中發展控股有限公司
Central Development Holdings Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 00475

ANNUAL REPORT
2019/20

CONTENTS

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
Mr. Jin Qingjun
Ms. Sun Ivy Connie

AUDIT COMMITTEE

Mr. Wu Chi Keung *(Chairman)*
Mr. Jin Qingjun
Ms. Sun Ivy Connie

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. Sun Ivy Connie

COMPANY SECRETARY

Mr. Chow Chi Shing

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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178 Gloucester Road
Wanchai Hong Kong

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Angela Ho & Associates

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

COMPANY WEBSITE

www.475hk.com

STOCK CODE

475

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board" or "Directors") of Central Development Holdings Limited (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 2020 (the "Current Year").

The Current Year was a challenging year. The international operating environment became increasingly complicated due to the global trade tensions. Since the beginning of 2020, the COVID-19 ("Novel Coronavirus Pneumonia") outbreak has worsened the situation, and it affected the economic and operating conditions of different industries worldwide in varying scales. Facing the complicated and uncertain global economic environment, the Group's total revenue declined by approximately 25.6% to approximately HK$110.6 million for the Current Year (2019: HK$148.6 million) as compared to the year ended 31 March 2019 (the "Previous Year").

The global demand for energy however remains on an uptrend and the renewable energy emerges as one of the largest sources of energy growth. Revenue of the solar energy segment of the Group increased rapidly by more than double in the first half of the Current Year as compared with the corresponding period in the Previous Year, thanks to our concerted efforts on diversifying our products and expanding our distribution channels. However, the COVID-19 pandemic led to an overall decline in sales orders of our solar intelligent technology products in the People's Republic of China (the "PRC") and the United States of America (the "U.S."), given the weaker-than-expected market conditions and the continuing escalated trade conflicts.

In the Current Year, the ongoing trade tensions and the socio-political events in Hong Kong led to reduced tourist traffic, weakened local consumption and periodic disruption of shop operations which severely impacted the business of our customers for our jewelry business. The COVID-19 pandemic made matter worse. The nationwide spread of the pandemic resulted in the suspension of social and economic activities in most cities across the PRC and Hong Kong, even the norm for a strong Chinese New Year seasonal sales was severely impacted.

Going forward, the Group will continue to develop our expanding solar energy business, including to focus on the developing new sales targets and expanding existing sales channels, together with research and development of products for seizing more potential use of patent rights. The Group will also look to widen our business reach and further expand the customer network in parallel to forging alliances with strategic partners for new developments.

Meanwhile, our operation has gradually resumed normal given the recent positive and improving trends. The development of COVID-19 still remains uncertain, we will closely monitor the market and implement timely measures in order to cope with the volatile business environment and minimize risks.

On behalf of the Board, I would like to sincerely 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 dedicated efforts and commitment to the Group in the past year.

Wu Hao
Chairman and Executive Director

Hong Kong, 24 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2020, 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 focus on developing and expanding the solar energy business in the PRC and other regions with its proprietary technology products. 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 decreased by approximately 18.3% from approximately HK$99.7 million for the Previous Year to approximately HK$81.5 million for the Current Year. Revenue attributable to the PRC market accounted for 5.8% (2019: 91%) of the overall segment sales, while other regions, including Hong Kong, accounted for 94.2% (2019: 9%).

In the past few years, the Group had successfully established connections with a number of practitioners and potential partners in the industry of solar photovoltaics energy product, including an innovative Swedish clean technology enterprise, and obtained many patent use rights which can be applicable in different applications and which helped to enrich our product types over the past few years. Products with the support of these patented technologies would not only guarantee innovativeness but also enable the Group to explore and enter into new markets outside the PRC.

During the Current Year, the Group had utilized the rights of patented technologies to not only develop its own solar energy intelligent technology products, but also to produce customised solar modules intelligent technology products and new energy smart DC inverter products which could be applied in solar power stations by low-cost OEM. Compared to traditional string inverters, our micro-inverters had the advantages of higher efficiency, safer, simpler design and installation, and easier monitoring. Our products are, among the newest generation of products, aligned with the latest development trend of the industry. On the other hand, the Group had carried out research and development projects and had conducted production and sales of micro-inverter, power optimization device and rapid switchgear, which helped expand our business scale of solar photovoltaic modules progressively. The varieties of products as well as the business portfolio of the Group were thus further enhanced.

Although the Group had proactively increased its strategic investments in the solar energy business in the PRC during the past year, aiming to seize the growth in the solar energy industries in the PRC, selling prices of the market's products were lowered in face of an increasing market competition. On one hand, the PRC's photovoltaic power subsidy policy was introduced later than expected, resulting in a year-on-year decrease in the domestic photovoltaic installation in the PRC. On the other hand, the growth rate of other international markets was higher than expected. Therefore, the revenue structure has been shifted from the PRC to Hong Kong and the overseas markets in the Current Year.

In light of satisfying diversified international market demands for solar photovoltaics energy products, the Group had liaised and cooperated with an advanced solar energy solution provider and several OEM in the Current Year. With offices in Taizhou City and Nanjing City, the provider and OEM had offered a convenient and spacious room for the Group's supply chain to expand its market shares for solar intelligent technology products in emerging economies such as Indonesia, which fully integrated the advantages and resources with potential business partners to create greater commercial values. Revenue of the solar energy segment increased by approximately 284.6% in the first half of the Current Year comparing with the corresponding period in the Previous Year, thanks to the Group's concerted efforts in diversifying products and expanding distribution channels. However, the continuingly escalated trade conflicts between the PRC and the U.S. has greatly complicated international business environment. Amid the global trade tensions, the outbreak of the COVID-19 pandemic has led to a weaker-than-expected market condition globally, resulting in a decline in sales orders of our solar intelligent technology products from the PRC and the U.S.

The Group believes that the launch of new hardware and software through the R&D and testing centre will enable us to maintain our long-term advantage in the midst of economic instability and a more diversified market demand in the future. During the Current Year, our research and development team has designed an intelligent energy management platform for the real-time full control and automatic operation, as well as a big data platform for the maintenance of solar photovoltaic power stations. This patented software system, which is fully prepared to be launched, can greatly improve the power generation efficiency and reduce the operation and maintenance costs. The R&D team has also developed energy storage products and systems to support the growing demand for user-side energy storage used in distributed power stations from customers. At the same time, the R&D and testing centre in Jiangsu Province had released part of the unused production capacities planned to be used by the Yuyao Factory for R&D and testing purposes. Such part can therefore be leased to third parties and can thus generate stable rental income for the Group and optimize its asset value.

The Group also provides services such as energy efficiency analysis, technical improvement consultation and quality testing for external customers. With the spread of the COVID-19 pandemic across the world, governments of various countries have taken lock-down measures. As a result, constructions of solar photovoltaic project sites in different regions had either been delayed or suspended. Many existing customers and potential customers are facing with a potential adjustment of construction time for ground-mounted power plants. Given the postponement of the installation and construction stages of distributed projects, it had resulted in a significant decrease in demand for high-margin consulting services during the Current Year, which had subsequently led to a decrease in the overall gross profit for the Group as well.

Our sales and marketing teams had actively participated in both local and international trade fairs and exhibitions during the Current Year, promoting the Group's profile and increasing its brand exposures in places such as Shanghai, Germany, Brazil and the Philippines. For instance, we had been engaging in the International Photovoltaic Power Generation and Smart Energy Exhibition & Conference held in Shanghai and the Intersolar Europe held in Munich, Germany.

Besides, during the Current Year, the Group's wholly-owned subsidiary Ningbo Shenggu Energy Reservation Technology Co., Ltd. (寧波升谷節能科技有限公司) ("NSERT") had entered into a lease agreement (the "Lease Agreement") with Magna Seating (Taizhou) Co., Ltd* (麥格納座椅(台州)有限公司) (the "Lessee"), pursuant to which the Lessee shall rent from NSERT the factory No. 2 and the second floor of the staff dormitory (including the staircase in the west side and security room on the first floor) of the factory located in No. 61, Haichao Road, Sino-Italy Ningbo Ecological Park, Yuyao, Zhejiang Province, the PRC (the "Yuyao Factory"), a total floor area of approximately 7,962.87 square meters, for a lease period of fifty-two months, commencing from 1 June 2019 to 30 September 2023. The monthly rent (tax included) for the first to 16th month was amounted to RMB127,405.92 (tax included). The monthly rent (tax included) for the 17th to 52th month was amounted to RMB143,331.66 (tax included). Please refer to the announcement of the Company dated 31 May 2019 for details. The receipt of the rental income would enhance the working capital of the Group which we believe is in the best interest of the Company and the shareholders as a whole.

Jewelry Business

During the Current Year, the Group continued to engage in providing products to jewelry distributors and retail customers. However, due to a decline of sales volume in both Hong Kong and the PRC, the revenue generated from the jewelry business decreased by approximately 40.4% from approximately HK$48.9 million for the Previous year to approximately HK$29.2 million for the Current Year. The sales in Hong Kong accounted for approximately 46.7% (2019: 41%) of the overall segment sales while that of the PRC accounted for approximately 53.3% (2019: 59%).

Nevertheless, the ongoing Sino-US trade tensions and the socio-political incidents in Hong Kong since June 2019 had resulted in a reduced tourist traffic, weakened local consumption and a periodic disruption of shop operations, severely affecting the businesses of our customers. In January 2020, the nationwide spread of the COVID-19 pandemic has led to the suspension of social and economic activities in most cities across the PRC and Hong Kong. The expected strong pre-Chinese New Year sales were also faded by the outbreak, while industries such as wholesale and retailing, logistics and transportation, and tourism suffered the largest losses. A downward trend on the sales of our jewelry business was resulted. We will continue to enhance the quality of our customer services and explore new business opportunities through participating in future jewelry trade fairs and exhibitions. On the other hand, we have implemented concrete cost control measures by freezing headcounts and reprioritising marketing spending.

Despite the aforementioned setbacks, in an objective to maintain new business initiatives and to seek new customers, we had been participating in jewelry exhibitions held in Hong Kong and Shenzhen, such as the Hong Kong Jewellery & Gem Fair held in June and September 2019. A number of major international jewelry trade shows were however cancelled or postponed due to the pandemic. The outbreak in the PRC and Hong Kong had also resulted in the limitations and restrictions of business travels of our salespersons, general staff and senior managers in moving across the border between Hong Kong and the PRC, within the PRC, or in between a number of overseas countries. Furthermore, due to the extensive travelling restrictions, overseas jewelry buyers had to cancel their trips to Hong Kong and the PRC, which had therefore led to a significantly reduction of opportunities for the Group to reach out to potential customers and to gain new businesses. Moreover, the prolonged local social unrest in Hong Kong since last year had greatly dampened our consumers' sentiment and had led to a lower demand for jewelry products.

Despite so, thanks to our long-established relationship with the suppliers, our products supply remained stable while the procurement costs could be maintained at a steady rate, reducing the effects on the profit margin. Furthermore, the Group has been making plans to expand its jewelry business to the e-commerce sector and to negotiate with any potential e-commerce operations solution providers, so as to widen our sales channel.

PROSPECTS

Solar Energy Business

At present, renewable energy accounts for approximately two-third of the global power generation growth, while solar photovoltaic energy is expected to become the largest energy source by 2040. According to the International Energy Agency (IEA) Report, it is expected that the global installed capacity of solar photovoltaic power generation will increase by nearly 600GW within the next five years before 2023, and the total installed capacity is expected to gradually surpass wind power, hydropower and coal-fired power. In addition, with the rise of emerging photovoltaic markets in Southeast Asia, the global market will become more decentralized and will therefore drive a significant increase in the export volume from the Chinese solar photovoltaic manufacturing enterprises.

Although our overseas solar photovoltaic business, especially in the emerging markets, has been adversely affected by the epidemic, the Group is adjusting its marketing strategies in a timely manner to promote business growth. First of all, we plan to expand both our domestic and overseas customer base and to bolster our market shares by increasing our participations in major global solar exhibitions and industry forums, as to allow potential overseas customers to better understand our intelligent and efficient products. Secondly, we plan to invest further in R&D, to reserve more production technologies and to work closely with strategic partners in developing new products that cater to the latest market demands for advanced technology services and solutions. This includes the introduction of a user-side energy storage product used in solar distributed power stations that we are soon launching in the market. We are actively considering looking for a lower-rent plant in Taizhou City that is capable of allowing us to transfer part of our production and combine it with R&D, thereby further reducing operating costs and building a more efficient supply chain network with solar energy solution providers and OEM. Given the extensive experience and network of our partners, the Group will strive to develop, provide and produce more diversified products and solutions. With the increasing numbers of patented intelligent technology products, the Group aims to open more business channels both locally and globally so as to increase its market share.

While continuing to negotiate with customers in the U.S., Australia, Europe, Africa, India, the Middle East and Southeast Asia, the Group will also search for strategic partners to jointly develop, produce and provide new products and solutions including customised solar modules intelligent technology products, new energy smart DC inverter products applicable on solar power stations and other intelligent technology products. In the second quarter of 2020, when the epidemics in the PRC, Hong Kong and various emerging markets in Southeast Asia are under a considerable degree of control, we have begun the supplying of products to India in the requests of our customer. We have also received sales intent orders from other customers as well. Moreover, the Group will be allocating more resources in improving the qualities of our products by ways of performing solar energy efficiency and effectiveness analysis as well as quality control testing on solar energy intelligent technology products.

Jewelry Business

While the Sino-US trade war persists, alongside with the economic instability in Hong Kong as a result of the COVID-19 pandemic and the ongoing social conflicts, it is believed the growth of the Group's businesses in the Hong Kong market will be halted in the near term. The jewelry business will continue to be adversely impacted if the situation deteriorates. Despite the aforementioned factors of both the unfavourable business environment as well as an increasing market competition, the Group endeavors to address the negative impacts by keeping a close watch on business operations, controlling costs and reducing unnecessary expenses.

In addition, the Group will step up its efforts in exploring new markets or brands in other regions, developing a variety of products with diverse styles and specifications, adding product choices, offering more options for customer orders to cater to the latest market preferences and expanding into other sales channels, such as online distributors and third-party distributors. Apart from maintaining our solid customer base in Hong Kong, we will continue to search for suitable partnership to diversify our product portfolio.

The Group will continuously monitor and review our business operations for the purpose of formulating business plans and strategies for our future business development. Should any suitable investment or business opportunities arise, we may consider diversifying our business with an objective to broaden our income source.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Year was approximately HK$110.6 million, representing a decrease of approximately 25.6% as compared to approximately HK$148.6 million for the Previous Year. The decrease was mainly the result of the decrease in sales volume of both jewelry business and solar energy business.

Revenue of the solar energy business decreased by approximately 18.3% from approximately HK$99.7 million for the Previous Year to approximately HK$81.5 million for the Current Year. It was primarily attributable to the decline in sales orders of our solar intelligent technology products in the PRC and the U.S. due to the COVID-19 outbreak as well as the continuing escalated trade conflicts between the PRC and the U.S..

Revenue of the jewelry business decreased by approximately 40.4% from approximately HK$48.9 million for the Previous Year to approximately HK$29.2 million for the Current Year due to the weak consumption sentiment of customers and fewer meeting opportunities with potential buyers caused by the outbreak of COVID-19 as well as the social unrest in Hong Kong during the Current Year. The prolonged Sino-US trade tension has also continually affected the market of our jewelry products since last year.

Cost of Sales and Gross profit

Cost of sales of the Group for the Current Year was approximately HK$106.8 million, representing a decrease of 22.5%, as compared to approximately HK$137.9 million for the Previous Year. Gross profit decreased from approximately HK$10.8 million for the Previous Year to approximately HK$3.8 million for the Current Year, representing a decrease of approximately 64.3%. The decrease was mainly attributable to the decrease in the gross profit derived from the solar energy business segment from approximately HK$8.6 million for the Previous Year to approximately HK$2.6 million for the Current Year.

Meanwhile, gross profit margin decreased from 7.2% for the Previous Year to 3.5% for the Current Year. The decrease was primarily attributable to the decrease in the customer's order of the provision of energy efficiency analysis and technical improvement advisory services on solar energy projects, which was in high gross profit margins, because our downstream customers has delayed or suspended their works at the solar photovoltaic project sites after the government of various countries has imposed the control orders since the outbreak of COVID-19 and certain obsolete and worn out inventories had been written down during the Current Year.

Other income

Other income increased from approximately HK$0.8 million for the Previous Year to approximately HK$3.2 million for the Current Year, representing an increase of approximately 303.6%, which was mainly attributable to rental income arising from the Lease Agreement.

Other gains and losses, net

The Group recorded net other losses of approximately HK$6.6 million for the Current Year (2019: net other gains of approximately HK$0.6 million). The change was mainly attributable to the net foreign exchange losses of approximately HK$0.5 million recorded for the Current Year (2019: net foreign exchange gains of approximately HK$0.6 million), a gain from change in fair value of investment properties of approximately HK$0.1 million was recorded for the Current Year (2019: Nil) and write-offs on trade receivables amounted to approximately HK$6.2 million for the Current Year (2019: Nil) as those receivables were not expected to be recoverable. The management of the Group has sought legal advice and would take legal actions to recover the receivables where appropriate. The Group will continue to conduct regular review of the debtors' repayment histories, resources and financial capabilities to ensure the ability of repayment within the credit period.

Selling and distribution costs

Selling and distribution costs increased from approximately HK$2.8 million for the Previous Year to approximately HK$6.2 million for the Current Year, representing an increase of approximately 121.6%, which was primarily attributable to the increase in exhibition and marketing activities and recruiting additional sales and marketing staff after the expansion of our distribution and market networks during the Current Year.

Administrative expenses

Administrative expenses decreased slightly from approximately HK$25.9 million for the Previous Year to approximately HK$25.1 million for the Current Year, representing a decrease of approximately 3.1%, which was mainly attributable to the combined effect of implementation of tightened cost control and increased depreciation charges derived from right-of-use assets recorded in the Current Year.

Other expenses

Other expenses amounted to approximately HK$3.2 million (2019: Nil) mainly represented the expenditure on research and development of solar intelligent technology products in development stage and the pre-operating expenses incurred in a newly set up subsidiary in Changzhou city of Jiangsu province during the Current Year.

Equity-settled share-based payments

Equity-settled share-based payment decreased by approximately 94.9% from approximately HK$16.6 million for the Previous Year to approximately HK$0.8 million for the Current Year mainly due to the decrease in the amortized cost of share-based payment expenses in the Current Year in connection with the grant of share options.

Finance costs

Finance cost represented the imputed interest derived from the long term loans from a controlling shareholder amounted to approximately HK$4.9 million (2019: HK$1.1 million), the interest derived from lease liabilities amounted to approximately HK$0.2 million (2019: Nil) and the interest derived from the long term bank loan amounted to approximately HK$1.4 million for the Current Year (2019: Nil).

Share of result of an associate

Share of result of an associate in the Previous Year amounted to approximately HK$0.1 million represented the share of loss of a former associate. The Group did not have any associate in the Current Year.

Income tax expense

Income tax expense of the Group recorded for the Current Year amounting to approximately HK$0.1 million (2019: HK$0.2 million) mainly attributable to the provision of deferred tax expense arising from the Yuyao Factory during the Current Year.

Loss for the year attributable to the Owners of the Company

By reason of the factors as stated above and the loss shared by the non-controlling interests increased, the loss for the year attributable to the owners of the Company decreased from approximately HK$35.6 million for the Previous Year to approximately HK$33.5 million for the Current Year, representing a decrease of approximately 6.0%. Basic loss per share was 9.86 HK cents (2019: 10.75 HK cents).

Liquidity and Financial Resources

As at 31 March 2020, the Group had net current assets and current ratio stood at approximately HK$44.1 million and 2.4 respectively (31 March 2019: HK$58.5 million and 2.2 respectively). As at 31 March 2020, the bank balances and cash amounted to approximately HK$37.3 million (31 March 2019: HK$65.5 million). As at 31 March 2020, the inventories amounted to approximately HK$6.8 million (31 March 2019: HK$2.3 million), mainly representing the finished goods of solar thermal cooling-stored pipes and solar modules intelligent technology products. As at 31 March 2020, the net trade receivable and trade payable amounted to approximately HK$15.5 million and HK$14.8 million respectively (31 March 2019: HK$24.7 million and HK$8.3 million respectively), both of which were mainly derived from the solar energy business.

As at 31 March 2020, the Group had an interest-bearing bank borrowing amounted to approximately HK$25.9 million (31 March 2019: Nil) and bore an effective interest rates of 3.90% per annum, of which HK$2.1 million will be repayable within one year and HK$23.8 million will be repayable after one year. The bank borrowing was secured by the Group's assets, for details of the charges on Group's assets, please refer to the section headed "Charges On Group Assets" in the "Management Discussion and Analysis". Save as disclosed above, the Group has no other banking facilities (31 March 2019: Nil). As at 31 March 2020, the Group had interest-free loans due to a controlling shareholder of approximately HK$72.1 million (31 March 2019: HK$106.7 million) which will be repayable after one year and had interest-free loans due to a shareholder amounted to approximately HK$4.8 million (31 March 2019: Nil) which will be repayable within one year. The Group's gearing ratio as at 31 March 2020 was approximately 17.1% (31 March 2019: 0% (the Group had no interest-bearing borrowing as at 31 March 2019)), which was expressed as a percentage of total interest-bearing borrowings over total assets.

During the Current Year, 480,000 shares of the Company at par value of HK$0.01 each ("Share(s)"), 5,900,000 Shares and 27,730,000 Shares had been issued and allotted by the Company as a result of the exercise of share options at an exercise price of HK$0.94, HK$1.148 and HK$0.636 respectively. The aggregated gross proceeds of approximately HK$24.9 million were fully utilized as at 31 March 2020 as general working capital for the Group, including staff salary, inventory purchase and other operating expenditure, and repayment of shareholder loan.

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 shareholder and 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 2020 amounted to approximately HK$151.9 million (31 March 2019: HK$183.6 million) and approximately HK$130.2 million (31 March 2019: HK$155.7 million) respectively. The Group's debt ratio (which was expressed as a percentage of total liabilities over total assets) was approximately 85.7% as at 31 March 2020 (31 March 2019: 84.8%).

Charges on Group Assets

As at 31 March 2020, the buildings with carrying amounts of approximately HK$32.9 million (31 March 2019: HK$52.1 million), the right-of-use assets with carrying amounts of approximately HK$8.5 million (31 March 2019: HK$11.1 million under prepaid lease payment) and the investment properties with carrying amounts of approximately HK$22.2 million (31 March 2019: Nil), were pledged to a bank in the PRC as collateral security for a bank borrowing amounted to approximately HK$25.9 million.

Use of Proceeds from the Subscriptions

On 1 July 2015, the Group entered into the subscription agreements (the "Subscriptions") with seven independent investors, including a Swedish company, to allot and issue an aggregate of 42,000,000 new Shares of the Company to those seven 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, due to the delay in the occupation of the Yuyao Factory, 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 2020 are as below:

Proposed use of Net Proceeds	**Original planned use of the Net Proceeds** (Approximately) HK$'million	**Revised planned use of the Net Proceeds** (Approximately) HK$'million	**Actual use of the Net Proceeds up to 31 March 2020** (Approximately) HK$'million	**Unutilized balance as at 31 March 2020** (Approximately) HK$'million
Repayment of shareholder's loan	7.6	7.6	7.6	–
Development of solar energy business	50.0	40.0	40.0 *(Note 1)*	–
General working capital	17.1	27.1	27.1 *(Note 2)*	–
	74.7	74.7	74.7	–

Note 1: As at 31 March 2020, approximately HK$40.0 million was used (HK$1.4 million of which is proceeds brought forward from previous financial year of the Company) for the development of solar energy business, including approximately HK$21.0 million for acquiring the Yuyao Factory and respective land piece, 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, approximately HK$1.8 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 2020, 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.

Capital Commitments and Contingent Liabilities

As at 31 March 2020, the Group did not have any capital commitments (31 March 2019: Nil).

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

Employee and Remuneration Policy

As at 31 March 2020, the Group had a total of 67 employees (2019: 74). The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

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

Foreign Exchange Fluctuation and Hedges

The business operations of the Group's subsidiaries were conducted mainly in the PRC and Hong Kong with sales and purchases of the Group's subsidiaries denominated mainly in Hong Kong dollars, 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 2020, no forward foreign currency contracts are designated in hedging accounting relationships (2019: Nil).

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

There were 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

The Group did not have any plans for material investments and capital assets as at 31 March 2020.

DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. Wu Hao, aged 46, 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 46, 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 Shenghua 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 62, 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 (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. 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). He was also 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). 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.

NON-EXECUTIVE DIRECTORS

Mr. Li Wei Qi, Jacky ("Mr. Li"), aged 48, 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 63, 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 62, 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: 000016, 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 41, 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 40, 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 (the "Shareholder(s)").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Company and to safeguard the interest of the Shareholders.

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 2020 except for the deviation from code provisions A.6.7 and E.1.2 as explained below.

Code provision A.6.7

Under code provision A.6.7 of the CG Code, 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. Ms. Sun Ivy Connie, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 5 September 2019 (the "2019 AGM") due to sickness. Mr. Li Wei Qi, Jacky, a non-executive director, and Mr. Jin Qingjun, an independent non-executive Director, were unable to attend the 2019 AGM due to other work commitments.

Code provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Due to other urgent business commitment which, Mr. Wu Hao, chairman of the Board, must attend, Mr. Wu was not present at the 2019 AGM. The meeting was chaired by Mr. Chan Wing Yuen, Hubert, an executive Director and the chief executive officer of the Company, to ensure effective communication with the shareholders thereat.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, they confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2020.

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 Connie. Biographical details of the Directors are set out under the section headed "Directors and Company Secretary" on pages 14 to 16 of this annual report. The composition of the Board is in accordance with the requirement of rule 3.10 of the Listing Rules. There are three independent non-executive Directors and one of them has accounting professional qualification. One-third of the members of the Board are independent non-executive Directors. 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.

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 the Shareholders at the annual general meeting of the Company. Under the articles of association of the Company (the "Articles 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.

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 one 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 2019 AGM to answer questions. The attendance of each Director is set out as follows:

Name	Attendance/Number of meetings held during the tenure of directorship: Board meetings	General meetings
Executive Directors		
Mr. Wu Hao	4/4	0/1
Mr. Hu Yangjun	4/4	0/1
Mr. Chan Wing Yuen, Hubert	4/4	1/1
Non-executive Director		
Mr. Li Wei Qi, Jacky	4/4	0/1
Independent non-executive Directors		
Mr. Wu Chi Keung	4/4	1/1
Mr. Jin Qingjun	4/4	0/1
Ms. Sun Ivy Connie	4/4	0/1

MANAGEMENT FUNCTION

The 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(s) 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(s) 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 Articles of Association.

DELEGATION BY THE BOARD

The Board has set up three Board committees, namely the audit committee of the Company (the "Audit Committee"), the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee of the Company (the "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 2020.

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. Jin Qingjun	2/2
Ms. Sun Ivy Connie	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 2019 and interim report for the six months ended 30 September 2019 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 2019;

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. Reviewed the 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 2020 are set out in note 11 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; and

5. Recommended to the Board the granting of share options to a consultant 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, one meeting was 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	1/1
Mr. Chan Wing Yuen, Hubert	1/1
Ms. Sun Ivy Connie	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. Hu Yangjun and Mr. Chan Wing Yuen, Hubert as executive Directors and Mr. Jin Qingjun and Ms. Sun Ivy Connie as independent non-executive Directors;

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

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

6. Reviewed the terms of reference of the Nomination Committee.

NOMINATION POLICY

The Board has 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 the 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 the 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 the 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, subject to 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 the 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 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 and accrued in respect of audit and non-audit services provided by the external auditor, Messrs. Deloitte Touche Tohmatsu, for the year ended 31 March 2020 is as follows:

Nature of services	**Amount** HK$'000
Audit services	681
Non-audit services — Interim Review	183
Non-audit services — Others	18

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 2020.

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 2020. 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 44 to 49 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 a 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 2020, 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 2020, 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 2020, the internal audit team had completed a review on internal control for the year, period of reviews covered transactions carried out from 1 April 2019 to 31 March 2020. 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 2020, 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 2020, 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 treats all Shareholders equally and ensures that the Shareholders' rights are protected and every convenience is provided to them where practicable to enable the exercise of their rights. 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.

Shareholders' Rights to Convene an Extraordinary General Meeting

Under Article 58 of the Articles of Association, 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 of the Company 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.

Procedures for putting forward proposals at general meetings of the Company

Pursuant to Article 88 of the Articles of Association, no person, other than a Director retiring at the general meeting, shall, unless recommended by the Board for election, be eligible for election to the office of the Director at any general meeting, unless a notice in writing of the intention to propose a person for election as a Director signed by a Shareholder of the Company (other than the person to be proposed) and a notice in writing signed by that person of his willingness to be elected shall have been lodged at the Company's head office and principal place of business in Hong Kong at Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong. The period for lodgment of the notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If a Shareholder wishes to propose a person to stand for election as a Director, the biographical details of the person to be proposed as required by Rule 13.51(2) of the Listing Rules must also be lodged at the Company with the above written notices and the candidate should be evaluated by the Nomination Committee and the Board. The Company is required under Rule 13.73 of the Listing Rules to provide the information about the proposal, which the Board considered appropriate, in a supplementary circular or by way of an announcement not later than ten business days before the general meeting. If the above notices are received by the Company less than twenty-one days prior to the date of general meeting, the Company may need to consider the adjournment of the general meeting.

Procedures for making enquiries to the Board

Shareholders are encouraged to maintain direct communication with the Company. Shareholders may send their enquiries requiring the Board's attention to the company secretary of the Company 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 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 2020.

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 36 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 6 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2020 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 2020.

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 escalated trade conflict between the PRC and the U.S. and the outbreak of pandemic. 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 31 and 32 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 relationships 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 2020 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 50 to 131 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company is to be held on Thursday, 3 September 2020 (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, 31 August 2020 to Thursday, 3 September 2020 (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, 28 August 2020.

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 132 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 14 to the consolidated financial statements.

BORROWINGS

Details of the bank borrowings of the Group as at 31 March 2020 are set out in note 25 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in note 36 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 2020 and 2019.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2020, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 83.5% of the total sales of the Group and the largest customer included therein amounted to approximately 30.9%.

For the year ended 31 March 2020, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 80.2% of the total purchases of the Group and the largest supplier included therein amounted to approximately 30.3%.

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
Mr. Jin Qingjun
Ms. Sun Ivy Connie

According to the article 84(1) of the Articles of Association, Mr. Wu Hao, Mr. Li Wei Qi, Jacky, and Mr. Wu Chi Keung, 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:

Mr. Chan Wing Yuen, Hubert, an executive Director, retired as an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd, which shares are listed on the Stock Exchange (stock code: 6116) and The Shanghai Stock Exchange (stock code: 603157), with effect from 8 May 2020.

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

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions, Connected Transactions and Other Related Party 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 2020, none of the Directors and their respective associates (as defined in the Listing Rules) 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 2020, the interests and short positions of the Directors and their associates in the Shares, 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, 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 total issued Shares
Mr. Hu Yangjun	Interests of controlled corporation and personal interest	207,784,000[1]	–	207,784,000	55.82%
Mr. Wu Hao	Personal interest	6,036,000	–	6,036,000	1.62%
Mr. Chan Wing Yuen, Hubert	Personal interest	3,300,000	–	3,300,000	0.89%
Mr. Li Wei Qi, Jacky	Personal interest	2,736,000	330,000[2]	3,066,000	0.73%
Mr. Wu Chi Keung	Personal interest	–	330,000[2]	330,000	0.09%
Mr. Jin Qingjun	Personal interest	–	330,000[2]	330,000	0.09%

Notes:

(1) Mr. Hu Yangjun had a direct interest of 3,066,000 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 2020, 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 33,815,400 representing 10% of the number of issued shares of the Company as at the annual general meeting held on 5 September 2019 where a resolution for approving the refreshment of the Option Scheme Limit was passed and approximately 9.08% 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 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 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 Share Option Scheme has a life of 10 years and will expire on 8 September 2026.

During the year ended 31 March 2020, the Company has granted 480,000 share options to a consultant of the Company at the exercise price of HK$0.94 per option. On 31 March 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 4,790,000 (31 March 2019: 38,420,000), representing 1.29% (31 March 2019: 11.36%) of the shares of the Company in issue at that date, further details are disclosed in note 28 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 2020 are as follows:

Category of eligible participants	Number of share options: At 1 April 2019	Granted during the year	Exercised during the year[7]	Cancelled/ Lapsed during the year	At 31 March 2020	Date of grant[1]	Exercisable period (both dates inclusive)	Exercise price per share
Mr. Hu Yangjun	330,000	–	(330,000)[6]	–	–	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Wu Hao	3,300,000	–	(3,300,000)[6]	–	–	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Chan Wing Yuen, Hubert	3,300,000	–	(3,300,000)[6]	–	–	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	–	(6,930,000)	–	990,000			
Employees								
in aggregate	2,800,000	–	(2,800,000)[6]	–	–	9 March 2018	1 July 2019 to 8 March 2028	1.148[2]
	22,600,000	–	(18,800,000)[6]	–	3,800,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
	25,400,000	–	(21,600,000)	–	3,800,000			

Category of eligible participants	Number of share options: At 1 April 2019	Granted during the year	Exercised during the year[7]	Cancelled/ Lapsed during the year	At 31 March 2020	Date of grant[1]	Exercisable period (both dates inclusive)	Exercise price per share
Consultants								
in aggregate	300,000	–	(300,000)[6]	–	–	9 March 2018	1 January 2019 to 8 March 2028	1.148[2]
	2,800,000	–	(2,800,000)[6]	–	–	9 March 2018	1 July 2019 to 8 March 2028	1.148[2]
	2,000,000	–	(2,000,000)[6]	–	–	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
	–	480,000	(480,000)[5]	–	–	15 July 2019	15 July 2019 to 14 July 2029	0.94[4]
	5,100,000	480,000	(5,580,000)	–	–			
Total all categories	38,420,000	480,000	(34,110,000)	–	4,790,000			

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 grant dates of the share options was HK$0.936 per share. The closing price of the Company's shares immediately before the date on which the options were granted was HK$0.94 per share.

(5) The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK$0.95 per share. The closing price of the Company's shares immediately before the date on which the options were exercised was HK$0.95 per share.

(6) The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK$0.712 per share. The closing price of the Company's shares immediately before the date on which the options were exercised was HK$0.65 per share.

(7) The participants of the Share Option Scheme exercised the share options during the Current Year at their own discretion.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, 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	54.99%
Mr. Hu Yangjun	Interests of controlled corporation and personal interest	207,784,000(2)	–	207,784,000	55.82%
Mr. Hu Yishi	Interests of controlled corporation and personal interest	207,454,000(3)	–	207,454,000	55.73%
Ms. Zhang Qi	Interest of spouse	207,784,000(4)	–	207,784,000	55.82%
Ms. Lin Min, Mindy	Interest of spouse	207,454,000(5)	–	207,454,000	55.73%

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 3,066,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.

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

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

(5) Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi. Accordingly, she is deemed to be interested in the 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 2020, 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

During the year ended 31 March 2020, 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. The other related party transactions during the year as disclosed in note 35 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 2020.

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 2020.

CONTRACTS OF SIGNIFICANCE

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 2020.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Option Scheme" 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 2020 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 30 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 2020.

As at the date of this report, the Audit Committee comprises of three independent non-executive Directors, namely Mr. Wu Chi Keung (chairman), 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.

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 2020 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, 24 June 2020

Deloitte.

德勤

TO THE SHAREHOLDERS OF CENTRAL DEVELOPMENT HOLDINGS LIMITED
(FORMERLY KNOWN AS 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 Central Development Holdings Limited (formerly known as Zhong Fa Zhan Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 131, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgements and estimates required in determining the fair values. The Group's investment properties represent certain portion of the Group's factory being leased, and is stated at fair value of HK$22,153,000, as at 31 March 2020 with a fair value gain of HK$79,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. All of the Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer (the "Valuer"). Details of the valuation techniques and key inputs used in the valuations are disclosed in note 17 to the consolidated financial statements.	Our procedures in relation to the valuation of investment properties included working with our internal valuation expert, among others, on the following: • Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approaches to assess if they meet the requirements of the HKFRSs and industry norms; • Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry; and • Obtaining the detailed work of the Valuer on the investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuation, such as rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalisation rates adopted are comparable to the market.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets	
We identified impairment assessment of property, plant and equipment and right-of-use assets in a total amount of HK$54,519,000 which are used in the Group's solar energy business as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the significant management judgement and estimation associated with determining the recoverable amounts in the impairment assessment. In view of the continuous losses and net operating cash outflow of the solar energy business, the management of the Group concluded that there was indication for impairment and conducted impairment assessment on recoverable amount of the cash-generating-unit ("CGU") to which the assets belong. The recoverable amount of solar energy business CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management and certain key assumptions including discount rate, revenue growth rate, budgeted gross margin and the residual value of the owned properties and related leasehold lands. There was no impairment recognised for the property, plant and equipment and right-of-use assets since the amount of the recoverable amount of the solar energy business CGU is higher than the carrying amount of the assets. Details of the impairment assessment is set out in note 14 to the consolidated financial statements.	Our procedures in relation to the estimated impairment of property, plant and equipment and right-of-use assets included: • Understanding the Group's impairment assessment process, including the impairment assessment model adopted and assumptions used; • Evaluating the key assumptions used in the future cash flow forecast, including revenue growth rate, budgeted gross margin and the residual value of the owned properties and related leasehold lands. The key assumptions are based on other available market data in the solar energy business CGU taking into account the historical performance of the Group and corroborating with the development plan based on the discussion with the management; • Evaluating the discount rate by benchmarking it to the rates used by similar companies in the market; and • Checking the mathematical accuracy of the value-in use calculation of the cash flow forecast and assessed the appropriateness of the methodology used.

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.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with 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.

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

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.

- 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 Mak Chun Bon.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000
Revenue	5	**110,640**	148,623
Cost of sales		**(106,799)**	(137,863)
Gross profit		**3,841**	10,760
Other income		**3,233**	801
Other gains and losses, net	7	**(6,576)**	550
Selling and distribution costs		**(6,153)**	(2,776)
Administrative expenses		**(25,111)**	(25,910)
Other expenses		**(3,183)**	–
Equity-settled share-based payments		**(845)**	(16,621)
Finance costs	8	**(6,467)**	(1,063)
Share of result of an associate		**–**	(144)
Loss before taxation		**(41,261)**	(34,403)
Income tax	9	**(131)**	(203)
Loss for the year	10	**(41,392)**	(34,606)
Other comprehensive (expense) income for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(505)**	(1,874)
Fair value gain on revaluation of properties		**6,469**	–
Deferred tax relating to fair value gain on revaluation of properties		**(1,617)**	–
Total comprehensive expense for the year		**(37,045)**	(36,480)
(Loss) profit for the year attributable to:			
Owners of the Company		**(33,476)**	(35,605)
Non-controlling interests		**(7,916)**	999
		(41,392)	(34,606)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(28,892)**	(37,478)
Non-controlling interests		**(8,153)**	998
		(37,045)	(36,480)
Loss per share	12		
Basic (HK cents)		**(9.86)**	(10.75)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	NOTES	**2020**	2019
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	14	**43,083**	65,009
Right-of-use assets	15	**11,436**	–
Prepaid lease payment	16	**–**	10,846
Investment properties	17	**22,153**	–
Rental deposits		**–**	237
		76,672	76,092
Current assets			
Inventories	18	**6,836**	2,267
Trade receivables	19	**15,524**	24,729
Other receivables, deposits and prepayments	19	**15,246**	11,058
Contract assets	20	**274**	3,704
Prepaid lease payment	16	**–**	245
Bank balances and cash	21	**37,319**	65,467
		75,199	107,470
Current liabilities			
Trade payables	22	**14,760**	8,311
Other payables and accruals	22	**7,732**	39,316
Contract liabilities	20	**316**	1,120
Loans from a shareholder	23	**4,754**	–
Bank borrowing	25	**2,080**	–
Lease liabilities	26	**1,424**	–
Income tax liabilities		**–**	177
		31,066	48,924
Net current assets		**44,133**	58,546

At 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Loans from a controlling shareholder	23	**72,129**	106,729
Deferred tax liability	24	**1,705**	26
Bank borrowing	25	**23,812**	–
Lease liabilities	26	**1,513**	–
		99,159	106,755
Net assets		**21,646**	27,883
Capital and reserves			
Share capital	27	**3,723**	3,382
Reserves		**23,899**	22,458
Equity attributable to owners of the Company		**27,622**	25,840
Non-controlling interests		**(5,976)**	2,043
Total equity		**21,646**	27,883

The consolidated financial statements on pages 50 to 131 were approved and authorised for issue by the Board of Directors on 24 June 2020 and are signed on its behalf by:

WU HAO	**CHAN WING YUEN, HUBERT**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital	Share premium	Share options reserve	Warrants reserve	Property revaluation reserve	Exchange reserve	Shareholder's contribution reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 *(note)*	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 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)
Other comprehensive income (expense) for the year	–	–	–	–	–	(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 27)*	81	13,787	(4,570)	–	–	–	–	–	9,298	–	9,298
Acquisition of a subsidiary *(Note 29)*	–	–	–	–	–	–	–	–	–	477	477
Contribution from a non-controlling shareholder upon establishment of a subsidiary	–	–	–	–	–	–	–	–	–	568	568
Recognition of equity-settled share-based payments *(Note 28)*	–	–	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 23)*	–	–	–	–	–	–	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
Loss for the year	–	–	–	–	–	–	–	(33,476)	(33,476)	(7,916)	(41,392)
Exchange differences arising on translation to presentation currency	–	–	–	–	–	(268)	–	–	(268)	(237)	(505)
Fair value gain on revaluation of properties	–	–	–	–	6,469	–	–	–	6,469	–	6,469
Deferred tax relating to fair value gain on revaluation of properties	–	–	–	–	(1,617)	–	–	–	(1,617)	–	(1,617)
Other comprehensive income (expense) for the year	–	–	–	–	4,852	(268)	–	–	4,584	(237)	4,347
Total comprehensive income (expense) for the year	–	–	–	–	4,852	(268)	–	(33,476)	(28,892)	(8,153)	(37,045)
Issue of ordinary shares upon exercise of share options *(Note 27)*	341	36,512	(11,993)	–	–	–	–	–	24,860	–	24,860
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	134	134
Recognition of equity-settled share-based payments *(Note 28)*	–	–	845	–	–	–	–	–	845	–	845
Deemed capital contribution from a controlling shareholder *(Note 23)*	–	–	–	–	–	–	4,969	–	4,969	–	4,969
At 31 March 2020	3,723	201,877	1,442	–	4,852	5,618	15,437	(205,327)	27,622	(5,976)	21,646

Note: The shareholder's contribution reserve represents adjustments of interest-free loans granted by a controlling shareholder of Central Development Holdings Limited (formerly known as 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 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(41,261)**	(34,403)
Adjustments for:		
Interest income	**(883)**	(793)
Finance costs	**6,467**	1,063
Equity-settled share-based payments	**845**	16,621
Share of result of an associate	**–**	144
Depreciation of property, plant and equipment	**4,183**	2,931
Depreciation of right-of-use assets	**2,224**	–
Amortisation of prepaid lease payment	**–**	81
Gain from change in fair value of investing properties	**(79)**	–
Written-off of trade receivables	**6,159**	–
Written-down of inventories	**504**	–
Operating cash flows before movements in working capital	**(21,841)**	(14,356)
Increase in inventories	**(5,291)**	(1,101)
Decrease (increase) in trade receivables	**1,847**	(22,640)
Increase in other receivables, deposits and prepayments	**(4,579)**	(7,430)
Decrease (increase) in contract assets	**3,291**	(3,714)
Increase in trade payables	**7,129**	6,268
Increase in other payables and accruals	**3,584**	827
(Decrease) increase in contract liabilities	**(753)**	1,123
CASH USED IN OPERATING ACTIVITIES	**(16,613)**	(41,023)
Income tax paid	**(177)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(16,790)**	(41,023)
INVESTING ACTIVITIES		
Interest received	**883**	793
Purchase of property, plant and equipment and acquisition of a land use right	**(342)**	(26,707)
Settlement of consideration payable for land and building	**(33,641)**	–
Investment in an associate	**–**	(490)
Cash and cash equivalents obtained from acquisition of a subsidiary	**–**	195
Withdrawal of structured deposit	**–**	20,251
NET CASH USED IN INVESTING ACTIVITIES	**(33,100)**	(5,958)

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Advances from a shareholder and a controlling shareholder	**24,115**	120,496
Repayments to a shareholder and a controlling shareholder	**(47,676)**	(71,260)
Proceeds from exercise of share options	**24,860**	9,298
Proceeds from bank borrowing	**28,110**	–
Repayments of bank borrowing	**(1,511)**	–
Repayments of lease liabilities	**(2,111)**	–
Interest paid	**(1,436)**	–
NET CASH FROM FINANCING ACTIVITIES	**24,351**	58,534
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(25,539)**	11,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**65,467**	58,211
Effect of foreign exchange rate changes	**(2,609)**	(4,297)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**37,319**	65,467

1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in jewelry 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 36.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

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

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

HKFRS 16 "Leases"

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

Definition of a lease

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

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

As a lessee

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

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

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

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

- excluded initial direct cost from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities ranged from 3.50% to 4.75%.

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

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	**5,594**
Lease liabilities discounted at relevant incremental borrowing rates	**5,256**
Less: Short-term leases and leases with lease term ending within 12 months from the date of initial application	**(473)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**4,783**
Lease liabilities as at 1 April 2019	**4,783**
Analysed as:	
Current	**1,827**
Non-current	**2,956**

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

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**4,783**
Adjustment in rental deposits at 1 April 2019	**10**
Reclassified from prepaid lease payments *(note)*	**11,091**
	15,884
By class:	
Leasehold land	**11,091**
Office premises	**4,793**
	15,884

Note: Upfront payments for leasehold land in the PRC were classified as prepaid lease payment as at 31 March 2019. Upon initial application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$245,000 and HK$10,846,000 respectively are reclassified to right-of-use assets.

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

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

No adjustments were made to the accumulated losses at 1 April 2019.

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

	Carrying amounts previously reported as at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 as at 1 April 2019**
	HK$'000	HK$'000	HK$'000
Non-current assets			
Right-of-use assets	–	15,884	15,884
Prepaid lease payments	10,846	(10,846)	–
Current assets			
Other receivables, deposits and prepayments	11,058	(10)	11,048
Prepaid lease payments	245	(245)	–
Non-current liabilities			
Lease liabilities	–	2,956	2,956
Current liabilities			
Lease liabilities	–	1,827	1,827

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

As a lessor

The Group did not have any leases as a lessor as at 1 April 2019. Therefore, there was no impact on the consolidated statement of financial position as at 1 April 2019 as a lessor.

The Group applied HKFRS 16 for the leases entered into during the year as lessor. There is no material impact in the application of HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 March 2020 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 March 2020.

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material" (Continued)

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.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for Group's annual period beginning on or after 1 April 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 except for investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

When necessary, adjustments are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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);

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, 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 or at fair value.

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 "Financial Instruments" 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.

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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. 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

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.

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 the same 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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.

Leases

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

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

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

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

Allocation of consideration to components of a contract

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

Short-term leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents rights-of-use assets as a separate line item in the consolidated statement of financial position.

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Lease liabilities

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

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

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (prior to 1 April 2019)

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

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.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Transfer from owner-occupied property to investment property carried at fair value

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated losses.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties measured using the fair value model

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Impairment on property, plant and equipment and right-of-use assets

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

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

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 CGU) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

Short-term employee benefits

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

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

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Financial instruments

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

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.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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 selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at fair value through profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and bank balances) and other items (representing contract assets) which are subject to impairment under HKFRS 9. 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; 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 and other items subject to impairment assessment under HKFRS 9 (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 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 and other items subject to impairment assessment under HKFRS 9 (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 derecognises a financial asset only when the contractual rights to the cash flows from the asset expires.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Financial liabilities at amortised cost

Financial liabilities, including trade payables, other payables, bank borrowing and loans from a shareholder and 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Fair value of investment properties

At the end of the reporting period, the Group's investment properties are stated at fair value of HK$22,153,000 (2019: nil) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates and reversionary income potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates, the growth rate, budgeted gross margin and the residual value of the owned properties and related leasehold lands in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2020, the carrying amounts of right-of-use assets and property, plant and equipment are HK$11,436,000 and HK$43,083,000 respectively.

Inventories

The cost of inventories is written down to net realisable value when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. Also, the cost of inventories may not be recoverable if the estimated costs to be incurred to make the sale have increased. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written down immediately in the consolidated statement of profit or loss and other comprehensive income.

Impairment assessment of trade receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually. In addition, the Group applies simplified approach to calculate ECL for the trade receivables and contract assets. The Group applies internal credit rating for its customers and they are assessed individually by reference to the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. As at 31 March 2019 and 2020, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 32, 19 and 20, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customer

	2020	2019
	HK$'000	HK$'000
Revenue from sales of goods:		
Jewelry products	**29,160**	48,909
Solar energy products	**79,925**	95,799
Revenue from provision of services:		
Technical improvement services for solar energy projects	**1,555**	3,915
Total revenue	**110,640**	148,623
Timing of revenue recognition:		
A point in time	**109,085**	144,708
Over time	**1,555**	3,915
	110,640	148,623

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

	For the year ended 31 March 2020		
	Jewelry business	**Solar energy business**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Sales of jewelry products	**29,160**	**–**	**29,160**
Sales of solar energy products	**–**	**79,925**	**79,925**
Provision of technical improvement services on solar energy projects	**–**	**1,555**	**1,555**
	29,160	**81,480**	**110,640**

5. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customer (Continued)

	For the year ended 31 March 2019		
	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

(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. 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 an average credit term of 30 to 240 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 contract liabilities throughout the period before the control of the goods is transferred to customers.

5. REVENUE (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.

6. 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.

6. 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 the year ended 31 March 2020

	Jewelry business HK$'000	Solar energy business HK$'000	Total HK$'000
Revenue	**29,160**	**81,480**	**110,640**
Segment gain (loss)	**62**	**(29,582)**	**(29,520)**
Unallocated corporate income			**3,233**
Unallocated corporate expenses			**(10,093)**
Finance costs			**(4,881)**
Loss before taxation			**(41,261)**

For the 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)

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

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2020 HK$'000	2019 HK$'000
Jewelry business	**1,290**	525
Solar energy business	**86,441**	115,960
Total segment assets	**87,731**	116,485
Bank balances and cash	**37,319**	65,467
Other unallocated assets	**26,821**	1,610
Consolidated assets	**151,871**	183,562
Jewelry business	**1,255**	558
Solar energy business	**48,618**	47,698
Total segment liabilities	**49,873**	48,256
Loans from a shareholder and a controlling shareholder	**76,883**	106,729
Other unallocated liabilities	**3,469**	694
Consolidated liabilities	**130,225**	155,679

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 right-of-use assets, certain other receivables, deposits and prepayments, bank balances and cash and investment properties.

- all liabilities are allocated to reportable segments other than certain other payables and accruals, lease liabilities and loans from a shareholder and a controlling shareholder.

Other segment information

For the year ended 31 March 2020

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	–	4,161	22	4,183
Depreciation of right-of-use assets	90	1,292	842	2,224
Written-off of trade receivable	–	6,159	–	6,159
Written-down of inventories	–	504	–	504
Equity-settled share-based payments	533	–	312	845
Additions to property, plant and equipment	–	247	95	342

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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

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:

	2020 HK$'000	2019 HK$'000
The PRC	**20,301**	119,790
HK	**56,203**	25,911
Australia	**29,566**	–
Others	**4,570**	2,922
	110,640	148,623

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

	2020 HK$'000	2019 HK$'000
The PRC	**76,367**	75,829
HK	**305**	26
	76,672	75,855

Note: Non-current assets excluded rental deposits.

6. 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:

	2020	2019
	HK$'000	HK$'000
Customer A *(notes (i) & (iii))*	**N/A**	57,452
Customer B *(note (ii))*	**12,794**	19,006
Customer C *(notes (i) & (iii))*	**34,190**	N/A
Customer D *(notes (i) & (iii))*	**26,814**	N/A

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.

7. OTHER GAINS AND LOSSES, NET

	2020	2019
	HK$'000	HK$'000
Gain from change in fair value of investment properties	**79**	–
Written-off of trade receivables *(note)*	**(6,159)**	–
Net exchange (loss) gain	**(496)**	550
	(6,576)	550

Note: During the year ended 31 March 2020, the Group has written off trade receivables in an aggregate amount of HK$6,159,000 because the directors of the Company confirmed that the counterparties are unreachable and there is no realistic prospect of recovery. The Group has sought for legal advice on actions against one of the counterparties under the Group's recovery procedures.

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowing	**1,436**	–
Interest on lease liabilities	**175**	–
Imputed interest on loans from a controlling shareholder	**4,856**	1,063
	6,467	1,063

9. INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Current tax — PRC Enterprise Income tax	**–**	177
Deferred tax *(Note 24)*	**131**	26
Income tax for the year	**131**	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 2020, no provision for the PRC EIT had been made for the subsidiaries operating in the PRC as either tax losses are incurred for the subsidiaries operating in PRC or the assessable profit is wholly absorbed by tax losses brought forward from previous years.

9. INCOME TAX (Continued)

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. No provision for income tax on profit generated in overseas has been made for both years as tax losses are incurred for the subsidiary operating overseas.

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:

	2020	2019
	HK$'000	HK$'000
Loss before taxation	**(41,261)**	(34,403)
Taxation at the EIT rate of 25% (2019: 25%)	**(10,315)**	(8,601)
Tax effect of income not taxable for tax purpose	**(99)**	(21)
Tax effect of expenses not deductible for tax purpose	**2,358**	4,819
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,018**	2,436
Utilisation of tax losses previously not recognised	**(733)**	(810)
Tax effect of tax losses not recognised	**7,902**	2,344
Tax effect of share of result of an associate	**–**	36
Income tax for the year	**131**	203

10. LOSS FOR THE YEAR

	2020	2019
	HK$'000	HK$'000
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**4,232**	3,016
Less: amount capitalised in inventories	**(49)**	(85)
	4,183	2,931
Depreciation of right-of-use assets	**2,224**	–
Release of prepaid lease payment	**–**	81
Auditor's remuneration	**864**	600
Operating lease payments in respect of rented properties	**–**	2,340
Staff costs (including directors' remuneration *(Note 11)*):		
— salaries, allowances and other benefits	**10,868**	10,000
— retirement benefit scheme contributions	**503**	553
— equity-settled share-based payments	**845**	12,694
Total staff costs	**12,216**	23,247
Cost of inventories recognised as an expense	**106,799**	137,863
Interest income from bank deposits (included in other income)	**(883)**	(793)
Research and development expense (included in other expenses)	**2,834**	–
Rental income (included in other income)	**(1,428)**	–

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

Directors' and the chief executive's emoluments

For the year ended 31 March 2020

	Directors' fees HK$'000	Salaries HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Wu Hao	200	283	–	9	492
Hu Yangjun	200	–	–	–	200
Chan Wing Yuen, Hubert *(note (a))*	200	1,950	–	116	2,266
Non-executive director					
Li Wei Qi, Jacky	200	–	–	–	200
Independent non-executive directors					
Wu Chi Keung	200	–	–	–	200
Jin Qingjun	200	–	–	–	200
Sun Ivy Connie	200	–	–	–	200
Total emoluments	1,400	2,233	–	125	3,758

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

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

For the year ended 31 March 2019

	Directors' fees HK$'000	Salaries HK$'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	200	–	99	–	299
Kwok Pui Ha *(note (b))*	87	–	–	–	87
Sun Ivy Connie *(note (c))*	71	–	–	–	71
Total emoluments	1,358	2,097	2,384	135	5,974

Notes:

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

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

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

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

During the years ended 31 March 2020 and 2019, 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 (2019: two) are directors of the Company whose emoluments are set out in disclosures above. The emoluments of the remaining three (2019: three) highest paid individuals who are neither a director nor the chief executive of the Company are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**1,946**	2,000
Retirement benefit scheme contributions	**47**	77
Equity-settled share-based payments	**–**	1,144
	1,993	3,221

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:

	2020 **No. of** **employee**	2019 No. of employee
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	2

During the years ended 31 March 2020 and 2019, 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.

12. 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:

	2020	2019
	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	**(33,476)**	(35,605)

	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**339,568**	331,363

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

13. DIVIDENDS

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

14. 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 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 29)*	–	–	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**
Additions	**–**	**189**	**–**	**153**	**–**	**342**
Transfer to investment properties *(Note 17)*	**(15,110)**	**–**	**–**	**–**	**–**	**(15,110)**
Exchange realignments	**(2,959)**	**(368)**	**(155)**	**(126)**	**(13)**	**(3,621)**
At 31 March 2020	**39,662**	**6,423**	**2,383**	**2,541**	**1,018**	**52,027**
DEPRECIATION						
At 1 April 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**
Provided for the year	**2,086**	**1,194**	**488**	**415**	**49**	**4,232**
Transfer to investment properties *(Note 17)*	**(378)**	**–**	**–**	**–**	**–**	**(378)**
Exchange realignments	**(109)**	**(128)**	**(28)**	**(43)**	**(9)**	**(317)**
At 31 March 2020	**2,720**	**3,199**	**710**	**1,330**	**985**	**8,944**
CARRYING VALUES						
At 31 March 2020	**36,942**	**3,224**	**1,673**	**1,211**	**33**	**43,083**
At 31 March 2019	56,610	4,469	2,288	1,556	86	65,009

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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%

The Group has pledged owned properties with a carrying value of approximately HK$32,866,000 to secure bank borrowings granted to the Group.

Impairment assessment

In view of the continuous losses and operating cash outflow of the solar energy business, the management of the Group concluded that there was indication for impairment and conducted impairment assessment on the property, plant and equipment and rights-of-use assets with aggregate carrying amount of HK$54,519,000 to determine the recoverable amounts. The Group estimates the recoverable amount of the solar energy business CGU to which the property, plant and equipment and right-of-use assets belong because it is not possible to estimate the recoverable amount individually.

The recoverable amount of solar energy business CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rate of 8.90% and the residual value of the owned properties and related leasehold lands. The annual growth rate after the 5-year period used is 2%, which is based on the industry growth forecast and does not exceed the long-term average growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the solar energy business segment's past performance and management expectations for the market development plan.

As at 31 March 2020, the management of the Group determined that no impairment loss was required to recognise on the property, plant and equipment and rights-of-use assets as the recoverable amount of the solar energy business CGU is higher than the carrying amount.

15. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 1 April 2019			
Carrying amount	**11,091**	**4,793**	**15,884**
As at 31 March 2020			
Carrying amount	**8,538**	**2,898**	**11,436**
For the year ended 31 March 2020			
Depreciation charge	**236**	**1,988**	**2,224**
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			**833**
Total cash outflow for lease			**2,944**
Additions to right-of-use assets			**295**

For both years, the Group lease various office and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

16. PREPAID LEASE PAYMENT

	2019 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.

17. INVESTMENT PROPERTIES

During the year ended 31 March 2020, certain portion of the Group's leasehold land and buildings classified as right-of-use assets and property, plant and equipment respectively were revalued by Avista Valuation Advisory Limited ("Avista"), an independent qualified professional valuer not connected to the Group, upon reclassification to investment properties at the inception of the lease on 31 May 2019. The fair value of the portion of factory being leased as at 31 May 2019 is RMB20,170,000 (equivalent to approximately HK$22,943,000) and is reclassified to investment properties. The carrying amount as at 30 May 2019 reclassified to investment properties from property, plant and equipment and right-of-use assets are RMB12,952,000 (equivalent to approximately HK$14,732,000) and RMB1,531,000 (equivalent to approximately HK$1,742,000), respectively. Accordingly, the resulting revaluation surplus, being the difference between the carrying amount and the fair value of that portion of factory (including the relevant right-of-use assets), net of tax, of HK$4,852,000 is credited to the property revaluation reserve.

The fair value of the Group's investment properties as at 31 March 2020 is RMB20,240,000 (equivalent to approximately HK$22,153,000).

	Investment properties HK$'000
At 1 April 2019	**–**
Exchange adjustments	**(869)**
Transfers from property, plant and equipment and right-of-use assets	**16,474**
Revaluation	**6,469**
Net increase in fair value change charged to profit or loss	**79**
At 31 March 2020	**22,153**

The fair value of the Group's investment properties as at 31 May 2019 and 31 March 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Avista, independent qualified professional valuers not connected to the Group.

The fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES (Continued)

Fair value measurements using significant unobservable inputs

The following table shows the valuation techniques used in the determination of the fair values of investment properties and unobservable inputs used in the valuation models:

Fair value as at 2020 HK$'000	Valuation techniques	Unobservable inputs	Significant inputs	Relationship of inputs to fair value
22,153	Income approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	7%	The higher the capitalisation rate, the lower the fair value
		(ii) Monthly market rent per square meter	RMB16 per month per square meter in average	The higher the market rent, the higher the fair value

As at 31 March 2020, the investment properties of the Group have been pledged to secure bank borrowings granted to the Group.

18. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**211**	471
Work in progress	**2**	143
Finished goods	**6,623**	1,653
	6,836	2,267

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables

	2020 HK$'000	2019 HK$'000
Trade receivables from goods and services	**15,524**	24,729

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$2,229,000.

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

Trade receivables (Continued)

The Group allows an average credit period ranging from 30 to 180 days to its customers of jewelry business and average credit period ranging from 5 to 240 days to its customers of solar energy business. The following is an ageing analysis of trade receivables, net of impairment losses presented based on invoice date at the end of the reporting period:

	2020 **HK$'000**	2019 HK$'000
Within 30 days	**8,022**	6,961
31 to 90 days	**342**	17,449
91 to 180 days	**–**	319
Over 180 days	**7,160**	–
	15,524	24,729

As at 31 March 2020, no trade receivables of the Group are past due.

Other receivables, deposits and prepayments

	2020 **HK$'000**	2019 HK$'000
Other receivables *(note)*	**10,727**	9,298
Deposits	**516**	407
Prepayments	**4,003**	1,353
	15,246	11,058

Note: Included in other receivable, an amount of HK$158,000 (2019: HK$664,000) is financial assets.

Details of the impairment assessment on trade and other receivables are set out in note 32.

20. CONTRACT ASSETS/CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Contract assets — current		
Provision of services	**274**	3,704

20. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

	2020	2019
	HK$'000	HK$'000
Contract liabilities — current		
Sales of goods	**316**	1,120

No contract assets and liabilities existed as at 1 April 2018.

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.

(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.

Details of the impairment assessment of the contract assets are set out in note 32.

All contract liabilities as at 31 March 2019 were recognised as revenue during the year ended 31 March 2020.

21. BANK BALANCES AND CASH

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 0.0001% to 0.6% (2019: 0.001% to 0.5%) per annum.

22. TRADE AND OTHER PAYABLES AND ACCRUALS

Trade payables

	2020 HK$'000	2019 HK$'000
Trade payables	**14,760**	8,311

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:

	2020 HK$'000	2019 HK$'000
Within 30 days	**2,451**	7,784
31 to 90 days	**383**	5
91 to 180 days	**6,348**	522
Over 180 days	**5,578**	–
	14,760	8,311

Other payables and accruals

	2020 HK$'000	2019 HK$'000
Other payables	**3,505**	4,329
Consideration payable *(note)*	**–**	33,641
Accruals	**4,227**	1,346
	7,732	39,316

Note: On 24 April 2018, the Group entered into a sales and purchase agreement with a private company incorporated in the PRC (the "Seller"), in relation to the acquisition of a parcel of land and the factory (the "S&P Agreement"). Pursuant to the S&P Agreement, the Group conditionally agreed to purchase and the Seller 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.

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 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.

As at 31 March 2019, the Group and the Seller has entered into another supplemental agreement and, pursuant to this supplemental agreement, the payment date for the outstanding consideration has been deferred from 24 April 2019 to 30 June 2019. The outstanding consideration had been settled in full in June 2019.

23. LOANS FROM A SHAREHOLDER AND A CONTROLLING SHAREHOLDER

	2020	2019
	HK$'000	HK$'000
Analysed for reporting purpose as:		
— Current liabilities	**4,754**	–
— Non-current liabilities	**72,129**	106,729
	76,883	106,729

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

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 1 October 2019, a supplementary agreement was signed with the controlling shareholder for the extension of repayment period to 1 October 2023. For the loans advanced from the controlling shareholder during the year, they are repayable on 1 October 2023 and classified as non-current liabilities.

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$4,969,000 (2019: 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 2020, finance costs of HK$4,856,000 (2019: HK$1,063,000), which represent imputed interest expenses of these loans, are charged to profit or loss.

The loans from a shareholder as at 31 March 2020 recognised as current liabilities are unsecured, interest free and repayable on demand.

24. DEFERRED TAXATION

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

	Fair value change on investment property HK$'000	**Accelerated tax depreciation HK$'000**	**Total HK$'000**
At 1 April 2019	**–**	**26**	**26**
Charged to profit or loss	**20**	**111**	**131**
Charged to other comprehensive income	**1,617**	**–**	**1,617**
Exchange realignment	**(62)**	**(7)**	**(69)**
At 31 March 2020	**1,575**	**130**	**1,705**

24. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has unused tax losses of HK$60,912,000 (2019: HK$33,247,000) 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$32,974,000 (2019: HK$20,222,000) that will expire in 5 years from the year of origination which is ranging from year 2021 to year 2025 (2019: year 2020 to year 2024). During the year ended 31 March 2020, tax losses of HK$1,013,000 (2019: HK$1,321,000) 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$414,000 (2019: HK$2,381,000) 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.

25. BANK BORROWING

	2020 **HK$'000**
Secured bank borrowing repayable:	
Within one year	**2,080**
Within a period of more than one year but not exceeding two years	**2,227**
Within a period of more than two years but not exceeding five years	**7,665**
Within a period of more than five years	**13,920**
	25,892
Less: Amount due for settlement with 12 months shown under current liabilities	**(2,080)**
Amount due for settlement after 12 months shown under non-current liabilities	**23,812**

The bank borrowings is at floating rate which carries interest at The People's Bank of China ("PBOC") base rate plus/minus a spread. The effective interest rate on the Group's bank borrowings was 3.90% for the year ended 31 March 2020.

The Group pledged certain property plant and equipment, investment properties and right-of-use assets with aggregate carrying amount of HK$63,557,000 to the bank as the collateral for the bank borrowing.

26. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	**1,424**
Within a period of more than one year but not more than two years	**1,003**
Within a period of more than two years but not more than five years	**510**
	2,937
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,424)**
Amount due for settlement after 12 months shown under non-current liabilities	**1,513**

27. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares with nominal value of HK$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	**10,000,000**	**100,000**
Issued and fully paid:		
At 1 April 2018	330,054	3,301
Issue of ordinary shares *(note (1))*	8,100	81
At 31 March 2019	338,154	3,382
Issue of ordinary shares *(note (2))*	34,110	341
At 31 March 2020	**372,264**	**3,723**

Notes:

(1) 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.

(2) During the year ended 31 March 2020, total of 34,110,000 share options are exercised by the grantees at the exercise price ranging from HK$0.636 to HK$1.148 each with total consideration received by the Company of HK$24,860,000.

28. SHARE OPTION SCHEME

Share option scheme

The Company adopted a share option scheme (the "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 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.

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 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.

28. SHARE OPTION SCHEME (Continued)

Share option scheme (Continued)

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 become exercisable from 1 January 2019 to 18 October 2028.

On 15 July 2019, 480,000 share options with an exercise price of HK$0.94 per share were granted by the Company to the eligible consultant. The share options granted were fully vested on 15 July 2019 and become exercisable from 15 July 2019 to 14 July 2029.

The fair values of the share options granted on 9 March 2018, 19 October 2018 and 15 July 2019 are calculated using the Binomial model. The inputs into the models are as follows:

Grant date	9 March 2018	19 October 2018	15 July 2019
Stock price	HK$1.14 per share	HK$0.61 per share	HK$0.94 per share
Exercise price	HK$1.148 per share	HK$0.636 per share	HK$0.94 per share
Risk-free rate	2.09%	2.47%	1.50%
Expected dividend yield	0%	0%	0%
Expected volatility	56.09%	51.88%	55.56%
Expiry date	8 March 2028	18 October 2028	14 July 2029
Time to maturity	10 years	10 years	10 years

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

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.

28. SHARE OPTION SCHEME (Continued)

The 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 2018	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2019	Exercised during the year	Outstanding at 31 March 2020
Employees	9 March 2018	1.148	1 July 2018 to 8 March 2028	9,000,000	(2,000,000)	(4,200,000)	2,800,000	(2,800,000)	-
Consultants	9 March 2018	1.148	1 July 2018 to 8 March 2028	7,000,000	–	(3,900,000)	3,100,000	(3,100,000)	-
				16,000,000	(2,000,000)	(8,100,000)	5,900,000	(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 2020, the Group recognises the total expense of HK$625,000 (2019: HK$6,828,000) in relation to these share options.

In respect of the share options exercised during the year ended 31 March 2020, the weighted average share price at the dates of exercise was HK$0.63 (2019: HK$1.11) per share.

28. SHARE OPTION SCHEME (Continued)

The Share Option Scheme (Continued)

(b) Share options granted on 19 October 2018

				Number of options				
Grantee	**Date of grant**	**Exercise price** HK$	**Exercisable period**	**Outstanding at 1 April 2018**	**Granted during the year**	**Outstanding at 31 March 2019**	**Exercised during the year**	**Outstanding at 31 March 2020**
Directors	19 October 2018	0.636	1 January 2019 to 18 October 2028	–	7,920,000	7,920,000	(6,930,000)	**990,000**
Employees	19 October 2018	0.636	1 January 2019 to 18 October 2028	–	22,600,000	22,600,000	(18,800,000)	**3,800,000**
Consultants	19 October 2018	0.636	1 January 2019 to 18 October 2028	–	2,000,000	2,000,000	(2,000,000)	**–**
				–	32,520,000	32,520,000	(27,730,000)	**4,790,000**
Exercisable at the beginning/end of the year				–		32,520,000		**4,790,000**
Weighted average exercise price				–	HK$0.636	HK$0.636	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 recognised a total expense of HK$9,793,000. No expense related to these share options were recognised during the year.

In respect of share options exercised during the year ended 31 March 2020, the weighted average share price of the dates of exercise was HK$0.63 per share.

28. SHARE OPTION SCHEME (Continued)

The Share Option Scheme (Continued)

(c) Share options granted on 15 July 2019

Grantee	Date of grant	Exercise price HK$	Exercisable period	Number of options: Outstanding at 1 April 2019	Granted during the year	Exercised during the year	Outstanding at 31 March 2020
Consultants	15 July 2019	0.94	15 July 2019 to 14 July 2029	–	480,000	(480,000)	–
				–	480,000	(480,000)	–
Exercisable at the beginning/end of the year				–			–
Weighted average exercise price				N/A	HK$0.94	HK$0.94	–

The estimated fair value of share options granted on 15 July 2019 was HK$220,000.

During the year ended 31 March 2020, the Group recognised the total expense of approximately HK$220,000 (2019: nil) in relation to these share options.

In respect of share options exercised during the year ended 31 March 2020, the weighted average share price of the dates of exercise was HK$0.95 per share.

29. ACQUISITION OF A SUBSIDIARY

On 28 September 2018, the Group established an entity, namely ET Solar Development Company Limited (南京建展新能源科技研發有限公司) ("Nanjing ET Solar"), in the PRC with other three independent investors. Nanjing ET Solar is engaged in the solar energy business. The Group held 42% equity interest in Nanjing ET Solar 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 Nanjing ET Solar 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	–

30. 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$503,000 (2019: HK$553,000) represents contributions paid to the schemes by the Group at rates specified in the rules of the schemes.

31. 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 shareholder and a controlling shareholder, bank borrowing and lease liabilities as disclosed in notes 23, 25 and 26, respectively, 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.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Amortised cost	**53,791**	90,860
Financial liabilities		
Amortised cost	**121,039**	153,661

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances and cash, trade payables, other payables, bank borrowing, lease liabilities and loans from a shareholder and 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.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to lease liabilities and loans from a shareholder and 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 bank borrowing 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.

Sensitivity analysis

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

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year and 50 basis points increase or decrease are used.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's loss for the year ended 31 March 2020 would increase/decrease by HK$130,000.

32. 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 HK$ or 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	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against HK$	**355**	16	**(684)**	(514)
Functional currency as HK$ against US$	**12,768**	–	**(14,464)**	–
Functional currency as RMB against HK$	**167**	259	**(828)**	(5,794)
Functional currency as RMB against US$	**2,282**	3,229	**(316)**	(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$ or HK$ as its functional currency and holding monetary assets and/or liabilities denominated in HK$ or US$, the directors of the Company consider that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ or US$ against HK$. 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$33,000 (2019: increase/decrease by HK$277,000). If US$ 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$98,000 (2019: HK$157,000). 5% is the sensitivity rate used by the management of the Group in the assessment of the reasonably possible change in the foreign exchange rate.

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

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, certain deposits, contract assets and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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
Watch 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

32. 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:

2020	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	19	N/A	Low risk	Lifetime ECL (not credit impaired and assessed individually)	**15,524**
Other receivables	19	N/A	Low risk	12m ECL (not credit impaired and assessed individually)	**674**
Contract assets	20	N/A	Watch risk	Lifetime ECL (not credit impaired and assessed individually)	**274**
Bank balances	21	A1 to Baa2	N/A	12m ECL (not credit impaired and assessed individually)	**37,319**
					53,791

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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. 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 31 March 2020. As disclosed in note 19, all trade receivables as at 31 March 2020 are aged within the credit period and, together with the monitoring procedures, careful determination of credit limits and approvals 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 2020, 49% (2019: 39%) of trade receivables is due from the one debtor and 99% (2019: 99%) of trade receivables is due from the highest five debtors (2019: five 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.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances with gross carrying amounts of HK$15,798,000 as at 31 March 2020 (2019: HK$28,433,000) were assessed individually.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Gross carrying amount

	2020			2019		
Internal credit rating	**Average loss rate**	**Trade receivables HK$'000**	**Contract assets HK$'000**	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	**0.1%**	**15,524**	**–**	0.1%	24,729	3,704
Watch risk	**1.5%**	**–**	**274**	1.5%	–	–
		15,524	**274**		24,729	3,704

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Other receivables

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2020 and 2019, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

32. 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$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2020								
Trade payables	–	–	14,760	–	–	–	14,760	14,760
Other payables	–	–	3,505	–	–	–	3,505	3,505
Lease liabilities	4.50	–	1,488	1,101	574	–	3,163	2,937
Bank borrowing	3.90	–	3,804	3,804	11,412	16,173	35,193	25,892
Loans from a shareholder and a controlling shareholder	4.75	4,754	–	–	84,849	–	89,603	76,883
		4,754	23,557	4,905	96,835	16,173	146,224	123,977

	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

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.

33. 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.

	Bank borrowings	Lease liabilities	Loans from a shareholder and a controlling shareholder	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018	–	–	71,518	71,518
Finance costs recognised	–	–	1,063	1,063
Adjustment to shareholder's contribution reserve	–	–	(10,468)	(10,468)
Financing cash flows	–	–	49,236	49,236
Exchange difference	–	–	(4,620)	(4,620)
At 31 March 2019	–	–	106,729	106,729
Adjustment upon application of HKFRS 16	–	4,783	–	4,783
At 1 April 2019	**–**	**4,783**	**106,729**	**111,512**
Finance costs recognised	**1,436**	**175**	**4,856**	**6,467**
Adjustment to shareholder's contribution reserve	**–**	**–**	**(4,969)**	**(4,969)**
Addition	**–**	**295**	**–**	**295**
Financing cash flows	**25,163**	**(2,111)**	**(23,561)**	**(509)**
Exchange difference	**(707)**	**(205)**	**(6,172)**	**(7,084)**
At 31 March 2020	**25,892**	**2,937**	**76,883**	**105,712**

34. OPERATING LEASES

The Group as lessee

As at 31 March 2019, 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
Within one year	2,475
In the second to fifth year inclusive	3,119
	5,594

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

The Group as lessor

The property held for rental purposes have committed lessees for the next four years.

As at 31 March 2020, the minimum lease payments receivable on leases are as follows:

	HK$'000
Within one year	**1,668**
In the second year	**1,668**
In the third year	**1,668**
In the fourth year	**834**
	5,838

35. RELATED PARTY TRANSACTIONS

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 11 is as follows:

	2020 **HK$'000**	2019 HK$'000
Short-term benefits	**4,779**	4,697
Post employment benefits	**173**	212
Equity-settled share-based payments	**–**	3,231
	4,952	8,140

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

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company as at 31 March 2020 and 2019 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
			2020	2019	**2020**	2019	
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 (3))*	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 (3))*	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 (3))*	The PRC	The PRC	**RMB60,000**	RMB60,000	**100%**	100%	Solar energy business for manufacturing and distribution of solar energy products
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.	United States	United States	**US$200,000**	US$200,000	**100%**	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") *(note (1))*	The PRC	The PRC	**RMB1,000,000**	RMB1,000,000	**51%**	51%	Solar energy business for manufacturing and distribution of solar energy products
Nanjing ET Solar *(note (2))*	The PRC	The PRC	**RMB1,000,000**	RMB1,000,000	**42%** *(note (4))*	42% *(note (4))*	Solar energy business for manufacturing and distribution of solar energy products

* Directly held by the Company.

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

Notes:

(1) This entity is established in the PRC in form of a limited liability Company (Taiwan, Hong Kong 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 established in the PRC in form of a wholly foreign owned enterprise.

(4) The Group held 42% equity interest in Nanjing ET Solars by contributing a capital of RMB420,000 into it and it was, therefore regarded as an associate of the Group previously. In January 2019, the Group entered into an agreement of acting in concert with two of the investors, which in aggregate held 15% in Nanjing ET Solar. Pursuant to the agreement, all the decisions to be made by these two investors in the shareholders' and board of directors' meetings should follow that of the Group for a period of 50 years from the date of the agreement. The Group, therefore, obtained the control on Nanjing ET Solars without changes in its shareholding on the date the agreement of acting in concert was signed.

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.

37. 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 (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
NEF Taizhou	Incorporated and operating in the PRC — Taizhou	**49%**	49%	**(4,531)**	990	**(3,177)**	1,557
Nanjing ET Solar	Incorporated and operating in the PRC — Nanjing	**58%**	58%	**(3,332)**	9	**(2,874)**	486
An immaterial subsidiary with non-controlling interests				**(53)**	–	**75**	–
				(7,916)	999	**(5,976)**	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.

NEF Taizhou

	2020 HK$'000	2019 HK$'000
Current assets	**6,378**	5,700
Non-current assets	**745**	505
Current liabilities	**(13,607)**	(3,028)
Equity attributable to owners of the Company	**(3,307)**	1,620
Non-controlling interests of NEF Taizhou	**(3,177)**	1,557

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

NEF Taizhou (Continued)

	2020 **HK$'000**	2019 HK$'000
Revenue	**4,477**	18,583
Expenses	**(13,723)**	(16,563)
(Loss) profit for the year	**(9,246)**	2,020
(Loss) profit attributable to owners of the Company	**(4,715)**	1,030
(Loss) profit attributable to non-controlling interests of NEF Taizhou	**(4,531)**	990
(Loss) profit for the year	**(9,246)**	2,020
Other comprehensive expense attributable to owners of the Company	**(212)**	(1)
Other comprehensive expense attributable to non-controlling interests of NEF Taizhou	**(203)**	(1)
Other comprehensive expense for the year	**(415)**	(2)
Total comprehensive (expense) income attributable to owners of the Company	**(4,927)**	1,029
Total comprehensive (expense) income attributable to non-controlling interests of NEF Taizhou	**(4,734)**	989
Total comprehensive (expense) income for the year	**(9,661)**	2,018
Net cash inflows from operating activities	**772**	51
Net cash outflows from investing activities	**(245)**	(523)
Net cash (outflows) inflows from financing activities	**(595)**	958
Net cash flows	**(68)**	486

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

Nanjing ET Solar

	2020 **HK$'000**	2019 HK$'000
Current assets	**905**	6,733
Non-current assets	**1,183**	1,681
Current liabilities	**(7,044)**	(7,576)
Equity attributable to owners of the Company	**(2,082)**	352
Non-controlling interests of Nanjing ET Solar	**(2,874)**	486

	2020 **HK$'000**	2019 HK$'000
Revenue	**31,560**	63,820
Expenses	**(37,305)**	(63,804)
(Loss) profit for the year	**(5,745)**	16
(Loss) profit attributable to owners of the Company	**(2,413)**	7
(Loss) profit attributable to non-controlling interests of Nanjing ET Solar	**(3,332)**	9
(Loss) profit for the year	**(5,745)**	16
Other comprehensive (expense) income attributable to owners of the Company	**(21)**	3
Other comprehensive (expense) income attributable to non-controlling interests of Nanjing ET Solar	**(28)**	–
Other comprehensive (expense) income for the year	**(49)**	3
Total comprehensive (expense) income attributable to owners of the Company	**(2,434)**	10
Total comprehensive (expense) income attributable to non-controlling interests of Nanjing ET Solar	**(3,360)**	9
Total comprehensive (expense) income for the year	**(5,794)**	19
Net cash (outflows) inflows from operating activities	**(717)**	316
Net cash inflows from investing activities	**–**	195
Net cash (outflows) inflows from financing activities	**(113)**	819
Net cash flows	**(830)**	1,330

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Unlisted investment in subsidiaries	–	–
Amounts due from subsidiaries	**15,361**	29,654
	15,361	29,654
Current assets		
Deposits	–	8
Amounts due from subsidiaries	**1,438**	1,235
Bank balances	**226**	253
	1,664	1,496
Current liability		
Other payables and accruals	**828**	624
	828	624
Net current assets	**836**	872
Non-current liability		
Loans from a controlling shareholder	–	5,170
Net assets	**16,197**	25,356
Capital and reserves		
Share capital *(Note 27)*	**3,723**	3,382
Reserves *(note)*	**12,474**	21,974
Total equity	**16,197**	25,356

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

Note:

Movement in the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Shareholder's contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 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 27)*	13,787	–	(4,570)	–	–	–	9,217
Recognition of equity-settled share-based payments *(Note 28)*	–	–	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**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(35,059)**	**(35,059)**
Issue of ordinary shares upon exercise of share options *(Note 27)*	**36,512**	**–**	**(11,993)**	**–**	**–**	**–**	**24,519**
Recognition of equity-settled share-based payments *(Note 28)*	**–**	**–**	**845**	**–**	**–**	**–**	**845**
Deemed capital contribution from a controlling shareholder	**–**	**–**	**–**	**–**	**195**	**–**	**195**
At 31 March 2020	**201,877**	**22,666**	**1,442**	**–**	**762**	**(214,273)**	**12,474**

39. PLEDGE OF ASSETS

As at 31 March 2020, the Group's bank borrowings had been secured by the pledged of the Group's assets at the carrying amounts of the respective assets are as follows:

	HK$'000
Property, plant and equipment	**32,866**
Investment properties	**22,153**
Right-of-use assets	**8,538**
	63,557

As at 31 March 2019, the Group's 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.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**110,640**	148,623	28,106	10,222	17,765
Loss before taxation	**(41,261)**	(34,403)	(23,099)	(37,941)	(36,806)
Income tax	**(131)**	(203)	–	–	–
Loss for the year	**(41,392)**	(34,606)	(23,099)	(37,941)	(36,806)
Attributable to:					
Owners of the Company	**(33,476)**	(35,605)	(23,099)	(37,941)	(36,806)
Non-controlling interests	**(7,916)**	999	–	–	–
	(41,392)	(34,606)	(23,099)	(37,941)	(36,806)

ASSETS AND LIABILITIES

	At 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**76,672**	76,092	13,777	2,091	1,279
Current assets	**75,199**	107,470	89,700	43,889	72,600
Current liabilities	**(31,066)**	(48,924)	(76,546)	(1,850)	(2,610)
Net current assets	**44,133**	58,546	13,154	42,039	69,990
Total assets less current liabilities	**120,805**	134,638	26,931	44,130	71,269
Non-current liabilities	**(99,159)**	(106,755)	–	–	–
Net assets	**21,646**	27,883	26,931	44,130	71,269