,311**	2,139
Other payables and accruals	18	**39,316**	2,889
Contract liabilities	16	**1,120**	–
Income tax liabilities		**177**	–
Loans from a controlling shareholder	19	**–**	71,518
		48,924	76,546
Net current assets		**58,546**	13,154

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Loans from a controlling shareholder	19	**106,729**	–
Deferred tax liability	20	**26**	–
		106,755	–
Net assets		**27,883**	26,931
Capital and reserves			
Share capital	21	**3,382**	3,301
Reserves		**22,458**	23,630
Equity attributable to owners of the Company		**25,840**	26,931
Non-controlling interests		**2,043**	–
Total equity		**27,883**	26,931

The consolidated financial statements on pages 56 to 139 were approved and authorised for issue by the Board of Directors on 28 June 2019 and are signed on its behalf by:

WU HAO
DIRECTOR

CHAN WING YUEN, HUBERT
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital	Share premium	Share options reserve	Warrants reserve	Exchange reserve	Shareholder's contribution reserve *(note)*	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	3,301	151,578	–	21,155	4,635	–	(136,539)	44,130	–	44,130
Loss for the year	–	–	–	–	–	–	(23,099)	(23,099)	–	(23,099)
Exchange differences arising on translation to presentation currency	–	–	–	–	3,124	–	–	3,124	–	3,124
Total comprehensive expense for the year	–	–	–	–	3,124	–	(23,099)	(19,975)	–	(19,975)
Recognition of equity-settled share-based payments *(Note 22)*	–	–	820	1,956	–	–	–	2,776	–	2,776
At 31 March 2018	3,301	151,578	820	23,111	7,759	–	(159,638)	26,931	–	26,931
(Loss) profit for the year	–	–	–	–	–	–	(35,605)	(35,605)	999	(34,606)
Exchange differences arising on translation to presentation currency	–	–	–	–	(1,873)	–	–	(1,873)	(1)	(1,874)
Total comprehensive (expense) income for the year	–	–	–	–	(1,873)	–	(35,605)	(37,478)	998	(36,480)
Issue of ordinary shares upon exercise of share options *(Note 21)*	81	13,787	(4,570)	–	–	–	–	9,298	–	9,298
Acquisition of a subsidiary *(Note 23)*	–	–	–	–	–	–	–	–	477	477
Contribution from a non-controlling shareholder upon establishment of a subsidiary	–	–	–	–	–	–	–	–	568	568
Recognition of equity-settled share-based payments *(Note 22)*	–	–	16,621	–	–	–	–	16,621	–	16,621
Forfeiture of share options	–	–	(281)	–	–	–	281	–	–	–
Lapse of warrants	–	–	–	(23,111)	–	–	23,111	–	–	–
Deemed capital contribution from a controlling shareholder *(Note 19)*	–	–	–	–	–	10,468	–	10,468	–	10,468
At 31 March 2019	3,382	165,365	12,590	–	5,886	10,468	(171,851)	25,840	2,043	27,883

Note: The shareholder's contribution reserve represents adjustments of interest-free loans granted by a controlling shareholder of Zhong Fa Zhan Holdings Limited (the "Company") to the Company and certain of its subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(34,403)**	(23,099)
Adjustments for:		
Interest income	**(793)**	(1,004)
Finance costs	**1,063**	–
Equity-settled share-based payments	**16,621**	2,776
Share of result of an associate	**144**	–
Depreciation of property, plant and equipment	**2,931**	1,293
Amortisation of prepaid lease payment	**81**	–
Loss on written-off of property, plant and equipment	**–**	63
Operating cash flows before movements in working capital	**(14,356)**	(19,971)
Increase in inventories	**(1,101)**	(835)
Increase in trade receivables	**(22,640)**	(2,159)
Increase in other receivables, deposits and prepayments	**(7,430)**	(925)
Increase in contract assets	**(3,714)**	–
Increase in trade payables	**6,268**	2,072
Increase in other payables and accruals	**827**	905
Increase in contract liabilities	**1,123**	–
NET CASH USED IN OPERATING ACTIVITIES	**(41,023)**	(20,913)
INVESTING ACTIVITIES		
Interest received	**793**	1,004
Purchase of property, plant and equipment and acquisition of a land use right	**(26,707)**	(12,494)
Investment in an associate	**(490)**	–
Cash and cash equivalents obtained from acquisition of a subsidiary	**195**	–
Placement of structured deposit	**–**	(146,132)
Withdrawal of structured deposit	**20,251**	126,097
NET CASH USED IN INVESTING ACTIVITIES	**(5,958)**	(31,525)

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Advances from a controlling shareholder	**120,496**	67,699
Repayments to a controlling shareholder	**(71,260)**	–
Proceeds from exercise of share options	**9,298**	–
NET CASH FROM FINANCING ACTIVITIES	**58,534**	67,699
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,553**	15,261
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**58,211**	38,515
Effect of foreign exchange rate changes	**(4,297)**	4,435
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**65,467**	58,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

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 business in the People's Republic of China ("PRC") and Hong Kong ("HK") and solar energy business in the PRC, HK and other countries. The Company and its subsidiaries are collectively referred to as the Group. Details of the principal subsidiaries of the Company are out in note 30.

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")

New and revised HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the amendments to HKFRSs and the interpretation 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.

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

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers including:

- Sales of jewelry products;
- Sales of solar energy products; and
- Provision of technical improvement services on solar energy projects

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 4 and 3 respectively.

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

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15

In the opinion of the directors of the Company, the application of HKFRS 15 in the current year has had no material impact on the Group's financial performance for current and prior years and financial position for prior year but results in more extensive disclosures in the consolidated financial statements.

The following tables summarise the impacts of applying HKFRS 15 on the consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current assets			
Amounts due from customers for contract works	–	3,704	3,704
Contract assets	3,704	(3,704)	–
Current liabilities			
Receipts in advance	–	1,120	1,120
Contract liabilities	1,120	(1,120)	–

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

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities			
Net cash used in operating activities			
Increase in amounts due from customers for contract works	–	(3,714)	(3,714)
Increase in contract assets	(3,714)	3,714	–
Increase in receipts in advance	–	1,123	1,123
Increase on contract liabilities	1,123	(1,123)	–

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (a) the classification and measurement of financial assets and financial liabilities, (b) expected credit losses ("ECL") for financial assets and (c) general hedge accounting.

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

HKFRS 9 "Financial Instruments" (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, if any, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Note	**Structured deposit classified as loans and receivables at amortised cost**	**Financial assets at fair value through profit or loss ("FVTPL") required by HKFRS 9**
		HK$'000	HK$'000
Closing balance at 31 March 2018 – HKAS 39		21,217	–
Effect arising from initial application of HKFRS 9:			
Reclassification:			
From loans and receivables	(i)	(21,217)	21,217
Opening balance at 1 April 2018 - HKFRS 9		–	21,217

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

HKFRS 9 "Financial Instruments" (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Note:

(i) The balance of structured deposit previously classified as loans and receivables was reclassified to financial assets at FVTPL upon the application of HKFRS 9 because the contractual cash flows do not represent solely payment of principal and interest on the principal amount outstanding. The related fair value change to be adjusted to financial assets at FVTPL and opening accumulated losses is insignificant.

At the date of initial application of HKFRS 9 on 1 April 2018, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed on individual debtor basis. ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no credit loss allowance was recognised in accumulated losses. In the opinion of the directors of the Company, the estimated allowance under the ECL model was not significant.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[5] Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

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

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 lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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.

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, among 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, upfront prepaid lease payments will continue to be presented as investing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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.

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

HKFRS 16 "Leases" (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$5,594,000 as disclosed in note 28. 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 HK$306,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement Contains a Lease". Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in 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 and services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net amount of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate

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

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of the associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 April 2018)

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

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

An item of 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 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 to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually, 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. Where 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. 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 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.

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 payment" 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 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 (attributed to non-controlling interests as appropriate).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the loss before taxation 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

All other financial assets are subsequently measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

(i) *Amortised cost and interest income*

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on trade receivables and contract assets are assessed individually.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL

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

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

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

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

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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

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 receivables, other receivables, structured deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets 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 financial assets, the estimated future cash flows of the financial assets have been affected.

For all financial assets other than those at FVTPL, objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Borrowing costs

Borrowing costs which are not qualified for capitalisation are recognised in profit or loss in the period in which they are incurred.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees and others providing similar services (Continued)

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

A. For the year ended 31 March 2019

(i) Disaggregation of revenue from contracts with customer

	2019 **HK$'000**
Revenue from sales of goods:	
Jewelry products	**48,909**
Solar energy products	**95,799**
	144,708
Revenue from provision of services:	
Technical improvement services for solar energy projects	**3,915**
Total revenue	**148,623**
Timing of revenue recognition	
A point in time	**144,708**
Over time	**3,915**
	148,623

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Jewelry business HK$'000	**Solar energy business** HK$'000	**Total** HK$'000
Sales of jewelry products	48,909	–	48,909
Sales of solar energy products	–	95,799	95,799
Provision of technical improvement services on solar energy projects	–	3,915	3,915
	48,909	99,714	148,623

4. REVENUE (Continued)

A. For the year ended 31 March 2019 (Continued)

(ii) Performance obligations for contracts with customers

(a) Sales of goods

The Group recognises revenue from the sales of jewelry products and solar energy products when the performance obligations are satisfied which refers to delivery of goods to the locations specified by the customers or picking up of goods by the customers at the locations determined by the Group and, at this point, the Group has no unfulfilled obligation that could affect the customers' acceptance of the products. The quantity of jewelry products and solar energy products as specified in each sales contract is separately identifiable and represents a distinct performance obligation to which the transaction price is allocated. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. The customers have obtained control on the goods through their ability to direct the use of and obtain substantially all the benefits from the goods, and, at the same time, the customers have accepted the risks of obsolescence and loss of the products.

Revenue from sales of these products is recognised based on the price specified in the contracts with customers. No element of financing is deemed present as the sales are made with a credit term of 90 days.

The Group has no particular policy on the amounts received prior to the delivery of goods and it is negotiated with customers on contract by contract basis. The advance payments received from customers are recognised as liabilities throughout the period before the control of the goods is transferred to customers.

4. REVENUE (Continued)

A. For the year ended 31 March 2019 (Continued)

(ii) Performance obligations for contracts with customers (Continued)

(b) Provision of services

The Group provides services for technical improvement on solar energy projects, which include repairs, maintenance and modification on customer's existing solar energy modules. Provision of such services are recognised as revenue over time as the Group's performance obligations are satisfied over time by enhancing the assets that the customers control when the Group performs the improvement work. Revenue from provision of these services is recognised based on the stage of completion of the contract using input method with reference to the portion of costs incurred relative to total costs.

The Group is entitled to invoice the customers in accordance with the terms stated in the relevant contracts and the Group allows a general credit period of 5 days for the amount invoiced.

The Group would require advance payments from customers before the commencement of the relevant services for certain contracts. It would give rise to contract liabilities at the start of a contract until the revenue recognised on the relevant contract exceeding the amount of advance payments received.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All transactions in respect of sales of goods and provision of services take place within a year and, thus, the transaction prices allocated to the unsatisfied contracts are not disclosed according to the practical expedient of HKFRS 15.

4. REVENUE (Continued)

B. For the year ended 31 March 2018

An analysis of the Group's revenue from its major activities is as follows:

	2018
	HK$'000
Revenue from sales of jewelry products	27,677
Revenue from sales of solar energy products	429
	28,106

5. 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 operating and reportable segments are therefore as follows:

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

(ii) Solar energy business (manufacture and sales of solar cooling intelligent technology products using thermal cooling-stored pipes and sales of solar photovoltaic modules and components (which are collectively referred to as solar energy products) and provision of energy efficiency analysis and technology improvement advisory services on solar energy projects (which are collectively referred to as technical improvement services on solar energy projects).)

The accounting policies of the operating and reportable 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 unallocated corporate expenses which include central administration costs, directors' remuneration at the head office and certain equity-settled share-based payments, unallocated corporate income, share of result of an associate and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For year ended 31 March 2019

	Jewelry business HK$'000	**Solar energy business HK$'000**	**Total HK$'000**
Revenue	**48,909**	**99,714**	**148,623**
Segment loss	**(2,971)**	**(12,203)**	**(15,174)**
Unallocated corporate income			**801**
Unallocated corporate expenses			**(18,823)**
Share of result of an associate			**(144)**
Finance costs			**(1,063)**
Loss before taxation			**(34,403)**

For year ended 31 March 2018

	Jewelry 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)

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

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2019 **HK$'000**	2018 HK$'000
Jewelry business	**525**	2,915
Solar energy business	**115,960**	13,093
Total segment assets	**116,485**	16,008
Structured deposit	**–**	21,217
Bank balances and cash	**65,467**	58,211
Other unallocated assets	**1,610**	8,041
Consolidated assets	**183,562**	103,477
Jewelry business	**558**	2,181
Solar energy business	**47,698**	2,136
Total segment liabilities	**48,256**	4,317
Loans from a controlling shareholder	**106,729**	71,518
Other unallocated liabilities	**694**	711
Consolidated liabilities	**155,679**	76,546

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.

5. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2019

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

	Jewelry business HK$'000	Solar energy business HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	–	2,746	185	2,931
Amortisation of prepaid lease payment	–	81	–	81
Equity-settled share-based payments	3,927	4,246	8,448	16,621
Additions to property, plant and equipment	–	55,342	14	55,356

For the year ended 31 March 2018

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

	Jewelry 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

5. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are mainly carried out in the PRC, the country of domicile, and HK.

The revenue of the Group is mainly derived from external customers located in the PRC and HK.

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

	2019 **HK$'000**	2018 HK$'000
The PRC	**119,790**	20,158
HK	**25,911**	7,948
Others	**2,922**	–
	148,623	28,106

Information about the Group's non-current assets based on the geographical location of the assets is set out below:

	2019 **HK$'000**	2018 HK$'000
The PRC	**75,829**	13,342
HK	**26**	198
	75,855	13,540

Note: Non-current assets excluded rental deposits.

5. 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:

	2019 **HK$'000**	2018 HK$'000
Customer A *(notes (i) & (iii))*	**57,452**	N/A
Customer B *(note (ii))*	**19,006**	14,364
Customer C *(notes (i) & (ii))*	**N/A**	4,411
Customer D *(notes (i) & (ii))*	**N/A**	3,071

Notes:

(i) "N/A" represents the customers did not contribute more than 10% of the total sales of the Group in the respective years.

(ii) Revenue generated from jewelry business.

(iii) Revenue generated from solar energy business.

6. OTHER GAINS AND LOSSES, NET

	2019 **HK$'000**	2018 HK$'000
Loss on written-off of property, plant and equipment	**–**	(63)
Net exchange gain (loss)	**550**	(1,199)
	550	(1,262)

7. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2019	2018
	HK$'000	HK$'000
Current tax – PRC Enterprise Income tax ("EIT")	**177**	–
Deferred tax *(Note 20)*	**26**	–
Income tax for the year	**203**	–

On 21 March 2018, the Hong Kong Legislative Council passes The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill is signed into law on 28 March 2018 and is gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company consider the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Accordingly, Hong Kong Profits Tax for subsidiaries operating in HK is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for both years as either tax losses are incurred for the subsidiaries operating in HK or the assessable profit is wholly absorbed by tax losses brought forward from previous years.

Under the law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applied to the PRC subsidiaries is 25%. For the year ended 31 March 2018, no provision for the PRC EIT had been made for the subsidiaries operating in the PRC as their estimated assessable profits were insignificant.

Income tax on profit generated in overseas is calculated on the estimated assessable profit for the year at the rate of taxation prevailing in the country in which the Group operates.

7. INCOME TAX (Continued)

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:

	2019 **HK$'000**	2018 HK$'000
Loss before taxation	**(34,403)**	(23,099)
Taxation at the EIT rate of 25% (2018: 25%)	**(8,601)**	(5,774)
Tax effect of income not taxable for tax purpose	**(21)**	(10)
Tax effect of expenses not deductible for tax purpose	**4,819**	2,700
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,436**	1,453
Utilisation of tax losses previously not recognised	**(810)**	(123)
Tax effect of tax losses not recognised	**2,344**	1,754
Tax effect of share of result of an associate	**36**	-
Income tax for the year	**203**	–

8. LOSS FOR THE YEAR

	2019	2018
	HK$'000	HK$'000
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**3,016**	1,360
Less: amount capitalised in inventories	**(85)**	(67)
	2,931	1,293
Amortisation of prepaid lease payment	**81**	–
Auditor's remuneration	**600**	450
Operating lease payments in respect of rented properties	**2,340**	2,353
Staff costs (including directors' remuneration (Note 9)):		
– salaries, allowances and other benefits	**10,000**	9,904
– retirement benefit scheme contributions	**553**	302
– equity-settled share-based payments	**12,694**	–
Total staff costs	**23,247**	10,206
Cost of inventories recognised as an expense	**137,863**	26,978
Interest income from bank deposits (included in other income)	**(793)**	(551)
Interest income from structured deposits (included in other income)	**–**	(453)

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

Directors' and the chief executive's emoluments

For the year ended 31 March 2019

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Wu Hao	200	147	994	19	1,360
Hu Yangjun	200	–	99	–	299
Chan Wing Yuen, Hubert *(note (a))*	200	1,950	994	116	3,260
Non-executive director					
Li Wei Qi, Jacky	200	–	99	–	299
Independent non-executive directors					
Wu Chi Keung	200	–	99	–	299
Jin Qingjun *(note (d))*	200	–	99	–	299
Kwok Pui Ha *(note (e))*	87	–	–	–	87
Sun Ivy Connie *(note (f))*	71	–	–	–	71
Total emoluments	1,358	2,097	2,384	135	5,974

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

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

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

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.

(e) Ms. Kwok Pui Ha resigned as an independent non-executive director on 6 September 2018.

(f) Ms. Sun Ivy Connie was appointed as an independent non-executive director on 23 November 2018.

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

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

During the years ended 31 March 2019 and 2018, 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 of the Company 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, two (2018: three) are directors of the Company whose emoluments are set out in disclosures above. The emoluments of the remaining three (2018: two) highest paid individuals who are neither a director nor the chief executive of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**2,000**	1,405
Retirement benefit scheme contributions	**77**	64
Equity-settled share-based payments	**1,144**	–
	3,221	1,469

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:

	2019 **No. of** **employee**	2018 No. of employee
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	–

During the years ended 31 March 2019 and 2018, 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.

10. 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:

	2019	2018
	HK$'000	HK$'000
Loss for the purposes of calculating basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(35,605)**	(23,099)

	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**331,363**	330,054

The calculation 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.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 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
Additions	52,993	183	165	228	–	53,569
Acquired from acquisition of a subsidiary *(Note 23)*	–	–	1,759	28	–	1,787
Exchange realignments	(334)	(413)	(43)	(128)	(14)	(932)
At 31 March 2019	57,731	6,602	2,538	2,514	1,031	70,416
DEPRECIATION						
At 1 April 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
Provided for the year	1,044	1,330	165	426	51	3,016
Exchange realignments	(8)	(30)	(6)	(12)	(5)	(61)
At 31 March 2019	1,121	2,133	250	958	945	5,407
CARRYING VALUES						
At 31 March 2019	56,610	4,469	2,288	1,556	86	65,009
At 31 March 2018	4,987	5,999	566	1,842	146	13,540

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

Buildings	Over shorter of 20 to 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%

13. PREPAID LEASE PAYMENT

	2019 HK$'000	2018 HK$'000
Analysed for reporting purpose as:		
– Current asset	**245**	–
– Non-current asset	**10,846**	–
	11,091	–

The prepaid lease payment represents a right of use for a parcel of land located in the PRC for remaining 46 years starting from November 2018 which was acquired together with a factory situated on it during the year ended 31 March 2019. Details of the acquisition are set out in note 15.

14. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**471**	130
Work in progress	**143**	78
Goods in transit	**1,653**	950
	2,267	1,158

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables

	2019 **HK$'000**	2018 HK$'000
Trade receivables from goods and services	**24,729**	2,229

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$2,229,000, where no trade receivables were past due for which the Group had not provided for impairment loss upon the initial application of HKFRS 9.

The Group allows an average credit period ranging from 30 to 120 days to its customers of jewelry business and an average credit period ranging from 5 to 180 days to its customers of solar energy business. The following is an ageing analysis of trade receivables based on invoice date at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**6,961**	1,575
31 to 90 days	**17,449**	654
91 to 180 days	**319**	–
	24,729	2,229

As at 31 March 2019, no trade receivables of the Group are past due.

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

Other receivables, deposits and prepayments

	2019	2018
	HK$'000	HK$'000
Other receivables *(note (i))*	**9,298**	1,652
Deposits *(note (ii))*	**407**	5,144
Prepayments	**1,353**	89
	11,058	6,885

Notes:

(i) Included in other receivable, an amount of HK$664,000 (2018: HK$560,000) is financial assets.

(ii) As at 31 March 2018, included in deposits was an amount of RMB3,795,000 (equivalent to HK$4,736,000) representing six months of rent payable (the "Leasing Deposit") to a private company incorporated in the PRC, which was the landlord (the "Landlord"), under a framework tenancy agreement entered into between the Company and the Landlord on 18 December 2015. Mr. Hu Yishi, the then executive director and a controlling shareholder of the Company, is the indirect beneficial owner having significant influence over the Landlord. Therefore, the Landlord is a related party of the Group. Pursuant to the agreement, the Landlord was required to construct a factory (the "Factory") in the PRC for the Group to use as the production plant for its solar energy business during the period commenced from 18 December 2015 and ended on 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, after the construction has been completed, 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 Leasing Deposit 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 was 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 a parcel of land and the Factory (the "S&P Agreement").

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

Other receivables, deposits and prepayments (Continued)

Notes: (Continued)

(ii) (Continued)

Pursuant to the S&P Agreement, the Group conditionally agreed to purchase and the Landlord conditionally agreed to sell the parcel of land and the Factory at an aggregate consideration of RMB59,212,000, subject to adjustment according to the confirmation on the completion cost of construction of the Factory to be issued by an independent engineering construction consulting company (the "Confirmation"), and it would be settled by instalments, where the last instalment would be offset by the Leasing Deposit, with last instalment to be paid on the completion date or date falling on the first anniversary of the date of the S&P Agreement (i.e. 24 April 2019), whichever is later. The acquisition is regarded as a major and connected transaction. The transaction was approved by shareholders of the Company in the extraordinary general meeting held on 28 September 2018. On 30 November 2018, the acquisition was completed. Based on the Confirmation received by the Group, the consideration was adjusted to RMB58,652,000.

As at 31 March 2019, the outstanding consideration for the acquisition is RMB32,652,000 (equivalent to HK$38,065,000), which is set off against the Leasing Deposit of RMB3,795,000 (equivalent to HK$4,424,000), and the net balance of HK$33,641,000 is included in "other payables and accruals" line item in the consolidated statement of financial position.

On 23 April 2019, the Group and the Landlord has entered into another supplemental agreement and, pursuant to this supplemental agreement, the payment date for the outstanding consideration has been deferred to 30 June 2019. Up to the date these consolidated financial statements are authorised for issued, the outstanding consideration has been settled in full.

Details of the impairment assessment on trade and other receivables are set out in note 26.

16. CONTRACT ASSETS/CONTRACT LIABILITIES

	31.03.2019	01.04.2018*
	HK$'000	HK$'000
Contract assets – current		
Provision of services	**3,704**	–

	31.03.2019	01.04.2018*
	HK$'000	HK$'000
Contract liabilities – current		
Sales of goods	**1,120**	–

* The amounts in this column are after adjustments from the application of HKFRS 9 and 15.

Typical payment terms which impact on the amount of contract assets and contract liabilities recognised are as follows:

(a) Sales of goods

The Group would require advance payments from customers before the delivery or arranging for pick up of goods for certain contracts (i.e. before transfer of goods to customers). This gives rise to contract liabilities at the commencement of contracts with the customers and the contract liabilities are recognised in the consolidated statement of financial position throughout the reporting period until the revenue is recognised.

The Group's right to consideration would become unconditional upon transfer of goods to customers. This gives rise to trade receivables.

16. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(b) Provision of services

The Group would require advance payments from customers before commencement of the relevant services for certain contracts. This gives rise to contract liabilities at the commencement of contracts with the customers and the contract liabilities are recognised in the consolidated statement of financial position throughout the reporting period until the revenue recognised on the relevant contracts exceeding the amount of advance payments received.

The Group's right to consideration for completed works, which are yet billed, would become unconditional until the Group satisfies its certain other performance in future. This gives rise to contract assets and they will be transferred to trade receivables when the rights become unconditional.

No contract liabilities brought forward from prior year are recognised as revenue during the year ended 31 March 2019.

Details of the impairment assessment of the contract assets are set out in note 26.

17. 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 were 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 was dependent on whether 3 months United States Dollar ("US$") London Inter Bank Offered Rate for deposits in US$ met 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% (2018: 0.001% to 0.5%) per annum.

18. TRADE AND OTHER PAYABLES AND ACCRUALS

Trade payables

	2019 **HK$'000**	2018 HK$'000
Trade payables	**8,311**	2,139

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

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

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**7,784**	1,495
31 to 90 days	**5**	642
91 to 180 days	**522**	2
	8,311	2,139

Other payables and accruals

	2019 **HK$'000**	2018 HK$'000
Other payables	**4,329**	1,972
Consideration payable *(Note 15)*	**33,641**	–
Accruals	**1,346**	917
	39,316	2,889

19. LOANS FROM A CONTROLLING SHAREHOLDER

	2019 HK$'000	2018 HK$'000
Analysed for reporting purpose as:		
– Current liabilities	–	71,518
– Non-current liabilities	106,729	–
	106,729	71,518

All the loans from a controlling shareholder are unsecured and interest-free.

The loans from a controlling shareholder as at 31 March 2018 recognised as current liabilities had no fixed repayment term.

The loans from a controlling shareholder as at 31 March 2019 recognised as non-current liabilities are repayable in two years from the drawdown date with the first repayment in May 2020 and last repayment in March 2021. On initial recognition of these non-current loans, these loans are discounted using the prevailing market rate of interest for similar instruments and an adjustment to the loans of HK$10,468,000 is credited to reserve under the heading of "shareholder's contribution reserve" in the consolidated statement of changes in equity. During the year ended 31 March 2019, finance costs of HK$1,063,000 (2018: nil), which represent imputed interest expenses of these loans, are charged to profit or loss.

20. DEFERRED TAXATION

The following is the deferred tax liability recognised and movements thereon during the current year:

	Accelerated tax depreciation HK$'000
At 1 April 2018	–
Charged to profit or loss	26
At 31 March 2019	26

At the end of the reporting period, the Group has unused tax losses of HK$33,247,000 (2018: HK$28,436,000) 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$20,222,000 (2018: HK$17,980,000) that will expire in 5 years from the year of origination which is ranging from year 2020 to year 2024 (2018: year 2019 to year 2023). During the year ended 31 March 2019, tax losses of HK$1,321,000 (2018: HK$4,584,000) originated from the PRC entities were expired. Other losses may be carried forward indefinitely.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation was provided in the consolidated financial statements in respect of temporary differences of HK$2,381,000 (2018: nil) which arises from the undistributed profits of certain PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

21. SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Ordinary shares with nominal value of HK$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	10,000,000	100,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018	330,054	3,301
Issue of ordinary shares *(note)*	8,100	81
At 31 March 2019	338,154	3,382

Note: On 1 February 2019, 8,100,000 share options are exercised by the grantees at the exercise price of HK$1.148 each with the consideration received by the Company of HK$9,298,000.

22. 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.

22. 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.

On 19 October 2018, an aggregate of 32,520,000 share options with an exercise price of HK$0.636 per share are granted by the Company to directors, eligible employees and consultants. The share options granted are fully vested on 31 December 2018 and became exercisable from 1 January 2019 to 18 October 2028.

The fair values of the share options granted on 9 March 2018 and 19 October 2018 are calculated using the Binomial model. The inputs into the models are as follows:

Grant date	9 March 2018	19 October 2018
Stock price	HK$1.14 per share	HK$0.61 per share
Exercise price	HK$1.148 per share	HK$0.636 per share
Risk-free rate	2.09%	2.47%
Expected dividend yield	0%	0%
Expected volatility	56.09%	51.88%
Expiry date	8 March 2028	18 October 2028
Time to maturity	10 years	10 years

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

22. SHARE OPTIONS SCHEME AND WARRANTS (Continued)

Share options scheme (Continued)

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

The New Share Option Scheme

(a) Share options granted on 9 March 2018

				Number of options					
Grantee	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 April 2017	Granted during the year	Outstanding at 31 March 2018	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2019
Employees	9 March 2018	1.148	1 July 2018 to 8 March 2028	–	9,000,000	9,000,000	(2,000,000)	(4,200,000)	2,800,000
Consultants	9 March 2018	1.148	1 July 2018 to 8 March 2028	–	7,000,000	7,000,000	–	(3,900,000)	3,100,000
				–	16,000,000	16,000,000	(2,000,000)	(8,100,000)	5,900,000
Exercisable at the beginning/end of the year				–		–			300,000
Weighted average exercise price				–	HK$1.148	HK$1.148	HK$1.148	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 2019, the Group recognises the total expense of HK$6,828,000 (2018: HK$820,000) in relation to these share options.

In respect of the share options exercised during the year ended 31 March 2019, the weighted average share price at the dates of exercise was HK$1.11 per share (2018: nil).

22. SHARE OPTIONS SCHEME AND WARRANTS (Continued)

The New Share Option Scheme (Continued)

(b) Share options granted on 19 October 2018

Grantee	Date of grant	Exercise price HK$	Exercisable period	Number of options: Outstanding at 1 April 2018	Granted during the year	Outstanding at 31 March 2019
Directors	19 October 2018	0.636	1 January 2019 to 18 October 2028	–	7,920,000	7,920,000
Employees	19 October 2018	0.636	1 January 2019 to 18 October 2028	–	22,600,000	22,600,000
Consultants	19 October 2018	0.636	1 January 2019 to 18 October 2028	–	2,000,000	2,000,000
				–	32,520,000	32,520,000
Exercisable at the beginning/ end of the year				–		32,520,000
Weighted average exercise price				–	HK$0.636	HK$0.636

The estimated fair value of share options granted on 19 October 2018 is HK$9,793,000.

During the year ended 31 March 2019, the Group recognises a total expense of HK$9,793,000 (2018: N/A) in relation to these share options.

22. 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** HK$	**Exercisable period**	**Outstanding at 1 April 2017**	**Granted during the year**	**Outstanding at 31 March 2018**	**Lapsed during the year**	**Outstanding at 31 March 2019**
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	(24,000,000)	–
Weighted average exercise price				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 a total expense of HK$1,956,000 in relation to these warrants and they were fully vested.

23. ACQUISITION OF A SUBSIDIARY

On 28 September 2018, the Group established an entity, namely 南京建展新能源科技研發有限公司 ("南京建展"), in the PRC with other three independent investors. 南京建展 is engaged in the solar energy business. The Group held 42% equity interest in 南京建展 by contributing a capital of RMB420,000 into it and it was, therefore, regarded as an associate of the Group. In January 2019, the Group entered into an agreement of acting in concert with two of the investors. Pursuant to the agreement, all the decisions to be made by these two investors in the shareholders' and board of directors' meetings should be in consistent with that of the Group for a period of 50 years from the date of the agreement. The Group, therefore, obtained the control on 南京建展 without changes in its shareholding on the date the agreement of acting in concert was signed.

Assets and liabilities recognised at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	1,787
Other receivables and prepayments	1,041
Bank balances and cash	195
Other payables and accruals	(2,200)
	823
Less: Non-controlling interests acquired	(477)
Interest in an associate derecognised	(346)
Total consideration	–

24. 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.

There are defined contribution retirement plans established in the United States for all domestic employees who meet certain eligibility requirements as to age and length of service.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK$553,000 (2018: HK$302,000) represents contributions paid to the schemes by the Group at rates specified in the rules of the schemes.

25. 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 debt, which includes loans from a controlling shareholder as disclosed in note 19, and 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.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	–	82,245
Amortised cost	90,860	–
Financial liabilities		
Amortised cost	153,661	75,629

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, structured deposit, bank balances and cash, trade payables, 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's fair value interest rate risk relates primarily to loans from a controlling shareholder. The Group has not used any derivatives to hedge against the risk as the directors of the Company consider that the Group's exposure to fair value interest rate risk is not significant.

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 Group 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.

26. 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$ and US$ for the group entities with either 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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Functional currency as US$ against HK$	**16**	1,196	**(514)**	–
Functional currency as RMB against HK$	**259**	9,871	**(5,794)**	(3,611)
Functional currency as RMB against US$	**3,229**	–	**(84)**	–

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 with US$ as its functional currency and 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$ increases/decreases against RMB by 5%, with all other variables held constant, the Group's post-tax loss for the year would increase/decrease by HK$277,000 (2018: decrease/increase by HK$313,000). If US$ increase/decrease against RMB by 5% with all other variables held constant, the Group's post-tax loss for the year would decrease/increase by HK$157,000 (2018: nil). 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.

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Under HKAS 39, impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach on trade receivables and contract assets to assess for ECL prescribed by HKFRS 9. To measure ECL of trade receivables and contract assets, the Group applies internal credit rating for its customers and they are assessed individually by reference to past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position. The ECL rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for examples, the current and forecasted global economy and demand for jewelry and solar energy products which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

Based on the assessment performed by the management of the Group, it is considered that the ECL for trade receivables and contract assets, which are determined on debtor by debtor basis, is insignificant as at 1 April 2018 and 31 March 2019. As disclosed in note 15, all trade receivables as at 31 March 2019 are aged within the credit period and, together with the monitoring procedures, careful determination of credit limits and continuous repayment records on these customers, the directors of the Company are of the opinion that the Group's credit risk is not material.

The Group has concentration of credit risk on the trade receivables. As at 31 March 2019, 39% (2018: 53%) of trade receivables is due from the one debtor and 99% (2018: 100%) of trade receivables is due from the highest five debtors (2018: four debtors). The directors of the Company are of the opinion that the credit risk in respect of these customers are not material as continuous repayments from these customers were noted during the year.

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other financial assets at amortised costs

For other receivables, the management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 April 2018. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of the other receivables. The directors of the Company considered that the ECL for other receivables, which are determined on debtor by debtor basis, is insignificant as at 1 April 2018 and 31 March 2019 taking into account of repayment history and loss given default.

The bank balances are placed in various authorised financial institutions either with high credit ratings or good financial background and the directors of the Company consider the credit risk of such authorised financial institutions is low.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	*Notes*	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amount** HK$'000
Financial assets at amortised cost					
Trade receivables – goods and services	15	N/A	Low risk	Lifetime ECL (not credit impaired and assessed individually)	24,729
Other receivables	15	N/A	Low risk	12m ECL (not credit impaired and assessed individually)	664
Contract assets	16	N/A	Low risk	Lifetime ECL (not credit impaired and assessed individually)	3,704
Bank balances	17	A1 to Baa2	N/A	12m ECL (not credit impaired and assessed individually)	65,467
					94,564

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate % per annum	On demand HK$'000	Less than 1 year HK$'000	1 to 2 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2019						
Trade payables	–	–	8,311	–	8,311	8,311
Other payables	–	–	38,621	–	38,621	38,621
Loans from a controlling shareholder	4.75	–	–	116,134	116,134	106,729
		–	46,932	116,134	163,066	153,661

	Weighted average interest rate % per annum	On demand HK$'000	Less than 1 year HK$'000	1 to 2 years 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

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.

27. RECONCILIATION OF A LIABILITY ARISING FROM FINANCING ACTIVITIES

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

	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
Finance costs recognised	1,063
Adjustment to shareholder's contribution reserve	(10,468)
Financing cash flows *(note)*	49,236
Exchange difference	(4,620)
At 31 March 2019	106,729

Note: Financing cash flows represent net cash flows of proceeds received from a controlling shareholder and repayments to a controlling shareholder.

28. 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:

	2019 **HK$'000**	2018 HK$'000
Within one year	**2,475**	2,189
In the second to fifth year inclusive	**3,119**	5,402
	5,594	7,591

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

29. RELATED PARTY TRANSACTIONS

(i) Transactions

Saved as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with its related parties during the year:

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

	2019 **HK$'000**	2018 HK$'000
Sales of solar energy products to a related company *(note)*	**–**	429

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

(ii) Compensation of key management personnel

The remuneration for key management personnel of the Group, including amounts paid to the executive directors of the Company as disclosed in note 9 is as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**4,697**	5,958
Post employment benefits	**212**	268
Equity-settled share-based payments	**3,231**	–
	8,140	6,226

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

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company as at 31 March 2019 and 2018 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
			2019	2018	**2019**	2018	
First Corporate International Limited*	British Virgin Islands ("BVI")	HK	**US$1**	US$1	**100%**	100%	Investment holding
Nation Power Group Limited*	BVI	HK	**US$100**	US$100	**100%**	100%	Investment holding
Sinoble Jewelry Limited	Hong Kong	HK	**HK$1**	HK$1	**100%**	100%	Jewelry business for purchase and distribution of jewelry
廣州億恒珠寶有限公司 *(Note 4)*	The PRC	The PRC	**HK$15,000,000**	HK$15,000,000	**100%**	100%	Jewelry business for purchase and distribution of jewelry
Guo Rong Holdings Limited	Hong Kong	HK	**HK$1**	HK$1	**100%**	100%	Cost center for other group entities
Global Fortune Investment Limited*	Republic of Seychelles	HK	**US$1**	US$1	**100%**	100%	Investment holding
寧波升谷節能科技有限公司 *(Note 4)*	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
余姚市億恆太陽能科技有限公司 *(Note 4)*	The PRC	The PRC	**RMB60,000**	RMB60,000	**100%**	100%	Solar energy business for manufacturing and distribution of solar energy products

30. PARTICULARS OF PRINCIPAL 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
			2019	2018	**2019**	2018	
Asia ET Environment Protection Holding Co., Limited	Hong Kong	HK	**HK$10,000**	HK$10,000	**100%**	100%	Solar energy business for purchase and distribution of solar energy products
Effective Success Limited*	Republic of Seychelles	HK	**US$1**	US$1	**100%**	100%	Investment holding
NEF Power Inc. *(Note 3)*	United States	United States	**US$200,000**	–	**100%**	–	Solar energy business for purchase and distribution of solar energy products
NEF Power (Taizhou) Co., Ltd (北能電氣(泰州)有限公司) ("NEF Taizhou") *(Notes 1 & 3)*	The PRC	The PRC	**RMB1,000,000**	–	**51%**	–	Solar energy business for manufacturing and distribution of solar energy products
南京建展新能源科技研發有限公司 *(Notes 2 & 3)*	The PRC	The PRC	**RMB1,000,000**	–	**42%** ***(Note 23)***	–	Solar energy business for manufacturing and distribution of solar energy products

* Directly held by the Company.

Notes:

(1) This entity is established in the PRC in form of a limited liability company (Taiwan, HK or Macau and domestic joint venture)

(2) This entity is established in the PRC in form of a limited liability company

(3) This entity is newly set up during the year ended 31 March 2019.

(4) This entity is established in the PRC in form of a wholly foreign owned enterprise.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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

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

The PRC subsidiaries maintained RMB denominated bank balances. The remittance of these funds out of the PRC is subject to exchange restriction imposed by the PRC government.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in HK. The principal activities of these subsidiaries are either investment holding or inactive.

31. DETAILS OF A NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
NEF Taizhou	Incorporated and operating in the PRC – Taizhou	**49%**	–	**990**	–	**1,557**	–
An immaterial subsidiary with non-controlling interests				**9**	–	**486**	–
				999	–	**2,043**	–

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below.

The summarised financial information below represents amounts show in NEF Taizhou's financial statements prepared in accordance with HKFRSs before intragroup elimination.

31. DETAILS OF A NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS (Continued)

NEF Taizhou

	2019 HK$'000
Current assets	5,700
Non-current assets	505
Current liabilities	(3,028)
Equity attributable to owners of the Company	1,620
Non-controlling interests of NEF Taizhou	1,557

	2019 HK$'000
Revenue	18,583
Expenses	(16,563)
Profit for the year	2,020
Profit attributable to owners of the Company	1,030
Profit attributable to non-controlling interests of NEF Taizhou	990
Profit for the year	2,020
Other comprehensive expense attributable to owners of the Company	(1)
Other comprehensive expense attributable to non-controlling interests of NEF Taizhou	(1)
Other comprehensive expense for the year	(2)
Total comprehensive income attributable to owners of the Company	1,029
Total comprehensive income attributable to non-controlling interests of NEF Taizhou	989
Total comprehensive income for the year	2,018
Net cash inflows from operating activities	51
Net cash outflows from investing activities	(523)
Net cash inflows from financing activities	958
Net cash flows	486

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	–	–
Amounts due from subsidiaries	29,654	–
	29,654	–
Current assets		
Deposits	8	90
Amounts due from subsidiaries	1,235	23,930
Bank balances	253	320
	1,496	24,340
Current liabilities		
Other payables and accruals	624	612
Loan from a controlling shareholder	–	3,000
	624	3,612
Net current assets	872	20,728
Non-current liability		
Loans from a controlling shareholder	5,170	–
Net assets	25,356	20,728
Capital and reserves		
Share capital *(Note 21)*	3,382	3,301
Reserves *(note)*	21,974	17,427
Total equity	25,356	20,728

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

Note:

Movement in the Company's reserves

	Share premium	Contributed surplus	Share options reserve	Warrants reserve	Shareholder's contribution reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	151,578	22,666	–	21,155	–	(164,018)	31,381
Loss and total comprehensive expense for the year	–	–	–	–	–	(16,730)	(16,730)
Recognition of equity-settled share-based payments *(Note 22)*	–	–	820	1,956	–	–	2,776
At 31 March 2018	151,578	22,666	820	23,111	–	(180,748)	17,427
Loss and total comprehensive expense for the year	–	–	–	–	–	(21,858)	(21,858)
Issue of ordinary shares upon exercise of share options *(Note 21)*	13,787	–	(4,570)	–	–	–	9,217
Recognition of equity-settled share-based payments *(Note 22)*	–	–	16,621	–	–	–	16,621
Forfeiture of share options	–	–	(281)	–	–	281	–
Lapse of warrants	–	–	–	(23,111)	–	23,111	–
Deemed capital contribution from a controlling shareholder	–	–	–	–	567	–	567
At 31 March 2019	165,365	22,666	12,590	–	567	(179,214)	21,974

33. PLEDGE OF ASSETS

As at 31 March 2019, the Factory with the carrying amount of HK$52,110,000 and a parcel of land with the carrying amount of HK$11,091,000 are pledged to the Landlord as collateral for the consideration payable of HK$33,641,000 in relation to the acquisition of the Factory and the parcel of land. Details of the acquisitions are set out in note 15.

34. EVENTS AFTER THE END OF THE REPORTING PERIOD

Saved as disclosed in elsewhere in these consolidated financial statements, the Group has the following event after the end of the reporting period:

On 31 May 2019, the Group, as a lessor, entered into a lease agreement with Magna Seating (Taizhou) Co., Ltd* (麥格納座椅(台州)有限公司) ("Magna Seating"), as a lessee. Pursuant to the lease agreement, the Group shall rent certain areas of the Factory to Magna Seating for a lease period of fifty-two months, commencing from 1 June 2019 to 30 September 2023. Details of this transaction are set out in the Company's announcement dated on 31 May 2019.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**148,623**	28,106	10,222	17,765	57,092
Loss before taxation	**(34,403)**	(23,099)	(37,941)	(36,806)	(22,154)
Income tax	**(203)**	–	–	–	–
Loss for the year	**(34,606)**	(23,099)	(37,941)	(36,806)	(22,154)
(Loss) profit for the year attributable to:					
Owners of the Company	**(35,605)**	(23,099)	(37,941)	(36,806)	(22,154)
Non-controlling interests	**999**	–	–	–	–
	(34,606)	(23,099)	(37,941)	(36,806)	(22,154)

ASSETS AND LIABILITIES

	At 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**76,092**	13,777	2,091	1,279	2,384
Current assets	**107,470**	89,700	43,889	72,600	35,457
Current liabilities	**(48,924)**	(76,546)	(1,850)	(2,610)	(12,351)
Net current assets	**58,546**	13,154	42,039	69,990	23,106
Total assets less current liabilities	**134,638**	26,931	44,130	71,269	25,490
Non-current liabilities	**(106,755)**	–	–	–	–
Net assets	**27,883**	26,931	44,130	71,269	25,490