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HANG PIN LIVING TECHNOLOGY COMPANY LIMITED

杭品生活科技股份有限公司

(formerly known as Hua Long Jin Kong Company Limited 華隆金控有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1682)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hang Pin Living Technology Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2019 with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	2	185,668	184,829
Cost of sales		(162,751)	(163,820)
Gross profit		22,917	21,009
Other income	4	5,606	4,365
Net foreign exchange (loss)/gain		(1,212)	413
Selling and distribution costs		(7,606)	–
Administrative expenses		(18,542)	(17,767)
Finance costs		(23)	(19)
Profit before taxation		1,140	8,001
Income tax expenses	5	(664)	(6)
Profit for the year attributable to owners of the Company	6	476	7,995

	Note	2019 HK\$'000	2018 HK\$'000
Other comprehensive income, net of income tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		(2,422)	1,029
Release of translation reserve upon disposal of subsidiaries		3	-
Other comprehensive (expense)/income		(2,419)	1,029
Total comprehensive (expense)/income for the year attributable to owners of the Company		(1,943)	9,024
Earnings per share			
Basic (HK cents)	8	0.07	1.426
Diluted (HK cents)		0.07	1.424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Non-current asset			
Plant and equipment		7,042	1,500
Goodwill		1,606	-
		8,648	1,500
Current assets			
Inventories		524	119,060
Trade receivables	9	4,648	36,961
Short-term loan and loan interest receivables	10	65,024	8,362
Deposits, prepayments and other receivables		45,224	21,078
Amount due from former subsidiaries		8,372	-
Tax recoverable		-	468
Bank balances and cash		3,705	76,146
		127,497	262,075
Current liabilities			
Trade payables	11	5,210	139,518
Other payables, accruals and deposit received		12,722	4,310
Tax payable		1,303	1,467
Obligation under finance lease		112	112
		19,347	145,407
Net current assets		108,150	116,668
Total assets less current liabilities		116,798	118,168
Non-current liabilities			
Obligation under finance lease		253	368
Net assets		116,545	117,800
Capital and reserves			
Share capital		6,559	6,559
Reserves		109,986	111,241
Total equity		116,545	117,800

NOTES:

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

Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Company and its subsidiaries (collectively, the “Group”) had applied a number of new HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are mandatorily effective for an accounting period that begins on or after 1 April 2018. These new and revised HKFRSs have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

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

The application of the above new and revised to HKFRSs in the current year, except for HKFRS 9, has no material impact on the Group’s consolidated financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 has replaced HKAS 39 Financial instruments: recognition and measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 April 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 April 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

(i) Classification and measurement of financial assets

In general, HKFRS 9 categories financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income (FVTOCI); and
- at fair value through profit or loss (FVTPL).

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows a reconciliation from how the Group’s financial assets existed as of 1 April 2018 were classified and measured under HKAS 39 to how they are classified and measured

under HKFRS 9:

<u>Financial assets</u>	Original classification under <u>HKAS 39</u>	New classification under <u>HKFRS 9</u>	Carrying amount as at 31 March 2018 under <u>HKAS 39</u> HK\$'000	<u>Remeasurement</u> HK\$'000	Carrying amount as at 1 April 2018 under <u>HKFRS 9</u> HK\$'000
Trade receivables	Loans and receivables	Amortised cost	36,961	(143)	36,818
Deposits and other receivables	Loans and receivables	Amortised cost	20,053	-	20,053
Short-term loans and loan interest receivables	Loans and receivables	Amortised cost	8,362	(42)	8,320
Bank balances and cash	Loans and receivables	Amortised cost	76,146	-	76,146

(ii) *Impairment of financial assets*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the Expected Credit Loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

HKFRS 9 requires the Group to recognise ECL for financial assets at amortised costs (including trade receivables, deposits and other receivables, short-term loans and loan interest receivables, and bank balances and cash).

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group has elected to measure loss allowances for trade receivables within the scope of HKFRS 15 using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For short-term loans and loan interest receivables, the Group applies the general approach, which requires an amount equal to 12-month ECLs to be recognised as the impairment loss for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increase significantly since initial recognition.

ECL for other financial assets at amortised cost, included cash and bank balances and other receivables, are assessed on 12-month ECL basis as it was assessed and concluded by the directors of the Company that there had been no significant increase in credit risk since initial recognition.

For financial assets subject to ECL impairment, the carrying amounts in accordance with HKAS 39 have been remeasured upon transition to HKFRS 9 on 1 April 2018. The reconciliation of the carrying amounts in accordance with HKAS 39 and HKFRS 9 is as follows:

	HKAS 39 carrying amounts as at 31 <u>March 2018</u> HK\$'000	Remeasurement (ECL allowance) HK\$'000	HKFRS 9 Carrying amounts as at <u>1 April 2018</u> HK\$'000
Trade receivables	36,961	(143)	36,818
Deposits and other receivables	20,053	-	20,053
Short-term loans and loan interest receivables	8,362	(42)	8,320
Bank balances and cash	76,146	-	76,146

The following table shows the movements in ECL that has been recognised for trade receivables and short-term loans and loan interest receivables in accordance with HKFRS 9.

	<u>ECL on trade receivables</u> HK\$'000	ECL on short-term loan and loan interest <u>receivables</u> HK\$'000	<u>Total</u> HK\$'000
Balance as at 31 March 2018	-	-	-
Remeasurement of loss allowance	<u>143</u>	<u>42</u>	<u>185</u>
Balance as at 1 April 2018 – as restated	<u>143</u>	<u>42</u>	<u>185</u>

Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

HKFRS 9 Financial Instruments (Continued)

(iii) Classification and measurement of financial liabilities

Under HKFRS 9, for a financial liability designated as at FVTPL, 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 required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability’s credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss).

The Group does not have any financial liabilities designated at fair value through profit or loss and therefore the classification and measurement of the Group’s financial liabilities have not been impacted by the initial application of HKFRS 9.

(iv) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in HKFRS 9 has not had any impact on the Group’s consolidated financial statements.

(v) Effect on the Group’s accumulated losses and other reserves as of 1 April 2018

The following tables summarise the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 April 2018:

	HK\$’000
Accumulated losses as at 31 March 2018 (as originally stated)	10,107
Recognition of additional ECL on trade receivables	143
Recognition of additional ECL on short-term loans and loan interest receivables	<u>42</u>
Restated balance as at 1 April 2018 (as restated)	<u>10,292</u>

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 has replaced HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application of HKFRS 15 (i.e. 1 April 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and

HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 April 2018.

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

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

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

The adoption of HKFRS 15 did not have material impact on the consolidated statement of profit or loss and other comprehensive income for the current year and the consolidated statement of financial position as at 1 April 2018 and 31 March 2018, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. The adoption of HKFRS 15 did not have material impact on the Group’s operating, investing and financing cash flows.

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or nonmonetary liability arising from the payment or receipt of advance consideration.

The application of HK (IFRIC) 22 has not had any material impact on the consolidated financial position and the consolidated financial result.

Amendments to HKAS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee’s tax obligation to meet the employee’s tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a ‘net settlement feature’, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments. The application of amendments has not had any material impact on the consolidated financial position and the consolidated financial result.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasise that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The application of the amendments has not had any material impact on the consolidated financial position and the consolidated financial result, as the Group did not have any transfers in the past.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early 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 16	Leases ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint-Ventures ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ²

- (1) Effective for annual periods beginning on or after 1 January 2019.
- (2) Effective for annual periods beginning on or after 1 January 2020.
- (3) Effective for annual periods beginning on or after 1 January 2021.
- (4) Effective date not yet determined.
- (5) Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

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.

With regards to lessee accounting, distinctions of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability 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 the date of the commencement of the lease. 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 split into a principal and an interest portions which will be presented as financing and operating cash flows respectively by the Group.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK\$4,357,000. 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.

HKFRS 17 Insurance Contracts

HKFRS 17 is not applicable to the Group as the Company or its subsidiaries are not engaged in insurance business.

Amendments to HKFRS 3 Definition of Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The HKICPA issued two amendments to HKFRS 9 in November 2017 and December 2017 respectively. The first amendment clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met instead of at FVTPL.

The second amendment clarifies, in the Basis for Conclusions, the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition. HKFRS 9 requires an entity to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. Any adjustments to the amortised cost of the financial liability would be recognised in profit or loss at the

date of the modification or exchange. If entities apply a different accounting treatment for modifications of financial liabilities under HKAS 39, they are required to apply the amendments retrospectively on transition to HKFRS 9.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 1 and HKAS 8 Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement

The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

The directors of the Company do not anticipate that the application of the interpretation will have a material impact on the Group's consolidated financial statements.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

2. REVENUE

Disaggregation of the Group's revenue from contracts with customers for the year by major products or service line and reconciliation of total revenue is as follows:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Sourcing of garment products	171,179	184,767
Financial services income	<u>10,998</u>	<u>-</u>
Total revenue from contracts with customers	182,177	184,767
Interest income from loan receivables	<u>3,491</u>	<u>62</u>
Total revenue	<u><u>185,668</u></u>	<u><u>184,829</u></u>

During the year, all the revenue from contracts with customers is recognised at a point in time.

3. 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.

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

- garment sourcing
- provision of financial services

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.

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 2019

	Garment <u>sourcing</u> HK\$'000	Provision of financial <u>services</u> HK\$'000	<u>Total</u> HK\$'000
Revenue	<u>171,179</u>	<u>14,489</u>	<u>185,668</u>
Segment results	<u>(513)</u>	<u>(882)</u>	(1,395)
Unallocated other revenue and gains			5,023
Unallocated administrative and other expenses			<u>(2,465)</u>
Profit from operations			1,163
Finance costs			<u>(23)</u>
Profit before taxation			<u>1,140</u>

Segment assets and liabilities

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

As at 31 March 2019

	Garment <u>sourcing</u> HK\$'000	Provision of financial <u>services</u> HK\$'000	<u>Total</u> HK\$'000
Segment assets	65,928	58,032	123,960
Unallocated corporate assets			<u>12,185</u>
Consolidated assets			<u>136,145</u>
Segment liabilities	16,111	2,940	19,051
Unallocated corporate liabilities			<u>549</u>
Consolidated liabilities			<u>19,600</u>

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:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
China	185,470	154,651
USA	-	17,330
Canada	-	11,003
Mexico	-	936
Hong Kong	198	909
	<u>185,668</u>	<u>184,829</u>

Information about major customers

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

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Customer A (2018: Customer B)	41,434	75,383
Customer B (2018: Customer A)	38,519	71,960
Customer C	N/A	23,218

note: Revenue from Customer C contributed less than 10% of the Group's total annual revenue for the year ended 31 March 2019.

4. OTHER INCOME

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Interest income	44	165
Reversal of long services payment	-	854
Reversal of ECL on trade receivables	143	-
Rental income	28	17
Gain on disposal of subsidiaries	4,885	-
Sundry income	506	3,329
	<u>5,606</u>	<u>4,365</u>

5. INCOME TAX EXPENSES

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Hong Kong Profits Tax		
- Current year	46	6
- Overprovision in prior years	-	-
PRC Enterprise Income Tax		
- Current year	618	-
- Overprovision in prior years	-	-
	<u>664</u>	<u>6</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2019 (2018: 16.5%). PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the year ended 31 March 2019 (2018: Nil).

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

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

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Profit before tax	<u>1,140</u>	<u>8,001</u>
Tax expenses at Hong Kong Profits Tax rate of 16.5%	188	1,320
Effect of different tax rates of subsidiaries operating in other jurisdictions	313	(53)
Tax effect of expenses not deductible for tax purpose	-	46
Tax effect of income not taxable for tax purpose	(350)	(2,993)
Tax effect of temporary difference not recognised	(69)	(64)
Tax effect of tax losses not recognised	<u>582</u>	<u>1,750</u>
Income tax expenses for the year	<u>664</u>	<u>6</u>

At the end of the reporting period, the Group had unused tax losses of approximately HK\$38,840,000 (2018: approximately HK\$36,415,000) 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.

6. PROFIT FOR THE YEAR

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration		
- audit services	530	500
- non-audit services	88	103
Directors' remuneration	2,504	3,101
Other staff costs		
- salaries and wages	4,979	4,367
- retirement benefit scheme contributions	466	156
- equity-settled share-based payment expenses	12	3
Total staff costs	<u>7,961</u>	<u>7,627</u>
Depreciation of plant and equipment	853	185
Sampling expenses (included in selling and distribution costs)	39	-
Allowance for ECLs on short-term loan and loan interest receivables	535	-
Allowance for ECLs on other receivables	269	-
Allowance for ECLs on trade receivables	132	-
Allowance for ECLs on amount due from former subsidiaries	42	-
and after crediting:		
Interest income (included in other income)	<u>44</u>	<u>165</u>

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.

7. DIVIDEND

No final/interim dividend was paid or proposed for the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

8. EARNINGS PER SHARE

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

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>476</u>	<u>7,995</u>
	<u>2019</u>	<u>2018</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>655,927,000</u>	<u>561,260,151</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>655,927,000</u>	<u>561,776,554</u>

Diluted earnings per share for the year ended 31 March 2019 was equal to the basic earnings per share because the exercise price of the Company's share options was higher than the average market price and was therefore considered as anti-dilutive.

For the year ended 31 March 2018, 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 of the share options.

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

9. TRADE RECEIVABLES

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Trade receivables	4,776	36,961
Less: Allowance for ECLs	<u>(128)</u>	<u>-</u>
	<u>4,648</u>	<u>36,961</u>

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:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
0 - 30 days	3,307	28,332
31 - 60 days	-	1,665
61 - 90 days	-	3,743
91 - 120 days	-	78
Over 120 days	<u>1,469</u>	<u>3,143</u>
	<u>4,776</u>	<u>36,961</u>

10. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Short-term loan receivable		
- Principal	64,260	8,300
- Interest	1,173	62
Less: Allowance for ECLs	(409)	-
	<u>65,024</u>	<u>8,362</u>

11. TRADE PAYABLES

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

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
0 - 60 days	2,529	139,494
61 - 90 days	-	24
Over 90 days	<u>2,681</u>	-
	<u>5,210</u>	<u>139,518</u>

The average credit period on purchases of goods is 30 days (2018: 30 days).

BUSINESS REVIEW

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

(i) The sourcing management business

Over the past several years, 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. In addition, the Sino-US trade war continues, the expansion of tariffs in the United States will increase in inflation and weaken the purchasing power of Americans, especially those retail products with a significant increase in price, such as garment. 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.

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 products so as to broaden its product base.

(ii) Provision of financial services which include, among others, asset management, finance lease, pawn and money lending business.

The Group operates the 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 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.

On 4 October 2018 (after trading hours), Linglong (Hangzhou) Asset Management Co., Ltd.* (玲隆(杭州)資產管理有限公司) (the "WFOE"), an indirect wholly-owned subsidiary of the Company entered into the exclusive business co-operation agreement, the loan agreement, the exclusive purchase right agreement, the equity pledge agreement, the authorisation agreement and the spousal consent letter (collectively, the "VIE Agreements") with among others, Hangzhou Huazhiying Investment Management Co., Ltd.* (杭州華之贏投資管理有限公司) (the "OPCO") and the persons with the PRC nationality who hold the entire equity interest of the OPCO (the "PRC Equity Owners"). Through the

VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entry of the VIE Agreements, the financial results of the OPCO are consolidated into the consolidated financial statements of the Group and the OPCO has become a wholly-owned subsidiary of the Company. For details, please refer to the circular of the Company dated 20 November 2018.

Due to the reasons set out above, during the period under review, revenue amounted to approximately HK\$185,668,000 (2018: approximately HK\$184,829,000) : revenue from the sourcing management business amounted to approximately HK\$171,179,000, representing a decrease of approximately 7.35% (2018: approximately HK\$184,767,000); revenue from provision of financial services amounted to approximately HK\$14,489,000, representing an increase of approximately 23,269.35% (2018: approximately HK\$62,000). Gross profit margin was approximately 12.34%, representing an increase of approximately 0.97% (2018: approximately 11.37%). Other income amounted to approximately HK\$5,606,000, representing an increase of approximately 28.43% (2018: approximately HK\$4,365,000), which was mainly attributable to the gain on disposal of subsidiaries. Foreign exchange (loss)/gain amounted to approximately HK\$(1,212,000) (2018: approximately HK\$413,000), mainly due to the depreciation of RMB during the period. Selling and distribution costs amounted to approximately HK\$7,606,000 (2018: Nil), mainly due to the increase of advertising and promotion costs. Administrative expenses amounted to approximately HK\$18,542,000, representing an increase of approximately 4.36% (2018: approximately HK\$17,767,000). Due to the aforesaid reasons, the profit for the year attributable to owners of the Company amounted to approximately HK\$476,000 (2018: approximately HK\$7,995,000).

PROSPECTS AND DEVELOPMENT PLAN

According to the latest “World Economic Outlook” issued by the International Monetary Fund, after strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. Global growth is now projected to slow from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020.

Looking forward, the Group will endeavor to raise the level of operations for the two principal businesses. As to the sourcing management business, the global economy is not stable due to the trade war between the PRC and the United States of America. The Group expects to face severe challenge on its principle businesses. Therefore, the Group will continue to implement strategies to expand its geographical coverage and the products area for sourcing management business, in particular in the PRC and South-East Asia where the spending power is increasingly stronger. As to the provision of financial services business, The Group will continue to deepen the business segment of financial services.

At the same time, the Group will endeavor to search for new business opportunities and expand profit channels with the goal to strive for greater returns for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had total assets of approximately HK\$ 136,145,000 (as at 31 March 2018: approximately HK\$263,575,000) (including cash and bank balances of approximately HK\$3,705,000 (as at 31 March 2018: approximately HK\$76,146,000) which were financed by current liabilities of approximately HK\$19,347,000 (as at 31 March 2018: approximately HK\$145,407,000), long-term liability of approximately HK\$253,000 (as at 31 March 2018: approximately HK\$368,000) and shareholders’ equity of approximately HK\$116,545,000 (as at 31 March 2018: approximately HK\$ 117,800,000).

The Group generally services its debts primarily through cash generated from its operations. As at 31 March 2019, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 6.59:1 (as at 31 March 2018: 1.80:1), the gearing ratio of the Group, defined as a ratio between total debts over total assets, was 1: 6.95 (as at 31 March 2018: 1:1.81). The Group also approaches 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.

FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group's working capital is mainly financed through internal generated cash flows. 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 2019 and had no outstanding financial derivative contracts as at 31 March 2019.

CAPITAL EXPENDITURE AND COMMITMENTS

During the year ended 31 March 2019, the Group did not have any material investment in plant and equipment.

As at 31 March 2019, the Group had no commitment (as at 31 March 2018: Nil) in respect of acquisition of new machineries and no significant capital commitments.

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

CHARGES ON ASSETS

As at 31 March 2019, the Group had no pledged assets (as at 31 March 2018: Nil).

CONTINGENT LIABILITIES

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

DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 March 2019 (for the year ended 31 March 2018: Nil).

EMPLOYEE INFORMATION

As at 31 March 2019, the Group employed approximately 57 employees (excluding Directors). The total salaries and related costs (including the Directors' fees and labour cost) amounted to approximately HK\$7,961,000 (2018: approximately HK\$7,624,000). 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.

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" set out in this announcement for further details about the Share Option Scheme of the Company.

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 3.36% 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 28 September 2018. 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 2019 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 1 April 2018	Grant during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 31 March 2019
Directors									
Mr. Lam Kai Yeung	16/1/2018	0.854 per share	16/01/2018-15/1/2028	16/01/2018-15/1/2028	5,192,000	–	–	–	5,192,000
Mr. Ma Jun	16/1/2018	0.854 per share	16/01/2018-15/1/2028	16/01/2018-15/1/2028	1,000,000	–	–	–	1,000,000
Other participants in aggregate	16/1/2018	0.854 per share	16/01/2018-15/1/2028	16/01/2018-15/1/2028	15,876,000	–	–	–	15,876,000

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted.

None of the share options was granted, exercised, lapsed and cancelled under the Share Option Scheme throughout the year ended 31 March 2019 and as at the date of this announcement.

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.

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 2019, 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. Chan Kin, a non-executive Director who was re-designated as an independent non-executive Director on 25 February 2019, was unable to attend the SGM held on 10 December 2018, and Mr. Chau On Ta Yuen, an independent non-executive Director, was unable to attend the SGM held on 8 March 2019.

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.

AUDIT COMMITTEE AND COMPLIANCE WITH LISTING RULES

The Audit Committee currently comprises four independent non-executive Directors, namely Dr. Lam Lee G. (chairman), Mr. Li Hui, Mr. Chau On Ta Yuen and Mr. Chan Kin. 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.

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 2019, 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.

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 2019, the Audit Committee has convened three meetings 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;
- updated the terms of reference of audit committee of the Board of Directors of the Company;
- reviewed the effectiveness of the risk management and 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 2019 with the management and the external auditor of the Company and recommended its adoption by the Board.

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 2019.

By Order of the Board
Hang Pin Living Technology Company Limited
Zhi Hua
Chairman

Hong Kong, 26 June 2019

As at the date of this announcement, the Board comprises Mr. Zhi Hua, Mr. Lam Kai Yeung and Mr. Ma Jun as executive Directors; Mr. Li Hui, Mr. Chau On Ta Yuen, Dr. Lam Lee G. and Mr. Chan Kin as independent non- executive Directors.

** For identification purposes only*