



华隆金控

HUALONGJINKONG

華隆金控有限公司

HUA LONG JIN KONG COMPANY LIMITED

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

股份代號 Stock Code :1682

ANNUAL REPORT 2018 年報

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# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS\*

Mr. Zhi Hua (*Chairman*)  
(*appointed on 13 September 2017*)  
Mr. Lam Kai Yeung\* (*Chief Executive Officer*)  
(*appointed on 30 June 2017*)  
Mr. Ma Jun (*Chief Operating Officer*)  
(*appointed on 30 November 2017*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS#

Mr. Li Hui  
(*appointed on 17 May 2017*)  
Mr. Chau On Ta Yuen  
(*appointed on 19 September 2017*)  
Dr. Lam Lee G.  
(*appointed on 29 September 2017*)

### NON-EXECUTIVE DIRECTOR##

Mr. Chan Kin (*appointed on 12 June 2017*)

### COMPANY SECRETARY<sup>△</sup>

Mr. Lam Kai Yeung *FCCA FCCA*

## AUDIT COMMITTEE

Dr. Lam Lee G. (*Chairman*)  
Mr. Li Hui  
Mr. Chau On Ta Yuen

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES<sup>△</sup>

Mr. Zhi Hua  
Mr. Lam Kai Yeung

## LEGAL ADVISERS AS TO HONG KONG LAW

Paul Hastings  
Li & Partners

## AUDITOR<sup>^</sup>

Pan-China (H.K.) CPA Limited

- 1.\* Mr. Gao Zhiyin resigned as the Chairman of the Board and executive Director on 13 September 2017. Mr. Gao Zhiping resigned as the chief executive officer and executive Director on 13 September 2017. Mr. Shi Jiguo resigned as an executive Director on 31 May 2017. Mr. Feng Chen retired as an executive Director after the conclusion of the 2017 AGM. Mr. Lam Kai Yeung served as an independent non-executive Director from 16 August 2014 to 1 May 2017 and the chief financial officer of the Company from 1 May 2017 to 12 September 2017 and was appointed as an executive Director on 30 June 2017 and the chief executive officer of the Company on 13 September 2017.
- 2.# Mr. Ma Ming resigned as an independent non-executive Director on 19 September 2017. Mr. Lau Chi Kit resigned as an independent non-executive Director on 29 September 2017.
- 3.## Mr. Shum Ngok Wa resigned as a non-executive Director on 14 June 2017.
- 4.△ On 30 November 2017, Ms. Sze Suet Ling resigned as a company secretary and an authorised representative and Mr. Lam Kai Yeung was appointed as company secretary and Mr. Zhi Hua was appointed as an authorised representative.
- 5.^ Messrs. Deloitte Touche Tohmatsu resigned as auditor of the Company on 31 August 2017. Messrs. Pan-China (H.K.) CPA Limited was then appointed as auditor of the Company on the same date (i.e. 31 August 2017).

## Corporate Information

### **PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Secretaries Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

25th & 26th Floor  
No. 238 Des Voeux Road Central,  
Hong Kong

### **STOCK CODE**

1682

### **COMPANY WEBSITE**

<http://www.1682hk.com>

# Chairman's Statement

On behalf of the Board, I am pleased to present the Group's annual report for the year ended 31 March 2018.

## BUSINESS REVIEW

The Group is principally engaged in (i) the garment sourcing management business; and (ii) provision of financial services which include, among others, asset management, finance lease, pawn and money lending business.

### (I) GARMENT SOURCING MANAGEMENT BUSINESS

Over the past decade, all businesses around the world have experienced unprecedented drastic change from technology advancements and geopolitical volatility. Companies in a wide spectrum of industries had to create new business models and reshape themselves. Traditionally, the main types of customers for the Group's garment sourcing management business were brand owners/operators, outlets, department stores and supermarket chains. In the past few years, as the consumption pattern changed, consumers would spend more of their income on mobile electronics, personal services and rentals, while their expenditure on garments and accessories dropped significantly. In addition, online sales also severely hit the traditional retail industry. The proliferation of e-commerce and the price competition as intensified by both pure digital players and fully vertical retailers put our industry on the brink of considerable change. In a moment when garment consumption has slack in most markets around the world, the fast growth of digital and vertical retailers marked a corresponding loss of market share for other channels and numerous other companies. Meanwhile, global investment had slowed down and trade flows became sluggish. The operating performance of garment customers in the United States and Canada continued to deteriorate, as reflected mainly by the general decline of same-store sales, the general decrease or even loss of net profits, and the high gearing ratio, which led to the decline of net assets and operating difficulties. Some of them even had to shut down their large retail stores, realize their real assets and plunged into liquidity crisis. As affected by such, the Group also suffered a serious business setback. In order to prevent the sales receivables, which have already been shrinking, from turning into bad debts, it is necessary to change the composition of the customers.

During the period under review, the global economy as a whole showed a mild recovery as evidenced by its continuous expansion with moderate inflation in general. The United States, Eurozone and Japanese economies continued to improve, while emerging market overall economies grew faster. In addition, the start of Brexit process in the United Kingdom and the conclusion of the general election in the United States have significantly reduced the uncertainty about global policy, providing a boost to investment and consumption sentiments. As a year for deepening supply-side structural reforms, last year, China's economy demonstrated its growth resilience. The national economy saw steady and better-than-expected improvement and continued to unleash its vitality, dynamics and potentials. The obviously enhanced stability, coordination and sustainability allowed the economy to achieve a stable and healthy development. According to the preliminary calculations of the National Bureau of Statistics, China's annual gross domestic product (GDP) exceeded RMB82 trillion, representing a year-on-year growth rate of 6.9% based on comparable pricing. Consumption was the major driver for economic growth. The globalization over the past decades reaped results of large middle-class consumption and an enlarging market, eventually a contribution of consumer expenditures to GDP growth of 58.8%.

## Chairman's Statement

The Group has implemented strategies to expand its geographical coverage for garment sourcing management business, in particular of China where the spending power is increasingly stronger. By conducting diversified garment sourcing management business in more geographical locations, the Group has reduced the proportion of business revenue generated from Canada and the United States, which once were the Group's main export destinations. At the same time, the Group continued to expand its network of suppliers to include more diversified garment products so as to broaden its product base.

In October 2017, the Group entered into a long-term supply agreement for its garment sourcing management business with Hangzhou Welfull Group Co., Ltd (杭州匯孚集團有限公司). Welfull Group Co., Ltd (formerly known as Zhejiang Provincial Second Light Industry Enterprises Group Imp. & Exp. Co., Ltd\* (浙江省二輕企業集團進出口有限公司)) is a large-scale Zhejiang province-based enterprise. Welfull Group Co., Ltd has a wide business scope and comprehensive product offerings, among which the main export items are garments and textiles, as well as bags, hardware tools, furniture, building materials, leisure goods, craft gifts, toys and groceries, electronic and electrical apparatus, and machinery and equipment etc. Welfull Group Co., Ltd has a brand industrial export base which covers 50,000 square meters in Deqing County of Zhejiang Province. Its ASART (艾詩雅特) brand is named as a "China Well-known Trademark", and was successively recognised as Zhejiang Brand Name Products, Zhejiang Famous Brand and Zhejiang Export Brand name Products. Welfull Group Co., Ltd, as a supplier of the Group, provides with the Group stable supply of products on a long-term basis, which helps the Group to expand its product range and diversify its client mix.

### (II) PROVISION OF FINANCIAL SERVICES WHICH INCLUDE, AMONG OTHERS, ASSET MANAGEMENT, FINANCE LEASE, PAWN AND MONEY LENDING BUSINESS.

The board (the "**Board**") of directors (the "**Directors**") of the Company, from time to time, reviews its existing operations and explores other business opportunities with a view to diversify the Group's business. The Board is pleased to announce that the Group has commenced a new business segment of financial services which includes asset management, finance lease, pawn and money lending business. Over the past year, with the continuous advancement of technological innovation, fintech companies have rapidly developed themselves as important players in financial sector.

Against this backdrop, the Group gathered our efforts to accelerate our strategic layout in mainland China market, further enriching the Group's product offerings and improving its financial service system, in a bid to promptly enhance the Group's business scale and seize the domestic market. The Board considers that the demand for financial services is significant and the industry is vibrant in China and Hong Kong. The Board is of the view that the new business activities will provide a good opportunity for the Group to diversify its revenue stream, which is expected to benefit the Company and its shareholders as a whole.

## Chairman's Statement

In December 2017, Linglong (Hangzhou) Asset Management Limited\* (玲隆 (杭州) 資產管理有限公司) was established by the Company in the PRC as its wholly-owned subsidiary. This new subsidiary is principally engaged in investment management, investment consultancy, industry investment, financial management (excluding the provision of finance deposit, finance guarantee, discretionary account management services, unless otherwise approved by relevant regulatory authorities), corporate management consultancy and economic information consultancy.

Due to the reasons set out above, during the period under review, revenue amounted to approximately HK\$184,829,000, among which: revenue from the garment sourcing management business amounted to approximately HK\$184,767,000, representing an increase of approximately 128.13% (2017: approximately HK\$80,992,000); gross profit margin was approximately 11.37%, representing a growth of approximately 5.17% (2017: approximately 6.20%); revenue from the money lending business amounted to approximately HK\$62,000 (2017: nil); other gain amounted to approximately HK\$4,365,000 (2017: approximately HK\$606,000), mainly due to certain directors have waived their unclaimed fees for current period and prior years and MPF refund; foreign exchange gain/(loss) amounted to approximately HK\$413,000 (2017: approximately HK\$(45,000)), mainly due to the appreciation of RMB during the period; selling and distribution costs was nil (2017: approximately HK\$1,164,000), and such decrease was mainly attributable to the passing on of such costs to customers; administrative expenses amounted to approximately HK\$17,767,000, representing an increase of approximately 12.00% (2017: approximately HK\$15,864,000), mainly as a result of the increase in manpower due to the Group's business development and the expansion of new businesses; profit/(loss) attributable to owners of the Company was approximately HK\$7,995,000 (2017: approximately HK\$(11,443,000)).

## PROSPECTS AND DEVELOPMENT PLAN

According to the latest "World Economic Outlook" issued by the International Monetary Fund, global economic growth in 2018 is projected at around 3.7%. Major economies such as the Eurozone, Japan, China and the United States are all expected to grow. At the same time, the European Central Bank has adjusted its economic growth forecast for the Eurozone to 2.3%, 0.5 percentage point higher than before. Such figures show that the market is positive about the global economic development for this year. However, issues including the fiscal and monetary policies implemented by the United States, geopolitical risks in North Korea and the Middle East, and trade protectionism will remain the major concerns on global economic growth.

In China, it is expected that the central government will continue to deepen its supply-side reforms and further implement various deleveraging measures so as to mitigate financial risks and maintain a steady economic growth rate.

Looking forward, the Group will endeavour to raise the level of operations for the two principal businesses with the goal to boost the Group's performance to a new height.

## Chairman's Statement

As to the garment sourcing management business, as there is no sign indicating a slowdown in the rise of costs like raw material and wages and the limitations of environmental resources are more intense, brand owners around the world are switching their sourcing to low-cost countries such as Vietnam, Bangladesh and India. The Group is actively looking for other reliable suppliers and clients and is approaching old clients, in order to enable the Group to provide a diversified garment sourcing management business. Simultaneously, the Group has accordingly explored a new business model, through which the Group strives to deliver good return for shareholders riding on the "Internet +" business development trend. In May 2018, the Group formed two joint ventures in the PRC, namely, Hangzhou Huameng Culture Media Co., Ltd.\* (杭州華夢文化傳媒有限公司) ("**Hangzhou Huameng**") and Hangzhou Zhuxing Culture Broadcasting Co., Ltd.\* (杭州築星文化傳播有限公司) ("**Hangzhou Zhuxing**"). The equity interest of the two joint ventures is held by the Group as to 51% and 60%, respectively. Hangzhou Huameng is principally engaged in the sales and marketing of garments through O2O (Online-to-Offline entities) marketing model, such as through conducting live video broadcast on live streaming platforms of online shopping websites (the "**O2O Garment Sales Industry**"). Hangzhou Zhuxing is principally engaged in the provision of solutions for retail industry through advertisement design and production in the PRC, corporate brand identity design and marketing planning (the "**Retail Solutions Industry**").

As to the provision of financial services business, apart from the asset management business as mentioned above, in January and March 2018, the Group respectively completed its acquisition of the entire equity interests in Guozan Finance Leasing (Shenzhen) Co., Ltd\* (國贊融資租賃(深圳)有限公司) ("**Guozan Finance**") and was granted a money lending licence by the Licensing Court (as defined in the Money Lenders Regulations (Chapter 163 of the Laws of Hong Kong)) in respect of Hua Long Finance Holdings Company Limited, a wholly-owned subsidiary of the Group. Meanwhile, the Group is taking active steps for the application of pawnbroker licence in China. Last September, Hong Kong Monetary Authority announced it encourages the introduction of virtual banking in Hong Kong. Z Holding Group Co., Ltd (支氏控股集團) which is owned by Mr. Zhi Hua, the Group's controlling shareholder, has several years of experiences in the operation and management as well as operating team and network in this business and other financial field. Therefore, the Group has the intention to introduce the technology and management team of Z Holding Group Co., Ltd for operating virtual banking, and conduct study as to licensing requirement of the virtual banking licence.

### APPRECIATION

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

**Zhi Hua**  
*Chairman*

Hong Kong, 25 June 2018

# Management Discussion and Analysis

## FINANCIAL REVIEW

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had total assets of approximately HK\$263,575,000 (at 31 March 2017: approximately HK\$40,230,000) (including cash and bank balances of approximately HK\$76,146,000 (at 31 March 2017: approximately HK\$2,509,000)) which were financed by current liabilities of approximately HK\$145,407,000 (at 31 March 2017: approximately HK\$34,350,000), long-term liability of approximately HK\$368,000 (at 31 March 2017: Nil) and shareholders' equity of approximately HK\$117,800,000 (at 31 March 2017: approximately HK\$5,880,000).

The Group generally services its debts primarily through cash generated from its operations. As at 31 March 2018, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 1.80:1 (at 31 March 2017: 1.17:1), the gearing ratio of the Group, defined as a ratio between total debts over total assets, was 1:1.81 (at 31 March 2017: 1:1.17). The controlling shareholder of the Group, Rosy Lane International Limited, has promised to provide all necessary financial support to the Group. The Group also approach other strategic investors to invest in the Company to cope with the financial needs of the Company. Therefore, the directors of the Company believe that the Group has sufficient fund for developing existing business.

### TREASURY POLICY

The Group adopts a prudent financial management strategy in implanting the treasury policy. Thus a sound liquidity position was able to be maintained throughout the year ended 31 March 2018. The Group continues to assess its customers' credit and financial positions so as to minimize the credit risks. In order to control the liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

### FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group's working capital is mainly financed through internal generated cash flows, placement of new shares in October 2017 and subscription of new shares in November 2017 as general capital. The management of the Group regularly monitors the funding requirements of the Group to support its normal operations and its development plans. Most of the Group's cash balances were deposits in US\$, HK\$ and RMB with major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US\$, HK\$ and RMB.

Foreign exchange risks arising from sales and purchases transacted in different currencies may be managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward contracts or any other financial derivative contracts may be entered into by the Group for hedging purpose. The Group had not entered into any financial derivative contracts throughout the year ended 31 March 2018 and had no outstanding financial derivative contracts as at 31 March 2018.

### CAPITAL EXPENDITURE AND COMMITMENTS

During the year ended 31 March 2018, the Group did not have any material investment in plant and equipment.

As at 31 March 2018, the Group had no commitment (as at 31 March 2017: Nil) in respect of acquisition of new machineries and no significant capital commitments.

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

# Management Discussion and Analysis

## CHARGES ON ASSETS

As at 31 March 2018, the Group had no pledged assets (As at 31 March 2017: Nil).

## DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 March 2018 (for the year ended 31 March 2017: Nil).

## EMPLOYEE INFORMATION

As at 31 March 2018, the Group employed approximately 15 employees (excluding Directors). The total salaries and related costs (including the Directors' fees and labour cost) amounted to approximately HK\$7,624,000 (2017: approximately HK\$7,028,000). The Group offers its employees competitive remuneration schemes which are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on the Group's and individual's performance. During the year ended 31 March 2018, except for Mr. Gao Zhiyin, Mr. Gao Zhiping, Mr. Shi Jiguo, Mr. Feng Chen and Mr. Ma Ming, there were no arrangements under which other Director waived or agreed to waive any emoluments.

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

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

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Except for what has been disclosed in this report, the Group had no significant investments held or material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2018.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## CONTINGENT LIABILITIES

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

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Zhi Hua**, aged 45, was appointed as an executive director of the Company and the chairman of the board of directors of the Company on 13 September 2017.

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

**Mr. Lam Kai Yeung**, aged 49, was appointed as an executive director of the Company on 30 June 2017 and the chief executive officer of the Company on 13 September 2017.

Mr. Lam served as an independent non-executive director of the Company from 16 August 2014 to 1 May 2017 and the chief financial officer of the Company from 1 May 2017 to 12 September 2017.

Mr. Lam is an independent non-executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018) (formerly known as "Finsoft Corporation 匯財軟件公司") and Kong Shum Union Property Management (Holding) Limited (stock code: 8181), both companies are listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive director of Silverman Holdings Limited (stock code: 1616), Sunway International Holdings Limited (stock code: 58), Holly Futures Co., Limited (弘業期貨股份有限公司) (stock code: 3678) and Kin Shing Holdings Limited (stock code: 1630), those companies are listed on the Main Board of the Stock Exchange.

Mr. Lam is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). He is also a Certified Deal Maker. He has more than 20 years' experience in finance and auditing. He obtained a bachelor degree in accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS (continued)

**Mr. Ma Jun**, aged 47, was appointed as the chief operating officer of the Company on 16 October 2017 and the executive director of the Company on 30 November 2017.

Mr. Ma graduated from Zhejiang Gongshang University\* (浙江工商大學) with a double degree in accounting and foreign trade and economic management in 1992. Mr. Ma possessed years of experience in the area of garment manufacturing and trade. He had served as the department head of Zhejiang Textiles Import and Export Group\* (浙江省紡織品進出口集團), the general manager of Hangzhou Haodeli Trade Co., Ltd.\* (杭州浩德利貿易有限公司) and Hangzhou Haorui Ruijia Materials Co., Ltd.\* (杭州浩瑞佳物資有限公司), and the legal representative and an executive director of Hangzhou Chuangyi Investment Co., Ltd.\* (杭州創益投資有限公司).

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Li Hui**, aged 49, was appointed as an independent non-executive director of the Company on 17 May 2017.

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

Since March 2017, Mr. Li has been an independent non-executive director, a member of each of audit committee, remuneration committee and nomination committee of China Smarter Energy Group Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1004).

**Mr. Chau On Ta Yuen**, aged 70, was appointed as an independent non-executive director of the Company on 19 September 2017.

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

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Chau had resigned as an independent non-executive director of Leyou Technologies Holdings Limited (Stock Code: 1089) on 4 May 2016. He is a member of the National Committee and the Standing Committee of the Chinese People's Political Consultative Conference (中國全國政協委員及常務委員) and the vice chairman and general secretary of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席兼秘書長). Mr. Chau is awarded with a Bronze Bauhinia Star (BBS) and Silver Bauhinia Star (SBS) by the Government of HKSAR on 1 July 2010 and 1 July 2016, respectively.

**Dr. Lam Lee G.**, aged 59, was appointed as an independent non-executive director of the Company on 29 September 2017.

Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, investment banking, direct investment and fund management, across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. He serves as an independent/non-executive director of several publicly listed companies and investment funds in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, a Member of the Legal Aid Services Council, a Member of the New Business Committee of the Financial Services Development Council (FSDC), a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx) and a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, Dr. Lam is currently the Chairman of Hong Kong Cyberport Management Company Limited, a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (CPPCC), a Vice Chairman of Liaoning Chinese Overseas Friendship Association, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council and Chairman of its Task Force on Banking and Finance, Honorary Chairman – Asia Pacific of CMA Australia, a Fellow of CMA Australia, an Honorary Fellow of CPA Australia, a Member of the Hong Kong Institute of Bankers, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the Hong Kong-Thailand Business Council, a Founding Member of Hong Kong-Korea Business Council, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a Board Member of Pacific Basin Economic Council (PBEC), a Board member of the Chinese General Chamber of Commerce of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, a Vice President of the Hong Kong Real Property Federation, Chairman of Monte Jade Science and Technology Association of Hong Kong, a Member of the Court of City University of Hong Kong, a visiting professor (in the subjects of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing, an Adjunct Professor at the Department of Management in the Chinese University of Hong Kong. Dr. Lam is a Solicitor of the High Court of Hong Kong and an Honorary Fellow of CPA Australia.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Mei Ah Entertainment Group Limited (Stock Code: 391), Vongroup Limited (Stock Code: 318), Glorious Sun Enterprises Limited (Stock Code: 393) and Haitong Securities Company Limited (Stock Code: 6837 and it is also listed in the Shanghai Stock Exchange with Stock Code: 600837), Elife Holdings Limited (Stock Code: 223), Xi'an Haitian Antenna Holdings Co., Ltd. (Stock Code: 8227) and Huarong Investment Stock Corporation Limited (Stock Code: 2277); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228) and Roma Group Limited (Stock Code: 8072), the shares of all of which are listed on the Stock Exchange. He is an independent non-executive director of each of Asia-Pacific Strategic Investments Limited (Stock Code: 5RA), Rowsley Limited (Stock Code: A50) and Top Global Limited (Stock Code: 519), the shares of all of which are listed on the Singapore Exchange.

Dr. Lam is also an independent director of Sunwah International Limited (Stock Code: TSX SWH) whose shares are listed on the Toronto Stock Exchange; an independent non-executive director of Vietnam Equity Holding (Stock Code: 3MS), the shares of which are listed on the Stuttgart Stock Exchange; and an independent non-executive director of AustChina Holdings Limited (Stock Code: ASX AUH), the shares of which are listed on the Australian Securities Exchange.

Dr. Lam was non-executive director of ZH International Holdings Limited (Stock Code: 185) and DTXS Silk Road Investment Holdings Company Limited (Stock Code: 620) and he was also an independent non-executive director of China Oceanwide Holdings Limited (Stock Code: 715), Far East Holdings International Limited (Stock Code: 36), Ruifeng Petroleum Chemical Holdings Limited (Stock Code: 8096), Mingyuan Medicare Development Company Limited (Stock Code: 233) and Imagi International Holdings Limited (Stock Code: 585), the shares of all of which are listed on the Stock Exchange.

### NON-EXECUTIVE DIRECTOR

**Mr. Chan Kin**, aged 54, was appointed as a non-executive director of the Company on 12 June 2017.

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

### SENIOR MANAGEMENT

**Mr. Yuan Xiaolei**, aged 47, was appointed as the chief financial officer of the Company on 13 September 2017.

Mr. Yuan graduated from Hangzhou Institute of Commerce\* (杭州商學院) (currently known as Zhejiang Gongshang University\* 浙江工商大學) with a bachelor degree in accounting. He has been a certified public accountant since May 1996, certified public valuer since 1998 and certified tax appraiser of the PRC since June 2002. Mr. Yuan is currently the chief financial officer of Zhishi Holdings Group Company Limited\* (支氏控股集團有限公司) since 2017. Mr. Yuan has more than 20 years of experience in the field of finance and accounting. Prior to joining the Company, Mr. Yuan had worked for various companies and accounting firms in the PRC.

\* for identification purposes only

# Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2018.

## PRINCIPAL ACTIVITIES

The Company acts an investment holding company. The principal activities of its principal subsidiaries are set out in Note 28 to the consolidated financial statements.

## SEGMENT INFORMATION

An analysis of the Group's revenue by geographical areas of operations for the year ended 31 March 2018 is set out in Note 6 to the consolidated financial statements.

## BUSINESS REVIEW

Details of the business review of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 9 of this report. Description of the principal risks and uncertainties facing the Company can also be found throughout this report particularly in Note 27 to the consolidated financial statements.

The Group has reported its financial conditions in due compliance with procedures stipulated under the Listing Rules. For details of the financial risks, please refer to the section headed "Financial Review" in "Management Discussion and Analysis" set out in page 8 of this report.

The key financial and business performance indicators of the Group included revenue, gross profit, profit attributable to equity holders of the Company, shareholders' funds and debt to equity ratio. Details of these indicators are provided in "Financial Summary" and "Management Discussion and Analysis" and as set out on page 100 and pages 8 to 9 of this report respectively.

## RESULTS

The results of the Group for the year ended 31 March 2018 and the Group's financial position at that date are set out on pages 54 and 55.

The Board has resolved not to declare any final dividend for the year ended 31 March 2018 (for the year ended 31 March 2017: Nil).

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2018, represented by its special reserve and net of accumulated losses was HK\$95,163,000 (2017: HK\$1,328,000).

## SHARE CAPITAL

Details of share capital of the Company during the year are set out in Note 20 to the consolidated financial statements.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the Group's published results and the Group's assets and liabilities for the last five financial years is set on page 100 of this report.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

### **DIRECTORS**

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

#### **EXECUTIVE DIRECTORS:**

Mr. Zhi Hua ( <i>Chairman</i> )	( <i>appointed on 13 September 2017</i> )
Mr. Lam Kai Yeung ( <i>Chief Executive Officer</i> )	( <i>appointed on 30 June 2017</i> )
Mr. Ma Jun ( <i>Chief Operating Officer</i> )	( <i>appointed on 30 November 2017</i> )
Mr. Gao Zhiyin	( <i>resigned on 13 September 2017</i> )
Mr. Gao Zhiping	( <i>resigned on 13 September 2017</i> )
Mr. Shi Jiguo	( <i>resigned on 31 May 2017</i> )
Mr. Feng Chen	( <i>retired on 29 September 2017</i> )

#### **INDEPENDENT NON-EXECUTIVE DIRECTORS:**

Mr. Li Hui	( <i>appointed on 17 May 2017</i> )
Mr. Chau On Ta Yuen	( <i>appointed on 19 September 2017</i> )
Dr. Lam Lee G.	( <i>appointed on 29 September 2017</i> )
Mr. Lau Chi Kit	( <i>resigned on 29 September 2017</i> )
Mr. Ma Ming	( <i>resigned on 19 September 2017</i> )
Mr. Lam Kai Yeung	( <i>resigned on 1 May 2017</i> )

#### **NON-EXECUTIVE DIRECTORS:**

Mr. Chan Kin	( <i>appointed on 12 June 2017</i> )
Mr. Shum Ngok Wa	( <i>appointed on 12 July 2016 and resigned on 14 June 2017</i> )

In accordance with Bye-Law 108(A), Mr. Li Hui, Mr. Lam Kai Yeung and Mr. Zhi Hua shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Bye-Law 112, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Ma Jun appointed by the Board as an addition to the existing Board shall hold office only until the forthcoming annual general meeting of the Company and shall retire and be eligible for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

### **DIRECTORS' SERVICE CONTRACTS**

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

## Report of the Directors

### **COOPERATION AGREEMENTS**

Details of cooperation agreements entered by the Group subsequent to 31 March 2018 are set out in Note 30 to the consolidated financial statements.

### **CHANGE IN INFORMATION OF DIRECTORS**

Upon specific enquiry by the Company and following confirmations from the Directors, for the year ended 31 March 2018, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE**

No transactions, arrangements and contract of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **CONTRACTS WITH CONTROLLING SHAREHOLDERS**

No contract of significance, including contracts for the provision of services, had been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 March 2018.

### **COMPETING BUSINESS INTERESTS OF DIRECTORS**

For the year ended 31 March 2018, none of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Company.

### **(CONTINUING) CONNECTED TRANSACTION**

During the year ended 31 March 2018, there was no transaction which is required to be disclosed as (continuing) connected transaction in accordance with Chapter 14A of the Listing Rules.

### **TAX RELIEF AND EXEMPTION**

During the year ended 31 March 2018, the Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

### **RELATED PARTY TRANSACTION**

During the year ended 31 March 2018, there was no connected transaction as defined in Chapter 14A of the Listing Rules.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

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

To the best of our knowledge and save for disclosed below, during the year ended 31 March 2018, there was no material breach of or non-compliance by the Group with the applicable laws and regulations that have a significant impact on the business and operation of the Group.

Mr. Lam Kai Yeung resigned as an independent non-executive Director with effect from 1 May 2017, details of which were disclosed in the Company's announcement dated 1 May 2017.

Following the resignation of Mr. Lam Kai Yeung, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell short of the requirement under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Li Hui as an independent non-executive Director and a member of the Audit Committee with effect from 17 May 2017, the Company has recompiled with the requirements of Rule 3.10(1) and Rule 3.21 of the Listing Rules, details of which were disclosed in the Company's announcement dated 17 May 2017.

### **CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

### **BIOGRAPHICAL DETAILS OF DIRECTORS**

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

## Report of the Directors

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

As at 31 March 2018, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of director	Capacity in which interests are held	Number of shares held and class of securities (Note 1)	Number of shares held under equity derivatives	Approximate percentage of shareholding
Mr. Zhi Hua	Interest of controlled corporation	322,409,404 (L) (note 2)		49.15%*
Mr. Lam Kai Yeung	Beneficial owner		5,192,000 (L) (Note 3)	0.79%*
Mr. Ma Jun	Beneficial owner		1,000,000 (L) (Note 4)	0.15%*

\* The percentage has been calculated based on 655,927,000 Shares in issue as at 31 March 2018.

notes:

1. The letter "L" denotes the Directors' long position in the Shares.
2. These 322,409,404 shares are owned by Rosy Lane International Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Zhi Hua. Mr. Zhi Hua is deemed to be interested in such Shares held by Rosy Lane International Limited under the SFO.
3. It represents 5,192,000 share options granted on 16 January 2018 pursuant to the Share Option Scheme on 2 June 2010 and are exercisable at the price of HK\$0.854 per share, and a ten years validity period from 16 January 2018.
4. It represents 1,000,000 share options granted on 16 January 2018 pursuant to the Share Option Scheme on 2 June 2010 and are exercisable at the price of HK\$0.854 per share, and a ten years validity period from 16 January 2018.

Save as disclosed above in this report, as at 31 March 2018, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2018, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and the chief executive of the Company) had interests or short positions in the Shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

\* The percentage has been calculated based on 655,927,000 Shares in issue as at 31 March 2018.

notes:

- The letter "L" denotes the individual's or the corporation's long position in the Shares.
- Rosy Lane International Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Zhi Hua.
- Ms. Yau Yuk Chun Carole is the wife of Mr. Ng Tsze Lun. Under the SFO, Ms. Yau Yuk Chun Carole is deemed to be interested in the same number of shares in which Mr. Ng Tsze Lun is interested.

Save as disclosed above, as at 31 March 2018, there was no other person who was recorded in the register of the Company as having interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of members of the Group other than the Company, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## Report of the Directors

### SHARE OPTION SCHEME

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

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

An aggregate number of shares granted on 16 January 2018 under the Share Option Scheme was 22,068,000 shares, representing approximately 4.25% of the issued share capital of the Company as at the date the Company obtained a fresh approval from its shareholders in an annual general meeting held on 29 September 2017. Details of the share options of the Company granted, exercised, lapsed and cancelled pursuant to the Share Option Scheme during the year ended 31 March 2018 were as follows:

Name of Grantee	Date of grant	Exercise Price (HK\$)	Exercise period	Vesting period	Number of shares issuable under the share options				As at 31 March 2018
					As at 1 April 2017	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	
<b>Directors</b>									
Mr. Lam Kai Yeung	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	-	5,192,000	-	-	5,192,000
Mr. Ma Jun	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	-	1,000,000	-	-	1,000,000
Other participants in aggregate	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	-	15,876,000	-	-	15,876,000

The Share Option Scheme will remain in force for a period of ten years from the date of its adoption (i.e. from 16 January 2018 to 15 January 2028).

None of the share options granted under the Share Option Scheme had been exercised throughout the year ended 31 March 2018 and as at the date of this report.

### ARRANGEMENTS TO PURCHASE SHARES OF DEBENTURES

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

### **EMOLUMENT POLICY**

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

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

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. Details of Share Option Scheme are set out in Note 22 to the consolidated financial statements.

### **KEY RELATIONSHIP WITH EMPLOYEES**

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

### **MANAGEMENT CONTRACTS**

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company for the year ended 31 March 2018.

### **PRE-EMPTIVE RIGHTS**

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

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the year under review, sales to the five largest customers accounted for 98.71% of the total revenue of the Group and sales to the largest customer included therein accounted for approximately 40.80% of the total revenue of the Group.

For the year under review, purchases from the five largest suppliers accounted for approximately 95.21% of the total purchases of the Group and purchases from the largest supplier included therein accounted for approximately 64.05%.

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

## Report of the Directors

### **RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS**

#### **CUSTOMERS**

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

#### **SUPPLIERS**

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

#### **SUFFICIENCY OF PUBLIC FLOAT**

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

#### **PERMITTED INDEMNITY PROVISION**

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance and Bye-Law 191) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2018.

The Company had taken out and maintained appropriate corporate liability insurance coverage for the Directors and officers of the Company throughout the year ended 31 March 2018.

#### **CORPORATE GOVERNANCE REPORT**

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

#### **EVENTS AFTER THE REPORTING PERIOD**

Details of events after the reporting period are provided in Note 30 to the consolidated financial statement.

#### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

The Company's environmental principles and practices are set out in the section headed "Environmental, Social and Governance Report" in this annual report.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

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

### AUDITORS

Pan-China (H.K.) CPA Limited was appointed as auditor of the Company with effect from 31 August 2017 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company. The Consolidated Financial Statements of the Group for the year ended 31 March 2018 have been audited by Pan-China (H.K.) CPA Limited, who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

### OTHER DISCLOSURE

#### IMPORTANT EVENTS AND CHANGE IN SHAREHOLDING STRUCTURE

##### Unconditional mandatory cash offer

On 12 July 2017, Rosy Lane International Limited ("**Rosy Lane**"), which is wholly owned by Mr. Zhi Hua, a Director, acquired 322,326,500 Shares (representing approximately 62.01% of the entire issued share capital of the Company) from the old controlling shareholder and made unconditional mandatory cash offer to other shareholders. Upon the close of the Share Offer on 12 September 2017, Shareholders holding 82,904 Shares had accepted the Share Offer, as a result of which Rosy Lane held 322,409,404 Shares, representing approximately 62.03% of the total issued Shares. For details, please refer to the Company's announcements dated 13 July 2017, 19 July 2017, 9 August 2017, 22 August 2017 and 12 September 2017. After placing and subscription of new shares under general mandate, Rosy Lane holds approximately 49.15% of the issued share capital of the Company. For details, please refer to the company's announcements dated 13 October 2017 and 29 December 2017 respectively.

##### Placing of new shares under general mandate and use of proceeds

On 20 September 2017, the Company entered into a placing Agreement (the "**Placing Agreement**") to place for up to 32,200,000 placing shares at the placing price of HK\$0.93 per placing share (the "**Placing**"). On 13 October 2017, the Placing have been completed in accordance with the terms and conditions of the Placing Agreement. The aggregate net proceeds from the Placing (after deducting all applicable costs and expenses, including commission and levies) amounted to approximately HK\$29,000,000. For details, please refer to the announcement of the Company dated 20 September 2017 and 13 October 2017.

As set out in the announcement of the Company dated 13 October 2017, the net proceeds were intended to be used as general working capital. As of the date of this report, the entire net proceeds have been used as general working capital of which HK\$4,600,000 was used for repayment of advance from the controlling shareholder Rosy Lane.

## Report of the Directors

### **Increase of authorised share capital**

The increase of the authorised share capital of the Company from HK\$9,000,000 divided into 900,000,000 ordinary Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary Shares of HK\$0.01 each by the creation of additional 9,100,000,000 ordinary Shares was approved by the shareholders of the Company at the special general meeting held on 13 November 2017.

The Certificate of Deposit of memorandum of Increase of Share Capital was issued by the Bermuda Registrar of Companies on 27 December 2017.

For details, please refer the Company announcement dated 16 October 2017, circular dated 18 October 2017 and announcement dated 13 November 2017 and 15 January 2018.

### **Change of company name and Stock Short Names**

The change of the English name of the Company from “Highlight China IoT International Limited” to “Hua Long Jin Kong Company Limited”, and the adoption Chinese name of “華隆金控有限公司” as been adopted as the secondary name of the Company in place of “高銳中國物聯網國際有限公司” were approved by the shareholders of the Company at the special general meeting held on 13 November 2017.

The Certificate of Incorporation on Change of Name and the Certificate of Second Name were both issued by the Bermuda Registrar of Companies on 27 December 2017. The Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies on 10 January 2018.

The stock short names of the Company for trading in the Shares on the Stock exchange has been changed from “高銳中國物聯” to “華隆金控” in Chinese and from “HIGHLIGHT IOT” to “HUALONGJINKONG” in English with effect from 9:00 a.m. on 18 January 2018.

The Board believes that the proposed new name of the Company will provide the Shareholders and the investing public a more accurate reflection of the Company’s corporate identity. The Board considers that such new corporate image and identity will benefit the Company and is in the interests of the Company and the Shareholders as a whole.

### **Subscription of new shares under general mandate**

On 30 November 2017 (after trading hours), the Company and the Subscriber, Mr. Ng Leung Ho (the “**Subscriber**”), entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Subscriber has conditionally agreed to subscribed for, and the Company has conditionally agreed to allot and issue, a total of 103,950,000 subscription shares (the “**Subscription Shares**”) at the subscription price of HK\$0.7 per Subscription Share (the “**Subscription**”). All conditions of the Subscription Agreement have been fulfilled and the completion of Subscription took place on 29 December 2017 in accordance with the terms and conditions of the Subscription Agreement.

The Subscription Shares represent approximately (i) 18.83% of the share capital of the Company immediately before the completion of the Subscription; and (ii) approximately 15.85% of the issued share capital of the Company as enlarged by the allotment and issue of 103,950,000 Subscription Shares.

## Report of the Directors

The gross proceeds from the Subscription was approximately HK\$72.77 million. The net proceeds, after deduction of all relevant expenses (including but not limited to legal expenses and disbursements) incidental to the Subscription of approximately HK\$0.25 million, was approximately HK\$72.52 million. The entire net proceeds of the Subscription has been applied to general working capital as at the date of this report.

For details, please refer the announcement of the Company dated 30 November 2017, 21 December 2017, and 29 December 2017.

### **Share Options Scheme**

The Company's Share Option Scheme is set out in the section headed "Share Option Scheme" in "Report of the Directors" in this annual report. For further details, please refer the Company announcement dated 16 January 2018 and circular dated 31 August 2017.

By Order of the Board

**Zhi Hua**

*Chairman*

Hong Kong,  
25 June 2018

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions (“**Code Provisions**”) under the Corporate Governance Code throughout the year ended 31 March 2018, except for the following deviations:

Code Provision A.6.7 which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Feng Chen, a retired executive Director, and Mr. Lau Chi Kit, a resigned independent non-executive Director, was unable to attend the 2017 AGM.

Under Code Provision C.2.5, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the Audit Committee has a review on the internal control system annually. The review covers major financial, operational controls in rotation basis and also the risk management functions. No significant deficiency was identified under current period’s review and the systems were operating effectively and adequately. The Group continues to review the need for an internal audit function annually.

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

The Company has established a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”). Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2018.

## BOARD OF DIRECTORS

The Board currently comprises seven Directors, including three executive Directors, namely Mr. Zhi Hua (chairman), Mr. Lam Kai Yeung (chief executive officer) and Mr. Ma Jun (chief operating officer); three independent non-executive Directors, namely Mr. Li Hui, Mr. Chau On Ta Yuen and Dr. Lam Lee G.; and one non-executive Director, namely Mr. Chan Kin.

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

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

## CORPORATE GOVERNANCE REPORT

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

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

## BOARD MEETINGS

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

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors of the Board has full access to relevant information at the meetings. The Board has met 17 times during the year ended 31 March 2018 and conducted the following activities at such regular meetings:

- (a) approved the interim and final results, interim and annual report, and matters to be considered at the annual general meeting of the Company;
- (b) discussed corporate strategies of the Group for the financial year ending 31 March 2018;
- (c) reviewed the performance and financial position of the Group;
- (d) reviewed, discussed and approved the matters in relation to the appointment of the Directors; and
- (e) reviewed, discussed and approved the remuneration packages of the employees of the Group and Directors and bonus payment for the year 2017.

## CORPORATE GOVERNANCE FUNCTIONS

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

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous development of the Directors and the management;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to review and approve the annual corporate governance report and related disclosures in annual and interim reports of the Group and ensure compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Group (the "**Applicable Laws**");

## Corporate Governance Report

- (e) to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and in particular to monitor the implementation of the Group's plans to maintain a high level of compliance with its own risk management standard;
- (f) to monitor if each of the Audit Committee, Remuneration Committee and Nomination Committee (or such other Board committee(s) from time to time established) has duly discharged their respective duties and obligations in accordance with their respective terms of reference, the Listing Rules and any Applicable Laws; and
- (g) to review the Group's compliance with the Corporate Governance Code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual reports.

### CHAIRMAN AND CHIEF EXECUTIVE

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

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

### TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTOR

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

A non-executive Director has entered into a letter of appointment with the Company for a term of one year commencing on 12 June 2017 and the term of non-executive Director shall be renewable for successive term of one year each commencing from the next day after the expiry of his then current term of appointment, subject to, amongst other things, retirement by rotation and reelection at an annual general meeting pursuant to the Bye-Laws unless terminated by not less than one month notice in writing.

Save as disclosed in the section headed "Compliance with Laws and Regulations" on page 17 in this report, during the year under review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

## BOARD COMMITTEES

The Board has established three Board Committees including the Nomination Committee, the Remuneration Committee and the Audit Committee.

The Board has delegated some of its functions to the Board Committees, the details of which are discussed below.

## NOMINATION COMMITTEE

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

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

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

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

3 meetings of the Nomination Committee were held during the financial year ended 31 March 2018 (with individual member's attendance as set out on page 31-32 of this report under the section of "Number of Meetings and Directors' Attendance"). The Nomination Committee conducted the following major work during the year ended 31 March 2018, amongst other things:

- reviewed the size, structure and the composition of the Board;
- reviewed the independence of independent non-executive Directors;
- made recommendations to the Board on the nomination and appointment of the new Directors; and
- made recommendations to the Board on the nomination of Directors for re-election at 2018 AGM.

# Corporate Governance Report

## BOARD DIVERSITY POLICY

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

## REMUNERATION COMMITTEE

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

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

3 meetings of the Remuneration Committee were held during the financial year ended 31 March 2018 (with individual member's attendance as set out on page 31-32 of this report under the section of "Number of Meetings and Directors' Attendance") and conducted the following major work:

- reviewed the appropriateness of appointment letter of a non-executive Director;
- made recommendations to the Board on the remuneration package of the Directors who were newly appointed during the year ended 31 March 2018;
- reviewed the remuneration packages of employees of the Group and Directors; and
- reviewed the bonus payment to employees of the Group for the year 2017.

No Director took part in any discussions and decisions about his own remuneration during the year ended 31 March 2018.

Pursuant to Code Provision B.1.5, a company should disclose details of any remuneration payable to members of the senior management by band for the year ended 31 March 2018 in its annual report. Details of members of the senior management remuneration are provided in Note 25 to the consolidated financial statement.

## AUDIT COMMITTEE

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

Save as disclosed in the section headed “Compliance with Laws and Regulations” on page 17 in this report, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a minimum of three independent non-executive Directors and at least one independent non-executive Director, the chairman of the Audit Committee, having appropriate professional accounting or financial management experience.

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

During the year ended 31 March 2018, the Audit Committee has convened two meetings (with individual member’s attendance as set out on page 31-32 of this report under the section of “Number of Meetings and Directors’ Attendance”) and conducted the following major work:

- reviewed the interim and annual reports of the Company together with the external auditor and management of the Company;
- reviewed the audit plans and findings of the external auditor of the Company as well as development in accounting standards and its effects on the Group;
- reviewed the effectiveness of the internal control system together with the external auditor of the Company; and
- made recommendations to the Board on the appointment and re-appointment of the external auditor.

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

The Audit Committee has reviewed the Group’s audited consolidated financial statements for the year ended 31 March 2018 with the management and the external auditor of the Company and recommended its adoption by the Board.

## NUMBER OF MEETINGS AND DIRECTORS’ ATTENDANCE

Attendance records of the Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meetings (RCM), Nomination Committee Meetings (NCM), Special General Meeting (SGM) and Annual General Meeting (AGM) held for the year ended 31 March 2018 are set out below:

## Corporate Governance Report

	Meetings attended/Eligible to attend For the year ended 31 March 2018					
	BM	ACM	RCM	NCM	SGM	AGM
<b>Executive Directors</b>						
Mr. Zhi Hua (chairman) (appointed on 13 September 2017)	12/17	N/A	3/3	2/3	1/1	1/1
Mr. Lam Kai Yeung (chief executive officer) (appointed on 30 June 2017)	10/17	N/A	N/A	N/A	1/1	1/1
Mr. Ma Jun (Chief Operating Officer) (appointed on 30 November 2017)	5/17	N/A	N/A	N/A	N/A	N/A
Mr. Gao Zhiyin (resigned on 13 September 2017)	4/17	N/A	0/3	0/3	N/A	N/A
Mr. Gao Zhiping (resigned on 13 September 2017)	3/17	N/A	N/A	N/A	N/A	N/A
Mr. Shi Jiguo (resigned on 31 May 2017)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Feng Chen (retired on 29 September 2017)	6/17	N/A	N/A	N/A	N/A	N/A
<b>Independent Non-executive Directors</b>						
Mr. Li Hui (appointed on 17 May 2017)	13/17	2/2	N/A	N/A	1/1	1/1
Mr. Chau On Ta Yuen (appointed on 19 September 2017)	9/17	1/2	3/3	2/3	1/1	1/1
Dr. Lam Lee G. (appointed on 29 September 2017)	8/17	1/2	3/3	2/3	1/1	N/A
Mr. Lau Chi Kit (resigned on 29 September 2017)	6/17	1/2	0/3	1/3	N/A	0/1
Mr. Ma Ming (resigned on 19 September 2017)	5/17	1/2	N/A	N/A	N/A	N/A
Mr. Lam Kai Yeung* (resigned on 1 May 2017)	N/A	N/A	1/3	N/A	N/A	N/A
<b>Non-executive Director</b>						
Mr. Chan Kin (appointed on 12 June 2017)	13/17	N/A	N/A	N/A	1/1	1/1
Mr. Shum Ngok Wa (appointed on 12 July 2016 and resigned on 14 June 2017)	2/17	N/A	N/A	N/A	N/A	N/A

\* Mr. Lam Kai Yeung resigned as an independent non-executive Director on 1 May 2017 and re-designated as the chief financial officer of the Company on the same day. He was appointed as an executive Director on 30 June 2017.

## DIRECTORS' AND OFFICERS' INSURANCE

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

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

	Reading materials
<b>Executive Directors</b>	
Mr. Zhi Hua (Chairman)	✓
Mr. Lam Kai Yeung (Chief Executive Officer)	✓
Mr. Ma Jun (Chief Operating Officer)	✓
<b>Independent Non-executive Directors</b>	
Mr. Li Hui	✓
Mr. Chau On Ta Yuen	✓
Dr. Lam Lee G.	✓
<b>Non-executive Director</b>	
Mr. Chan Kin	✓

## AUDITOR'S REMUNERATION

During the year, the nature of the audit and non-audit services provided by Pan-China (H.K.) CPA Limited, the existing auditor of the Company, and the relevant fee paid by the Company for such services are as follows:

Audit services of HK\$500,000 for the Group; Non-audit services of HK\$103,000 including:

- participating the interim results works;
- taxation services for the Group including profits tax returns filing; and
- agreed-upon procedures on the Group's annual results announcement.

## Corporate Governance Report

### DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROLS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2018, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

### COMPANY SECRETARY

The Company Secretary, Mr. Lam Kai Yeung, met the requirements on professional training under the Rule 3.29 of the Listing Rules during the financial year ended 31 March 2018.

### SHAREHOLDERS' RIGHTS

#### CONVENING A SPECIAL GENERAL MEETING ON REQUISITION

- 1.1 Shareholders have the right to call for a special general meeting on requisition in the manner prescribed by and set out in the Bye-Laws and the Companies Act.
- 1.2 Bye-Law 65 provides that "The Directors may, whenever they think fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists."
- 1.3 Pursuant to section 74 of the Companies Act, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**General Meeting Requisitionists**") may by written requisition (the "**General Meeting Requisition**") to the Board or the secretary of the Company (the "**Company Secretary**"), require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.
- 1.4 The General Meeting Requisition must state the purpose of the meeting, and must be signed by the General Meeting Requisitionists; the General Meeting Requisition may consist of several documents in like form each signed by one or more General Meeting Requisitionists.

## Corporate Governance Report

- 1.5 The General Meeting Requisition shall be deposited at the registered office of the Company at *Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda* and copied to the head office and principal place of business of the Company at *25th & 26th Floor No. 238 Des Voeux Road Central, Hong Kong, Hong Kong* and marked for the attention of the Board or the Company Secretary.
- 1.6 If the Board fails to proceed to convene such meeting within 21 days from the date of the deposit of General Meeting Requisition as set out in the paragraph 1.2 above, the General Meeting Requisitionists, or any of them representing more than one half of their total voting rights, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the General Meeting Requisition.
- 1.7 Any reasonable expenses incurred by the General Meeting Requisitionists by reason of the failure of the directors of the Company to duly convene a meeting shall be repaid to the General Meeting Requisitionists by the Company.

### PROCEDURES FOR RAISING ENQUIRIES

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

Tricor Secretaries Limited

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

Tel: (852) 2980 1333

Fax: (852) 2861 1465

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

Address: 25th & 26th Floor, 238 Des Voeux Road Central, Hong Kong

Email: [hk1682@163.com](mailto:hk1682@163.com)

Tel: (852) 2111 9823

Fax: (852) 2111 0793

Attention: Board of Directors/Company Secretary

Shareholders are encouraged to make enquiries via the online enquiry form available on the Company's website at [www.1682hk.com](http://www.1682hk.com).

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

## Corporate Governance Report

### PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETING

1. Subject to paragraph 2 below, pursuant to in sections 79 and 80 of the Companies Act, Resolution Requisitionists (as defined in paragraph 2 below) may, by requisition in writing (the “**Resolution Requisition**”), request the Company to give to or circulate to (as the case may be) the Shareholders (i) notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company (the “**Forthcoming AGM**”) (and such notice shall be given to Shareholders who are entitled to receive notice of the Forthcoming AGM); or (ii) any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting (and such notice shall be circulated to members entitled to have notice of any general meeting sent to them), at the expense of the Resolution Requisitionists.
2. “Resolution Requisitionists” means Shareholders making a requisition under paragraph 1 above and shall constitute either:
  - (a) any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
  - (b) not less than one hundred Shareholders.
3. A copy of the Resolution Requisition signed by the Resolution Requisitionists with their detailed contact information, or two or more copies containing the signatures of all the Resolution Requisitionists, shall be deposited at the registered office and copied to the head office and principal place of business of the Company at their respective address specified in above headed “convening a special general meeting on requisition”:
  - (a) in the case of Resolution Requisition requiring notice of a resolution, not less than six weeks before the Forthcoming AGM; and
  - (b) in the case of any other requisition, not less than one week before the general meeting.
4. Resolution Requisitionists shall deposit or tender with the Resolution Requisition a sum reasonably sufficient to meet the Company’s expenses in giving notice of any resolution or to circulate any statement as provided under the Companies Act.

### CONSTITUTIONAL DOCUMENT

There was no change in the Company’s constitutional documents during the year ended 31 March 2018.

# Environmental, Social and Governance Report

## PART A – ENVIRONMENT

### OUR EMISSIONS AND ENERGY FOOTPRINT

Hua Long Jin Kong Company Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) understands the possible environmental impacts caused by our operations; therefore, we strictly comply with the relevant environmental protection laws and emission standards. The impacts could occur in our Office-based operation and day-to-day operation. Our management approach includes:

#### A. EMISSIONS

##### Emissions & energy efficiency

The carbon footprint arising from the Group’s day-to-day operations is primarily from the electricity that we use in our office and emissions generated from our business travel.

The Group insists in mitigating our impact to the environment and provides energy-efficient and low carbon working spaces to employees. We also continue to retrofit existing buildings with energy-efficient features such as energy-efficient lights where feasible. We encourage our employees to dress in smart casual and indoor temperature is maintained at around 25.5°C in the summer time, conserve energy by moderating office temperatures and turning off lighting and computer monitors when not in use as well as enable the “Standby” or “Sleep” mode of personal computers.

Given our presence across Asia, especially in PRC, business travel is essential, but where appropriate we utilise telephone or video-conferencing technology to reduce the need for travel and promote prompt and efficient communication across our markets, as well as to reduce vehicle exhaust emissions. For local business travelling, we encourage our employee to take public transport instead of driving, whenever possible, or eco-friendly modes of transportation that have low levels of pollution, such as railway lines and trams.

#### B. USE OF RESOURCES AND WASTE MANAGEMENT

The Group recognizes the importance of waste reduction and therefore waste management measures have been introduced to minimise the amount of waste generated and the impact on the environment.

##### Use of paper

As a trading company, paper has traditionally been our main focus on waste management. In 2017, we identifies ways to reduce our use of paper, both now and into the future.

In the Group’s offices, we promote the concept of green office by encouraging our employees to save paper, such as, recycle used cartridges, recycling paper, practice of double-sided printing and copying. In 2019, we target an amount equivalent to round 20% of paper consumed at office was recycled. Other than that, our promotion of use of Office Automation System and intranet and transferring files in electronic version or through email among the Group has become a responsible practice to reduce paper waste and a green office environment.

Where feasible, we encourage our employees to use environmentally friendly paper in their day to day operations.

##### Use of water

Although our water footprint is not directly material to the nature of our operations as a garment sourcing trading company, we believe that reporting on this metric is part of operating in a responsible manner.

## Environmental, Social and Governance Report

In 2017, the Group used a total of 157 cubic meters of water. This data was reported by 12 of our business units (Group company and its subsidiaries). Water intensity amounts to 10.46 cubic meters per full time employee at these locations.

The Group is committed to using resources wisely and efficiently and reducing waste generation. In 2019, we are progressively implementing water-efficiency measures throughout our operation, including putting reminders on water conservation are posted in pantry, installation of water-efficient faucets, fixtures and fittings in our offices and equipment in our facilities, and encouraging behavioral change in our people.

### PART B – SOCIAL

The Group sees our employees as our most important asset. We are committed to driving a culture where our employees feel valued, have a clear sense of belonging and are recognized and rewarded for their contribution. We provide a fair and equal working environment and opportunities to employees of different background, age and gender. We also provide employees with reasonable remuneration and benefits to reward them for our shared achievements. The Group complies with local labour laws and regulations with respect to employment and labour issues to ensure all employees are treated fairly.

#### A. EMPLOYMENT

##### Workforce Diversity

The Group sees diversity as a source of strength and pride. A diverse workplace inspires innovation, enriching every aspect of our business. We are committed to ensuring an inclusive workplace, where diversity of gender, age, physical condition and ethnicity are valued and leveraged to foster innovation and creativity.

##### Equal Opportunities

The Group embraces non-discrimination and inclusive workplace as one of the greatest value of the Group. We encourage our employees to treat one another with respect and dignity. Discrimination on the basis of sex, disability, marital or family status, age, race, religion or any other characteristics protected by law is strictly prohibited.

Equal opportunities are provided to all employees when employment decisions made. Our recruitment, employment and human resources management practices, such as promotion, rewards and training opportunities, will under no circumstances be influenced or affected by an applicant's or employee's sex, disability, marital or family status, age, race or religion.

##### Remuneration

The Group's business is built on long-term relationships within our teams and led by industry experts, who have deep knowledge and are expertise across different aspect of our business. They drive growth and success of the Group.

In order to recognize and appreciate our employees, we provide reasonable remuneration and benefits for employees in every position according to their performance, relevant skill set, ability and experience. We also offer fair promotion opportunities based on conditions such as employee's capability, year of experience and attitude at work, etc., which serve as a motivation for employees to continue learning and improving work performance based on their job duties, work requirements and team dynamics. It is our responsibility to reward our employees for their hard work. In the future, we will continue to work on building a fair and equitable working environment for employees.

# Environmental, Social and Governance Report

## B. SAFE WORKING ENVIRONMENT

The Group is committed to provide a safe and comfortable working environment for our employees. We adhere to all applicable laws and regulations to avoid work-related injuries.

### Employee Wellbeing

Health, safety and wellbeing of our employees are very important to us. It is our responsibility to ensure that our employees feel safe and respected and are able to apply their best skills at work.

The Group believes this improves performance at work and brings benefits to our employees, both personally and professionally. Our strategy and programs are tailored to support our peoples' wellbeing and to meet the specific occupational health and safety requirements of different working environments within our offices. To support local needs and meet local legal requirements, we ensure that our working hours and benefits, and other terms of employment, are tailored to each local regulation.

As noted above, maintaining a respectful work place free from discrimination and harassment of any form and providing equal opportunities for all our employees, is of utmost importance.

## C. CAREER AND PERSONAL DEVELOPMENT

It is mandatory to all new employees to attend a Comprehensive Training Program in their first day of work, in order to enhance their understanding towards the Group's business, management structure and corporate culture. To improve team's skills and professionalism, the Group regularly provides training and education opportunities for its employees. The Group's career development policy focuses on helping employees to develop their strengths. For example, the Group provides guidance for new employees, establishes training management systems and training plans, and arranges experienced employees to guide new employees during day-to-day work in order to help employees adapt to the Group's culture and promote the Group's long-term development in different areas.

## D. LABOUR STANDARDS

The Group does not hire child labor aged below the relevant legal threshold in accordance with local legislation. Therefore, documentation proving age of job applicant and other reliable documentation would be verified during recruitment. Improper use of labour in the form of child labour and forced labour is strictly prohibited in all business sectors.

For operations in Hong Kong, the Group ensures full compliance to relevant regulations and refers to the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong).

For the Group's operations in PRC, it ensures full compliance to relevant laws and regulations in the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China which stipulate the prevention of the use of child labour of ages under 16 and the prevention of any unlawful way of forced labour.

During the reporting period, the Group did not identify any child labour or violations against the labour law.

# Environmental, Social and Governance Report

## E. SUPPLY CHAIN MANAGEMENT

The Group adheres to the principle that the stable business relationship with our premier suppliers are essential to maximise our Group's value in the long-term. Hence, the Group has adopted a stringent approach in procurement by conducting a preliminary assessment on the potential suppliers' and distributors' credentials to ascertain their backgrounds, production facilities and goodwill, as well as examining whether the materials and/or products supplied comply with the relevant safety and environmental standards.

## F. PRODUCT RESPONSIBILITY

The Group requires all suppliers of its packaging and products to comply with the Group's policy. The Group keeps its sourcing protocols reviewed regularly and up-to-date in order to maintain the high quality and safety standards of its products.

## G. ANTI-CORRUPTION

Doing business honestly and ethically is the Group's core value. It is the Group's paramount policy that all staffs are not allowed to receive or offer any advantages such as money, gift, loan, reward, contract and service from or to any business associates. Investigation will be carried out promptly for any suspected incident of fraud and staff will be dismissed if found to have committed fraud; and the case will be reported to the respective authority when necessary.

During the reporting period, the Group did not identify any legal violation or complaint related to corruption.

## H. CONTRIBUTION TO THE COMMUNITY

The Group encourages its employees to actively participate in community activities. Through participating in volunteer work and donation activities, good relationship with the nearby communities and social organizations has been established so that employees can be aware of the community needs and timely respond and contribute to the society.

### Subject Area A – Environment Aspect A1: Emissions

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Section: Emissions	The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group during the reporting period.
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# Environmental, Social and Governance Report

## Subject Area A – Environment

### Aspect A1: Emissions

KPI A1.1	The types of emissions and respective emissions data.	NO <sub>x</sub> emissions: 8.4 kg SO <sub>x</sub> emissions: 0.4 kg PM <sub>x</sub> emissions: 0.6 kg	The biggest contributor to our GHG emissions was the electricity that we consumed at our offices (Scope 2: Electricity Indirect GHG Emissions). Business travel (Scope 3: Other indirect GHG Emissions) also contributed to the GHG emissions that we recorded during the year.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GHG (including Scope 1 and Scope 2): 518.1 tonnes carbon dioxide equivalent	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		As a garment sourcing trader the production of hazardous waste is immaterial to our operations.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	115.6 tons of carton box 2.1 tons of paper	The Group's non-hazardous waste consist of operation and office products such as carton boxes and paper.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Section: Emissions, Use of Resources and Waste Management	We continue to raise awareness on the importance of our impact to the environment.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		We continue to raise awareness on the importance of waste reduction through signage and internal communication.  As a garment sourcing trader, the production of hazardous waste is immaterial to our operations.

# Environmental, Social and Governance Report

## Subject Area A – Environment Aspect A2: Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Section: Emissions, Use of Resources and Waste Management	Section Emissions, Use of Resources and Waste Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Direct energy consumption at the Group: 693,198 kWh Energy intensity per full-time employees: 46,213.2kWh	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Total water consumption:157 cubic meters. Water intensity per full-time employees: 10.46 cubic meters	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.		Section Use of Resources and Waste Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		Section Use of Resources and Waste Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Plastic: 0.4 tones (mainly plastic bags and plastic wrappings) Cardboard paper boxes: 115 tones	

# Environmental, Social and Governance Report

## Subject Area A – Environment

### Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.		This aspect is not applicable to the Company's operations, as the Company's environmental impact and use of natural resources is minimal.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Data not available	

## Subject Area B – Social

### Employment and Labour Practices

#### Aspect B1: Employment

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Section: Employment	The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group during the reporting period.
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Data not available	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Data not available	

## Environmental, Social and Governance Report

### Subject Area B – Social Employment and Labour Practices Aspect B2: Health and Safety

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Section: Safe Working Environment	The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group during the reporting period.
KPI B2.1	Number and rate of work-related fatalities.	Data not available	
KPI B2.2	Lost days due to work injury.	Data not available	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Data not available	

### Subject Area B – Social Employment and Labour Practices Aspect B3: Development and Training

General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Section: Career and Personal Development	The Group recognizes the employees as the most important and valuable assets of the Group. The Group promotes career development and progression by appropriate on-the-job training and providing opportunities within the Group for career advancement.
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Data not available	

## Environmental, Social and Governance Report

### Subject Area B – Social Employment and Labour Practices Aspect B3: Development and Training

KPI B3.2	The average training hours completed per employee by gender and employee category.	Data not available
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### Subject Area B – Social Employment and Labour Practices Aspect B4: Labour Standards

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Section: Labour Standards	The Group is not aware of any non-compliance with relevant rules and regulations on preventing child or forced labour.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Data not available	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Data not available	

### Subject Area B – Social Operating Practices Aspect B5: Supply Chain Management

General Disclosure	Policies on managing environmental and social risks of the supply chain.	Section: Supply Chain Management	Section Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Data not available	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Data not available	

# Environmental, Social and Governance Report

## Subject Area B – Social Operating Practices Aspect B6: Product Responsibility

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Section: Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Data not available
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Data not available
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Data not available
KPI B6.4	Description of quality assurance process and recall procedures.	Data not available
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data not available

## Environmental, Social and Governance Report

### Subject Area B – Social Operating Practices Aspect B7: Anti-corruption

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Section: Anti-corruption	The Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group during the reporting period.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Data not available	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Data not available	

### Subject Area B – Social Community Aspect B8: Community Investment

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Section: Contribution to the Community	Understanding and responding to the requests and expectation of stakeholders in a timely manner is an important basis for the Company's sustainable development. For Shareholders, we disclose information in time through various channel according to the disclosure requirements of the Listing Rules.
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Data not available	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Data not available	

# Independent Auditor's Report



PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants

天健(香港)會計師事務所有限公司

## TO THE MEMBERS OF HUA LONG JIN KONG COMPANY LIMITED

華隆金控有限公司

(incorporated in Bermuda with limited liability)

## OPINION

We have audited the consolidated financial statements of Hua Long Jin Kong Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 97, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs"). 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.

## Independent Auditor's Report (Continued)

### 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. Those 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	How our audit addressed the key audit matters
<p><b><i>Impairment on trade receivables</i></b></p> <p>As disclosure in note 13 to the consolidated financial statements, the trade receivables carried at approximately HK\$36.9 million as at 31 March 2018, which represented approximately 14% of the Group's total assets. No impairment has been recognised during the year.</p> <p>In determining the impairment of trade receivable, the management considered historical records, subsequent settlement and ageing analysis.</p>	<p>We evaluated management's assessment methodology, inputs and assumption applied by management in performing the impairment assessment by checking the ageing of trade receivables and credit terms granted by the Group, historical collection patterns and post year-end settlements from selected samples of customers.</p>
<p><b><i>Impairment on short-term loan receivable</i></b></p> <p>As disclosure in note 14 to the consolidated financial statements, the short-term loan receivable carried at HK\$8.3 million as at 31 March 2018. No impairment has been recognised during the year.</p> <p>In exercising impairment assessment of the short-term loan receivable, the management applied own judgment and used subjective assumptions. It includes assessing customer with default risk and identifying indication of impairment based on creditworthiness of customer.</p>	<ul style="list-style-type: none"> <li data-bbox="810 1249 1394 1485">– We discussed with the management of the Company in order to understand the Group's loan advance policy and how the management of the Company assessed and mitigated credit risk in determining whether or not to lend monies to potential borrowers.</li> <li data-bbox="810 1529 1394 1630">– We reviewed the Group's impairment assessment policy and procedures on the short-term loan receivable.</li> <li data-bbox="810 1675 1394 1832">– We assessed the reasonableness of recoverability of short-term loan receivable with reference to the subsequent interest settlements and aging analysis of the customer.</li> <li data-bbox="810 1877 1394 1939">– We reviewed the loan agreement and credit file of the customer.</li> </ul>

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<b><i>Existence and valuation of inventories</i></b>	
As at 31 March 2018, the Group held inventories of approximately HK\$119 million.	– We checked the stock record for the inventories movements during and after the year ended 31 March 2018;
Given the magnitude of the inventories, the existence and valuation of inventories are considered as a key audit matter.	– We checked the accuracy of cost of inventories by verifying the purchase agreements and invoices;
As subsequently after the year ended 31 March 2018, all the inventories were sold or returned to the supplier in accordance with the purchase agreements entered into between the Group and the supplier, the management considered no impairment was required for inventories as at 31 March 2018.	– We checked the net realisable value of inventories to subsequent selling prices; – We reviewed the purchase agreements and checked the supporting documents for the subsequent return of inventories to the supplier; – We interviewed and obtained written confirmation from the supplier and customer to verify the existence of the purchases and sales.

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all 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.

## Independent Auditor's Report (Continued)

### **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 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The directors are assisted by the audit committee in discharging their responsibilities 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

## Independent Auditor's Report (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## Independent Auditor's Report (Continued)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Chan Kin Wai.

### **PAN-CHINA (H.K.) CPA LIMITED**

Certified Public Accountants

Chan Kin Wai

Practising Certificate Number: P05342

11/F, Hong Kong Trade Centre  
161-167 Des Voeux Road Central  
Hong Kong, 25 June 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	5	184,829	80,992
Cost of sales		(163,820)	(75,968)
<b>Gross profit</b>		<b>21,009</b>	5,024
Other income		4,365	606
Net foreign exchange gains/(losses)		413	(45)
Selling and distribution costs		–	(1,164)
Administrative expenses		(17,767)	(15,864)
Finance costs		(19)	–
Profit/(loss) before taxation		8,001	(11,443)
Income tax expenses	7	(6)	–
Profit/(loss) for the year attributable to owners of the Company	8	7,995	(11,443)
<b>Other comprehensive income, net of income tax</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		1,029	–
Total comprehensive income/(expense) for the year attributable to owners of the Company		9,024	(11,443)
<b>Earnings/(loss) per share</b>	10		
Basic (HK cents)		1.426	(2.20)
Diluted (HK cents)		1.424	(2.20)

# Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current asset</b>			
Plant and equipment	11	1,500	–
<b>Current assets</b>			
Inventories	12	119,060	–
Trade receivables	13	36,961	3,037
Short-term loan and loan interest receivable	14	8,362	–
Deposits, prepayments and other receivables	15	21,078	30,699
Amount due from a former subsidiary	16	–	3,105
Tax recoverable		468	880
Bank balances and cash	17	76,146	2,509
		<b>262,075</b>	40,230
<b>Current liabilities</b>			
Trade payables	18	139,518	2,801
Other payables, accruals and deposit received		4,310	1,230
Amount due to immediate holding company	16	–	20,462
Amounts due to directors	16	–	8,657
Tax payable		1,467	1,200
Finance lease payable – current portion	19	112	–
		<b>145,407</b>	34,350
<b>Net current assets</b>		<b>116,668</b>	5,880
<b>Total assets less current liabilities</b>		<b>118,168</b>	5,880
<b>Non-current liabilities</b>			
Finance lease payable	19	368	–
		<b>368</b>	–
<b>Net assets</b>		<b>117,800</b>	5,880
<b>Capital and reserves</b>			
Share capital	20	6,559	5,198
Reserves		111,241	682
<b>Total equity</b>		<b>117,800</b>	5,880

The consolidated financial statements on pages 54 to 97 were approved and authorised for issue by the Board of Directors (the “Board”) on 25 June 2018 and are signed on its behalf by:

**Zhi Hua**  
DIRECTOR

**Lam Kai Yeung**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company						
	Share capital HK\$'000 (Note 20)	Share premium HK\$'000	Special reserve HK\$'000 (note i)	Share option reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 April 2016	5,198	-	18,787	-	(3)	(6,659)	17,323
Loss and total comprehensive expense for the year	-	-	-	-	-	(11,443)	(11,443)
At 31 March 2017	5,198	-	18,787	-	(3)	(18,102)	5,880
Issue of shares (Note 20(ii) & (iii))	1,361	101,350	-	-	-	-	102,711
Grant of share options (Note 22)	-	-	-	185	-	-	185
Profit for the year	-	-	-	-	-	7,995	7,995
Other comprehensive income							
- Exchange differences arising on translation of overseas operations	-	-	-	-	1,029	-	1,029
Total comprehensive income for the year	-	-	-	-	1,029	7,995	9,024
At 31 March 2018	<b>6,559</b>	<b>101,350</b>	<b>18,787</b>	<b>185</b>	<b>1,026</b>	<b>(10,107)</b>	<b>117,800</b>

note (i): The special reserve represents (a) the reserve arising from a previous group reorganisation; and (b) cancellation of share premium, less special dividend of HK\$374,239,000, in prior years.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	8,001	(11,443)
Adjustments for:		
Interest income	(165)	(114)
Depreciation of plant and equipment	185	–
Equity settled share option expenses	185	–
Operating cash flows before movements in working capital	8,206	(11,557)
(Increase)/decrease in inventories	(119,060)	4,140
(Increase)/decrease in trade receivables	(33,924)	16,803
Increase in short-term loan and loan interest receivable	(8,362)	–
Increase in deposits, prepayments and other receivables	(17,279)	(455)
Decrease/(increase) in amount due from a former subsidiary	3,105	(3,105)
Increase/(decrease) in trade payables	136,717	(21,501)
Increase/(decrease) in other payables, accruals and deposit received	9,518	(955)
(Decrease)/increase in amounts due to directors	(8,657)	3,104
Cash used in operations	(29,736)	(13,526)
Income tax refunded/(paid)	673	(1,470)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(29,063)</b>	<b>(14,996)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	165	114
Purchase of plant and equipment	(1,132)	–
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(967)</b>	<b>114</b>
<b>FINANCING ACTIVITIES</b>		
(Repayment to)/advance from immediate holding company	–	10,462
Repayment of finance lease payable	(73)	–
Net proceeds from issuance of shares	102,276	–
Repayment to a former subsidiary	–	(4,869)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>102,203</b>	<b>5,593</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>72,173</b>	<b>(9,289)</b>
Exchange alignment	1,464	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>2,509</b>	<b>11,798</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing by bank balances and cash</b>	<b>76,146</b>	<b>2,509</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s parent company is Rosy Lane International Limited, a company incorporated in the British Virgin Islands (the “BVI”) with limited liability, which is wholly and ultimately and beneficially owned by Mr. Zhi Hua, director of the Company. The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at 25th & 26th Floor, 238 Des Voeux Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 28 to the consolidated financial statements.

The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) because the Company’s shares are listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities. Reconciliation of various types of the Group’s financing liabilities is disclosed in Note 29 to the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

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

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Annual improvements to HKFRSs (2014-2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 *Non-current Assets held for Sale and Discontinued operations*, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 *Disclosure of Interests in Other Entities*.

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

#### New and amendments to HKFRSs in issue but not yet effective

The Group has not applied any of the following new HKFRSs, amendments to HKFRSs and new interpretations (“new and revised HKFRSs”) that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement <sup>2</sup>
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures <sup>2</sup>
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014- 2016 Cycle <sup>1</sup>
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective date not yet determined

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### **2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)**

#### HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss (“FVTPL”), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

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

#### HKFRS 9 Financial Instruments (continued)

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group’s risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 March 2019.

The amendments to HKFRS 9 *Prepayment Features with Negative Compensation* mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the ‘solely payment of principal and interest’ test.

The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Group has assessed that the loans and receivables which are currently measured at amortised cost will continue with their classification and measurement upon the adoption of HKFRS 9.

The Group currently does not have any financial liabilities measured at FVTPL or FVTOCI and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

The Group currently does not have any hedge accounting transactions and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

#### HKFRS 15 “Revenue from Contracts with Customers”

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### **2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)**

#### HKFRS 15 “Revenue from Contracts with Customers” (continued)

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported in respect of the Group’s garment sourcing activities that are currently recognised on a gross basis as the Group is acting as a principal. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors completed a detailed review.

#### HKFRS 16 “Leases”

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

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

#### HKFRS 16 “Leases” (continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK\$7,887,000 as disclosed in Note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group’s consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, 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”.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

#### Basis of consolidation

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

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

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

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

Where 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.

#### Revenue recognition

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leasing

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

#### The Group as lessee

##### (i) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### (ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned asset.

### Plant and equipment

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment losses on assets

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

### Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The employees of the Group's subsidiaries which operate overseas are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Short-term and other long-term employee benefits

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, 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 or cancelled 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 retained earnings.

### Inventories

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

### Financial instruments

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

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

### Financial assets

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

### Financial assets (continued)

Effective interest method

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

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

Loans and receivables

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

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

The amount of the impairment loss recognised is the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

### Financial assets (continued)

Impairment of loans and receivables (continued)

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

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

### Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

### Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

#### Impairment assessment on deposits paid for purchases of garment products

Management assesses whether there is any impairment of deposits paid for purchases of garment products on an ongoing basis. The impairment assessment is based on evaluation of the recoverability of the deposits by considering market demand, expected volume of transactions with the supplier and ability of the supplier to settle the deposits. If market demand, expected volume of transactions with the supplier or ability of the supplier to settle the deposits were to deteriorate, the actual recoverability of the deposits may be lower than expected, an impairment may need to be recognised. As at 31 March 2018, the carrying amount of deposits paid for purchases of garment products is approximately HK\$15,479,000 (2017: approximately HK\$28,526,000), without any impairment recognised (2017: Nil).

#### Estimated impairment of trade receivables and loan receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 March 2018, the carrying amount of trade receivables and short-term loan receivable are approximately HK\$36,961,000 (2017: approximately HK\$3,037,000) and HK\$8,300,000 (2017: Nil) respectively. No impairment has been recognised during the year (2017: Nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Income taxes

Deferred tax asset in relation to unused tax losses of approximately HK\$36,415,000 (2017: approximately HK\$34,650,000) has not been recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

#### Share-based payment expenses

The fair value of share options granted to the eligible participants determined at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing model was used to calculate the fair value of the share options. The option pricing model requires the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options etc. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options. Details are set out in note 22.

### 5. REVENUE

The Group's revenue represents mainly the amounts received and receivable for sourcing of garment products, less sales returns and allowances.

### 6. SEGMENT INFORMATION

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 6. SEGMENT INFORMATION (CONTINUED)

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

- garment sourcing
- provision of finance

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

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

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share based payment, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the year ended 31 March 2017, other than revenue analysis by customers, the chief operating decision maker assesses the operating performance of the Group as a whole as the Group is primarily engaged in garment sourcing. No other discrete information is provided to the chief operating decision maker. Accordingly, no further segment information is presented for the year ended 31 March 2017.

#### Segment revenues and results

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

##### For the year ended 31 March 2018

	Garment sourcing HK\$'000	Provision of finance HK\$'000	Total HK\$'000
<b>Revenue</b>	184,767	62	184,829
<b>Segment results</b>	16,168	33	16,201
Unallocated other revenue and gains			4,200
Unallocated administrative and other expenses			(12,381)
Profit from operations			8,020
Finance costs			(19)
Profit before taxation			8,001

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 6. SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities

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

**As at 31 March 2018**

	Garment sourcing HK\$'000	Provision of finance HK\$'000	Total HK\$'000
Segment assets	242,460	8,362	250,822
Unallocated corporate assets			12,753
Consolidated assets			263,575
Segment liabilities	141,908	5	141,913
Unallocated corporate liabilities			3,862
Consolidated liabilities			145,775

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

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising of certain plants and equipment, bank balances and cash, deposits, prepayments and other receivables); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of certain accruals and other payables and finance lease payable).

#### Geographical information

The Group's operation is mainly located in China, Hong Kong and the United States of America (the "USA").

The Group's revenue from external customers by location of customers is detailed below:

	2018 HK\$'000	2017 HK\$'000
China	154,651	–
USA	17,330	65,343
Canada	11,003	15,649
Mexico	936	–
Hong Kong	909	–
	184,829	80,992

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 6. SEGMENT INFORMATION (CONTINUED)

#### Information about major customers

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

	2018 HK\$'000	2017 HK\$'000
Customer A	75,383	N/A
Customer B	71,960	N/A
Customer C	23,218	N/A
Customer D	N/A	65,066
Customer E	N/A	12,819

note: Revenue from Customer A, B and C contributed less than 10% of the Group's total annual revenue for the year ended 31 March 2017.

### 7. INCOME TAX EXPENSES

	2018 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax		
– current year	6	–
– overprovision in prior years	–	–
	6	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2018.

No provision for Hong Kong Profits Tax has been made in the financial statements for the year ended 31 March 2017 as the assessable profit has been wholly absorbed by tax losses brought forward.

Operations in USA and PRC suffer loss for both years and hence, no tax was provided.

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

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) before taxation	8,001	(11,443)
Tax expenses/(credit) at Hong Kong Profits		
– Tax rate of 16.5%	1,320	(1,888)
– Effect of different tax rates of subsidiaries operating in other jurisdictions	(53)	–
– Tax effect of expenses not deductible for tax purpose	46	423
– Tax effect of income not taxable for tax purpose	(2,993)	(46)
– Tax effect of temporary difference not recognised	(64)	–
– Tax effect of tax losses not recognised	1,750	1,783
– Utilisation of tax losses previously not recognised	–	(272)
Income tax expenses for the year	6	–

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 7. INCOME TAX EXPENSES (CONTINUED)

At the end of the reporting period, the Group had unused tax losses of approximately HK\$36,415,000 (2017: approximately HK\$34,650,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

### 8. PROFIT/(LOSS) FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) for the year has been arrived at after charging:		
Auditor's remuneration		
– audit services	500	1,168
– non-audit services	103	375
Directors' remuneration (note (i))	3,101	3,880
Other staff costs		
– salaries and wages	4,367	3,038
– retirement benefit scheme contributions	156	110
– Equity-settled share-based payment expenses	3	–
Total staff costs	7,627	7,028
Depreciation of plant and equipment	185	–
Sampling expenses (included in selling and distribution costs)	–	1,089
and after crediting:		
Interest income (included in other income)	165	114

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 8. PROFIT/(LOSS) FOR THE YEAR (CONTINUED)

notes:

(i) Directors' remuneration

(a) Directors

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Directors' fees HK\$'000	Discretionary bonus HK\$'000	Share-based payment HK\$'000	Total 2018 HK\$'000
<b>EXECUTIVE DIRECTORS</b>				
Zhi Hua (Chairman) (note i)	-	-	-	-
Lam Kai Yeung (Chief Executive Officer) (note ii)	1,209	-	44	1,253
Ma Jun (Chief Operating Officer) (note iii)	-	-	8	8
Feng Chen (note iv)	200	-	-	200
Gao Zhiping (note v)	400	-	-	400
Gao Zhiyin (note vi)	400	-	-	400
Shi Jiguo (note vii)	200	-	-	200
Sub-total	2,409	-	52	2,461
<b>NON-EXECUTIVE DIRECTOR</b>				
Chan Kin (note viii)	96	-	-	96
Shum Ngok Wa (note ix)	37	-	-	37
Sub-total	133	-	-	133
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>				
Li Hui (note x)	153	-	-	153
Chau On Ta Yuen (note xi)	64	-	-	64
Lam Lee G. (note xii)	61	-	-	61
Lau Chi Kit (note xiii)	125	-	-	125
Ma Ming (note xiv)	83	-	-	83
Lam Kai Yeung (note ii)	21	-	-	21
Sub-total	507	-	-	507
Total	3,049	-	52	3,101

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 8. PROFIT/(LOSS) FOR THE YEAR (CONTINUED)

notes: (continued)

(i) Directors' remuneration (continued)

(a) Directors (continued)

	Directors' fees HK\$'000	Discretionary bonus HK\$'000	Share-based payment HK\$'000	Total 2017 HK\$'000
<b>EXECUTIVE DIRECTORS</b>				
Gao Zhiyin (Chairman) (note vi)	1,200	–	–	1,200
Gao Zhiping (Chief Executive Officer) (note v)	1,200	–	–	1,200
Shi Jiguo (note vii)	600	–	–	600
Sub-total	3,000	–	–	3,000
<b>NON-EXECUTIVE DIRECTOR</b>				
Shum Ngok Wa (note ix)	130	–	–	130
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>				
Lau Chi Kit (note xiii)	250	–	–	250
Lam Kai Yeung (note ii)	250	–	–	250
Ma Ming (note xiv)	250	–	–	250
Sub-total	750	–	–	750
Total	3,880	–	–	3,880

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 8. PROFIT/(LOSS) FOR THE YEAR (CONTINUED)

notes: (continued)

(i) Directors' remuneration (continued)

(a) Directors (continued)

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

The non-executive director's emoluments shown above were mainly for his services as a director of the Company.

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

notes:

- (i) Mr. Zhi Hua was appointed as an executive director with effect from 13 September 2017.
- (ii) Mr. Lam Kai Yeung resigned as an independent non-executive director with effect from 1 May 2017 and was subsequently appointed as an executive director with effect from 30 June 2017.
- (iii) Mr. Ma Jun was appointed as the chief operating officer and an executive director with effect from 16 October 2017 and 30 November 2017 respectively.
- (iv) Mr. Feng Chen was appointed as an executive director with effect from 31 May 2017 and subsequently resigned as an executive director with effect from 29 September 2017.
- (v) Mr. Gao Zhiping resigned as an executive director with effect from 13 September 2017.
- (vi) Mr. Gao Zhiyin resigned as an executive director with effect from 13 September 2017.
- (vii) Mr. Shi Jiguo resigned as an executive director with effect from 31 May 2017.
- (viii) Mr. Chan Kin was appointed as a non-executive director with effect from 12 June 2017.
- (ix) Mr. Shum Ngok Wa resigned as a non-executive director with effect from 14 June 2017.
- (x) Mr. Li Hui was appointed as an independent non-executive director with effect from 17 May 2017.
- (xi) Mr. Chau On Ta Yuen was appointed as an independent non-executive director with effect from 19 September 2017.
- (xii) Mr. Lam Lee G. was appointed as an independent non-executive director with effect from 29 September 2017.
- (xiii) Mr. Lau Chi Kit resigned as an independent non-executive director with effect from 29 September 2017.
- (xiv) Mr. Ma Ming resigned as an independent non-executive director with effect from 19 September 2017.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 8. PROFIT/(LOSS) FOR THE YEAR (CONTINUED)

notes: (continued)

(i) Directors' remuneration (continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group for the year ended 31 March 2018, two (2017: three) of them are directors of the Company whose emoluments are included in note 8(i)(a).

The remuneration of the remaining three (2017: two) individuals for the year ended 31 March 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	1,938	1,047
Retirement benefit schemes contributions	51	36
	<b>1,989</b>	1,083

During each of the two years ended 31 March 2018, the emoluments of each of the above individuals did not exceed HK\$1,000,000.

During each of the two years ended 31 March 2018, (i) no emoluments were paid by the Group to the directors of the Company or to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) Mr. Gao Zhiyin, Mr Gao Zhiping, Mr. Shi Jiguo, Mr. Feng Chen and Mr. Ma Ming have agreed to waive their directors' remuneration for the year ended 31 March 2018 of the aggregate amount of HK\$1,283,000. Mr. Shi Jiguo and Mr. Ma Ming further agreed to waive their directors' remuneration of the aggregate amount of HK\$2,043,000 for the prior years. Except for the above, none of the directors of the Company waived or agreed to waive any emoluments.

### 9. DIVIDEND

No final/interim dividend was paid or proposed for the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 10. EARNINGS/(LOSS) PER SHARE

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

	2018 HK\$'000	2017 HK\$'000
<b>Earnings/(loss)</b>		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	8,001	(11,443)
	2018	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	561,260,151	519,777,000
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	561,776,554	519,777,000

Diluted earnings per share assumed the exercise of the share options since the average share price of the Company is higher than the exercise price for the year ended 31 March 2018.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of share options.

For the year ended 31 March 2017, diluted loss per share was same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 11. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
COST					
At 1 April 2016, 31 March 2017 and 1 April 2017	2,376	1,202	258	–	3,836
Additions	58	1,012	–	615	1,685
At 31 March 2018	2,434	2,214	258	615	5,521
DEPRECIATION AND IMPAIRMENT					
At 1 April 2016, 31 March 2017 and 1 April 2017	2,376	1,202	258	–	3,836
Provided for the year	5	119	–	61	185
At 31 March 2018	2,381	1,321	258	61	4,021
CARRYING VALUES					
At 31 March 2018	53	893	–	554	1,500
At 31 March 2017	–	–	–	–	–

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

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

### 12. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Finished goods	119,060	–

Included in the inventories, approximately HK\$118,519,000 represent 49,000 units of coats purchased by the Group in March 2018 pursuant to two purchase agreements entered into between the Group and a supplier, which is an independent third party of the Group.

The consideration for the two purchases was approximately HK\$62,963,000 and HK\$55,556,000 respectively. Pursuant to the purchase agreements, the supplier promised to reclaim all unsold products at the original price within 50 days after sale.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 12. INVENTORIES (CONTINUED)

In April 2018, 10,000 units of the coats were sold by the Group. The remaining unsold coats were then all returned to the supplier in May 2018 in accordance with the purchase agreements. The cost of the 10,000 units of sold coats in the amount of approximately HK\$37,037,000 was settled by the Group in May 2018.

### 13. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	36,961	3,037
Less: allowance for doubtful debts	–	–
	<b>36,961</b>	3,037

The Group allows its trade customers a credit period of 30 to 150 days. The following is an aged analysis of trade receivables presented based on the invoice dates at the end of each reporting period:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	28,332	144
31 – 60 days	1,665	2,783
61 – 90 days	3,743	110
91 – 120 days	78	–
Over 120 days	3,143	–
	<b>36,961</b>	3,037

Before accepting any new customer, the Group assesses and understands the potential customer's credit quality. Management reviews each customer's credit quality regularly. All trade receivables that are neither past due nor impaired have good credit quality after taking into account the repayment history of the trade customers. The Group has not identified any credit risk on these trade receivables.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$8,629,000 (2017: HK\$2,783,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 13. TRADE RECEIVABLES (CONTINUED)

Aging of trade receivables which are past due but not impaired

	2018 HK\$'000	2017 HK\$'000
31 – 60 days	1,665	2,783
61 – 90 days	3,743	–
91 – 120 days	78	–
Over 120 days	3,143	–
	<b>8,629</b>	2,783

### 14. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLE

	2018 HK\$'000	2017 HK\$'000
Short-term loan receivable – unsecured		
– Principal	8,300	–
– Interest	62	–
	<b>8,362</b>	–

On 13 March 2018, the Licensing Court (as defined under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)) has granted a money lenders licence to Hua Long Finance Holdings Company Limited, a direct wholly-owned subsidiary of the Company, for a period of 12 months till 12 March 2019.

The Group's loan receivable as at 31 March 2018 was arisen from the Group's money lending business which was newly commenced during the year ended 31 March 2018.

In March 2018, a loan with principal amount of HK\$8,300,000 was advanced to an individual who is an independent third party. The loan is interest-bearing at 18% per annum, unsecured, guaranteed by an independent third party and repayable in March 2019.

### 15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Deposits paid for purchase of garment products and others	15,479	28,526
Other receivables	4,565	1,368
Other deposits and prepayments	1,025	796
Others	9	9
	<b>21,078</b>	30,699

#### Major non-cash transaction

During the year ended 31 March 2018, the Group offsets its trade deposits with its balances due to former immediate holding company of HK\$20,462,000 and former directors of HK\$6,439,000.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 16. AMOUNTS DUE FROM A FORMER SUBSIDIARY/TO IMMEDIATE HOLDING COMPANY/DIRECTORS

As at 31 March 2017, the amounts due to directors represent directors' fees payable at the end of the reporting period.

As at 31 March 2017, all amounts were unsecured, interest-free and repayable on demand.

During the year ended 31 March 2018, the Group offset its trade deposit with its balances due to former immediate holding company and former directors.

### 17. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 1% (2017: 0.001% to 1%) per annum.

### 18. TRADE PAYABLES

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

	2018 HK\$'000	2017 HK\$'000
0 – 60 days	139,494	120
61 – 90 days	24	621
Over 90 days	–	2,060
	<b>139,518</b>	2,801

The average credit period on purchases of goods is 30 days (2017: 30 days).

### 19. FINANCE LEASE PAYABLE

The Group leases a motor vehicle for its corporate function. This lease is classified as a finance lease and has a remaining lease term of four years.

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Within one year	139	–	112	–
In the second to fifth years	392	–	368	–
	<b>531</b>	–	<b>480</b>	–
Less: Future finance charges	<b>(51)</b>	–		
Total net finance lease payable	<b>480</b>	–		
Portion classified as current liabilities	<b>(112)</b>	–		
Non-current portion	<b>368</b>	–		

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 20. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2016, 31 March 2017 and 1 April 2017	900,000,000	9,000
Increase in authorised capital (note i)	9,100,000,000	91,000
As at 31 March 2018	10,000,000,000	100,000
Issued and fully paid:		
As at 1 April 2016, 31 March 2017 and 1 April 2017	519,777,000	5,198
Issue of shares pursuant to placement of shares (note ii)	32,200,000	322
Subscription of new shares (note iii)	103,950,000	1,039
As at 31 March 2018	655,927,000	6,559

All shares rank pari passu in all respects.

notes:

- (i) On 13 November 2017, the authorised share capital of the Company was increased from HK\$9,000,000 to HK\$100,000,000 by the creation of the additional 9,100,000,000 new shares of HK\$0.01 each. These new shares ranked pari passu in all respects with the existing shares.
- (ii) On 13 October 2017, the Company issued a total of 32,200,000 new shares as a result of the placing. Net proceeds of approximately HK\$29,400,000 were raised. Details of the placing are set out in the announcement of the Company dated 20 September 2017 and 13 October 2017.
- (iii) On 30 November 2017, the Company entered into a subscription agreement with an independent third party for the placing and subscription of 103,950,000 new ordinary shares of the Company at a subscription price of HK\$0.7 per share. Net proceeds of approximately HK\$72,520,000 were raised. The subscription was completed on 29 December 2017. Details of the subscription are set out in the Company's announcement dated 30 November 2017, 21 December 2017 and 29 December 2017 respectively.

### 21. RETIREMENT BENEFIT SCHEMES

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the MPF legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK\$30,000 for each eligible employee) as calculated under the MPF legislation.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 21. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Both the defined contribution retirement benefits scheme and the MPF scheme co-existed within the Group in both years.

As at 31 March 2018 and 2017, there were no forfeited contributions available to offset future employers' contributions to the scheme.

In addition, the overseas subsidiary of the Company is required to contribute amount based on employees' salaries to the retirement benefit scheme as stipulated by the relevant local authority. The employees are entitled to this subsidiary's contributions subject to the regulations of the relevant local authority.

The total expenses recognised in profit or loss of approximately HK\$156,000 (2017: approximately HK\$110,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

## 22. SHARE-BASED PAYMENT TRANSACTIONS

### Share Option Scheme of the Company

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

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

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

The options are conditionally vested upon the grantees fulfilling certain non-market performance vesting conditions.

During the year ended 31 March 2018, 22,068,000 share options have been granted by the Company (2017: Nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 22. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

#### Share Option Scheme of the Company (continued)

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

Category	Grant date dd/mm/yyyy	Exercise price HK\$	Vesting period dd/mm/yyyy	Exercisable period dd/mm/yyyy	Number of share options		
					Outstanding at 1.4.2017	Granted during the year	
<b>Directors</b>							
Mr. Lam Kai Yeung	16/01/2018	0.854	16/01/2018 -15/01/2028	16/01/2018 -15/01/2028	-	5,192,000	<b>5,192,000</b>
Mr. Ma Jun	16/01/2018	0.854	16/01/2018 -15/01/2028	16/01/2018 -15/01/2028	-	1,000,000	<b>1,000,000</b>
<b>Employees (other than directors) in aggregate</b>	16/01/2018	0.854	16/01/2018 -15/01/2028	16/01/2018 -15/01/2028	-	300,000	<b>300,000</b>
<b>Other participants in aggregate</b>	16/01/2018	0.854	16/01/2018 -15/01/2028	16/01/2018 -15/01/2028	-	15,576,000	<b>15,576,000</b>
Exercisable at the end of the year					-		<b>22,068,000</b>
Weighted average exercise price					-	0.854	<b>0.854</b>

As at the date of this report, 22,068,000 shares are available for issue under the Share Option Scheme, which represents approximately 3.36% of the issued shares of the Company as at the same date.

At the end of the reporting period, the Company had 22,068,000 (2017: Nil) share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would under the present capital structure of the Company, resulting in issue of 22,068,000 (2017: Nil) additional ordinary shares of the Company and additional share capital of approximately HK\$18,846,000 (2017: Nil) (before the issue expenses).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 22. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

#### Share Option Scheme of the Company (continued)

The following major assumptions were used to calculate the fair values of the share options granted during the year ended 31 March 2018:

Inputs into the model	
Fair value at measurement date	HK\$0.40
Grant date share price	HK\$0.83
Exercisable period	10 years
Vesting period	10 years
Exercise price	HK\$0.854
Expected life	9.996 years
Expected volatility	50.65%
Dividend yield	0.20%
Risk-free interest rate	1.949%

The Company has used the Binomial option pricing model to value the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The expected life of the options was determined with reference to the historical share price records of the Company and the expected volatility was determined with reference to the historical volatilities of the share prices of the Company over the period that is equal to the expected life of the options before the grant date.

### 23. OPERATING LEASE COMMITMENTS

#### The Group as lessee

	2018 HK\$'000	2017 HK\$'000
Minimum lease payments paid by the Group under operating leases during the year	<b>3,820</b>	3,236

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

	2018 HK\$'000	2017 HK\$'000
Within one year	<b>2,905</b>	1,705
In the second to fifth year inclusive	<b>4,982</b>	140
	<b>7,887</b>	1,845

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31 March 2018 and 31 March 2017:

	2018 HK\$'000	2017 HK\$'000
Non-current asset		
Investment in a subsidiary, unlisted	1	1
Plant and equipment	1,489	–
	<b>1,490</b>	1
Current assets		
Deposits	849	583
Amounts due from subsidiaries	130,640	74,324
Bank balances and cash	10,089	443
	<b>141,578</b>	75,350
Current liabilities		
Accruals	2,144	1,169
Amount due to immediate holding company	–	20,462
Amounts due to subsidiaries	37,337	37,337
Amounts due to directors	–	8,657
Tax payable	1,200	1,200
Finance lease payable – current portion	112	–
	<b>40,793</b>	68,825
Net current assets	<b>100,785</b>	6,525
Total assets less current liabilities	<b>102,275</b>	6,526
Non-current liabilities		
Finance lease payable	368	–
Net assets	<b>101,907</b>	6,526
Capital and reserves		
Share capital	6,559	5,198
Reserves (note (a))	95,348	1,328
	<b>101,907</b>	6,526

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

notes:

(a) Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000 (note i)	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016	-	125,518	-	(112,630)	12,888
Loss for the year	-	-	-	(11,560)	(11,560)
At 31 March 2017	-	125,518	-	(124,190)	1,328
Loss for the year	-	-	-	(7,515)	(7,515)
Issue of share capital	101,350	-	-	-	101,350
Grant of share option	-	-	185	-	185
At 31 March 2018	101,350	125,518	185	(131,705)	95,348

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

## 25. RELATED PARTY DISCLOSURES

### Compensation of key management personnel

The emoluments of the directors of the Company and the employees included in the five highest paid individuals who are identified as members of key management of the Group during both years are set out in Note 8.

Save as disclosed in this report, the Group did not have any other significant transactions and balances with related parties during the year and/or at the end of the reporting period.

## 26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes finance lease payable, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves, net of accumulated losses.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 27. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>127,321</b>	10,789
<b>Financial liabilities</b>		
Amortised cost	<b>143,817</b>	31,920

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

The Group's major financial instruments include trade receivables, other receivables, short-term loan receivable, bank balances and cash, trade payables, other payable and finance lease payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

The Group's operations are mainly located in Hong Kong, the USA and PRC and the exposure in exchange rate risks mainly arises from fluctuations in RMB exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As RMB is under a managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Liabilities	
	2018 HK\$'000	2017 HK\$'000
RMB	<b>69,122</b>	–

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### (i) Currency risk (continued)

###### Sensitivity analysis

As at 31 March 2018, the Group mainly exposed to foreign currency risk of RMB. No exposure to foreign currency risk of RMB was noted as at 31 March 2017.

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

	2018 HK\$'000	2017 HK\$'000
Profit for the year	3,456	–

##### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances which carry interest at prevailing market interest rates. The Group is also exposed to fair value interest rate risk as the Group's finance lease payable bear interests at fixed interest rate. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. No sensitivity analysis is presented as the risk is limited as assessed by management of the Group.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### **Credit risk**

As at 31 March 2018, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group.

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

As at 31 March 2018, the Group had a concentration of credit risk as the largest and the top five trade and loan debtors accounted for 35% (2017: 80.3%) and 100% (2017: 100%) of its total trade and loan debtors balance, respectively. In view of this, senior management members regularly visit these customers to understand their business operations and cash flows position. In this regard, management considers that this credit concentration risk has been significantly mitigated.

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

#### **Liquidity risk**

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Liquidity risk (continued)

Liquidity tables

	Weighted average interest rate	On demand or less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2018</b>							
Trade payables	-	16,314	123,180	24	-	139,518	139,518
Finance lease payable	2.25%	11	23	104	393	531	480
		16,325	123,203	128	393	140,049	139,998
<b>2017</b>							
Trade payables	-	2,681	120	-	-	2,801	2,801
Amount due to immediate holding company	-	20,462	-	-	-	20,462	20,462
Amounts due to directors	-	-	-	8,657	-	8,657	8,657
		23,143	120	8,657	-	31,920	31,920

(c) Fair value measurement of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The management considers that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group				Principal activities
			Directly		Indirectly		
			2018 %	2017 %	2018 %	2017 %	
Best Keen International Limited	The BVI	Ordinary US\$50,000	100	100	-	-	Investment holding
Top Value Inc.	The USA	Common stock US\$1,000	-	-	100	100	Trading of garment products
United Gainer Investment Limited	Hong Kong	Ordinary HK\$1	-	-	100	100	Trading of garment products
Champion Success Trading Limited	Hong Kong	Ordinary HK\$1	100	-	-	-	Garment sourcing
浙江旺城進出口有限公司	PRC	Registered capital HK\$100,000,000 (Paid: HK\$50,000,000)	-	-	100	-	Garment and others sourcing
溫州旺誠進出口有限公司	PRC	Registered capital RMB5,000,000 (Paid: RMB1,000,000)	-	-	100	-	Garment and others sourcing
Hua Long Finance Holdings Company Limited (formerly known as Rosy Lane Hong Kong Holdings Limited)	Hong Kong	Ordinary HK\$1	100	-	-	-	Money lending
玲隆(杭州)資產管理有限公司	PRC	Registered capital HK\$250,000,000 (Paid: HK\$ Nil)	-	-	100	-	Assets management
Sino Insurance Broker Group Limited	Hong Kong	Ordinary HK\$1	100	-	-	-	Insurance broker
Guozan Technology Co., Limited	Hong Kong	Ordinary HK\$10,000	100	-	-	-	Lease financing
國贊融資租賃(深圳)有限公司	PRC	Registered capital USD30,000,000 (Paid: Nil)	-	-	100	-	Lease financing

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

### 29. RECONCILIATION IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Finance lease payable HK\$'000	Amount due to immediate holding company HK\$'000	Total HK\$'000
<b>At 1 April 2017</b>	–	20,462	20,462
<b>Changes from financing cash flows:</b>			
Repayment of finance lease payable	(73)	–	(73)
<b>Other changes:</b>			
New finance lease	553	–	553
Balances offsets	–	(20,462)	(20,462)
<b>At 31 March 2018</b>	480	–	480

### 30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following events took place:

In May 2018, 浙江旺誠進出口有限公司(Zhejiang Wangcheng Import and Export Co., Ltd.\* “**Zhejiang Wangcheng**”), an indirect wholly-owned subsidiary of the Company, formed two joint ventures in the PRC, with one and three other independent third part(ies) (the “**JV Partners**”), respectively. Zhejiang Wangcheng contributed RMB510,000 and RMB600,000 in cash to the registered capital of, representing 51% and 60% of the equity interests in the two joint ventures respectively. The contributions were financed by the internal resources of the Group.

Further details of this transaction are set out in the Company's announcement dated 31 May 2018.

# Glossary

Abbreviation	Definition
2017 AGM	annual general meeting of the Company held on 29 September 2017
Audit Committee	audit committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
Board	the board of Directors
Board Committees	Audit Committee, Nomination Committee and Remuneration Committee
Bye-Law(s)	the bye-laws of the Company, as amended from time to time
Company	Hua Long Jin Kong Company Limited Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries from time to time
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nomination Committee	nomination committee of the Company established by the Board on 19 March 2012 with written terms of reference, as amended from time to time
PRC	the People's Republic of China
Remuneration Committee	remuneration committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time

## Glossary (Continued)

Abbreviation	Definition
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary share(s) of HK\$0.01 each in the share capital of the Company
Share Options Scheme	share option scheme conditionally adopted by the Company on 2 June 2010 which became effective upon the Shares were listed on the Stock Exchange on 5 October 2010.
Shareholder(s)	holder(s) of the Share(s) in issue
Stock Exchange	The Stock Exchange of Hong Kong Limited
US\$	United States dollars, the lawful currency of the United States of America
%	per cent.

# Financial Summary

<b>Results</b>					
	<b>Year ended 31 March</b>				<b>2018</b>
	2014 HK\$'000 (restated)	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	<b>HK\$'000</b>
Revenue	282,089	365,690	164,589	80,992	<b>184,829</b>
Profit (loss) before taxation	8,586	(454)	(24,777)	(11,443)	<b>8,001</b>
Income tax (expense) credit	(1,980)	(902)	20	–	<b>(6)</b>
Profit (loss) for the year from continuing operation	6,606	(1,356)	(24,757)	(11,443)	<b>7,995</b>
Profit (loss) for the year from discontinued operations	4,972	(5,074)	–	–	<b>–</b>
Profit (loss) for the year	11,578	(6,430)	(24,757)	(11,443)	<b>7,995</b>
Attributable to:					
Owners of the Company	18,961	(6,833)	(24,757)	(11,443)	<b>7,995</b>
Non-controlling interests	(7,383)	403	–	–	<b>–</b>
	11,578	(6,430)	(24,757)	(11,443)	<b>7,995</b>
<b>Assets And Liabilities</b>					
	<b>At 31 March</b>				<b>2018</b>
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	<b>HK\$'000</b>
Total assets	592,803	134,009	66,022	40,230	<b>263,575</b>
Total liabilities	(214,543)	(91,929)	(48,699)	(34,350)	<b>(145,775)</b>
	378,260	42,080	17,323	5,880	<b>117,800</b>
Equity attributable to:					
Owners of the Company	379,978	42,080	17,323	5,880	<b>117,800</b>
Non-controlling interests	(1,718)	–	–	–	<b>–</b>
	378,260	42,080	17,323	5,880	<b>117,800</b>

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