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HANG PIN LIVING TECHNOLOGY COMPANY LIMITED

杭品生活科技股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1682)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020 (the “**Reporting Period**”) 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 2020

	<i>Notes</i>	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Revenue	4	122,097	185,668
Cost of sales		<u>(117,339)</u>	<u>(162,751)</u>
Gross profit		4,758	22,917
Other income	6	4,945	5,463
Net foreign exchange loss		(3,493)	(1,212)
Selling and distribution costs		(965)	(7,606)
Administrative and operating expenses		(24,985)	(17,564)
Impairment loss recognised in respect of financial assets under expected credit loss model, net of reversal		(4,118)	(835)
Finance costs		<u>(51)</u>	<u>(23)</u>
(Loss)/profit before tax		(23,909)	1,140
Income tax expense	7	<u>(93)</u>	<u>(664)</u>

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
(Loss)/profit for the year attributable to owners of the Company	8	<u>(24,002)</u>	<u>476</u>
Other comprehensive income/(expense) <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(245)	(2,422)
Reclassification adjustments relating to foreign operations disposed of during the year		<u>1,501</u>	<u>3</u>
Other comprehensive income/(expense) for the year		<u>1,256</u>	<u>(2,419)</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(22,746)</u>	<u>(1,943)</u>
(Loss)/earnings per share	10		
Basic and diluted (HK cents)		<u>(3.66)</u>	<u>0.07</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		10,850	7,042
Right-of-use assets		14,302	–
Goodwill		–	1,606
Amount due from a former subsidiary		3,972	–
		29,124	8,648
CURRENT ASSETS			
Inventories		–	524
Trade receivables	11	54,118	4,648
Short-term loan and loan interest receivables	12	–	65,024
Deposits, prepayment and other receivables		741	45,224
Amounts due from former subsidiaries		–	8,372
Financial asset at fair value through profit or loss		6,017	–
Cash and cash equivalents		21,736	3,705
		82,612	127,497
CURRENT LIABILITIES			
Trade payables	13	14,151	5,210
Other payables, accruals and contract liabilities		837	12,722
Tax payables		1,200	1,303
Lease liabilities		654	–
Obligation under finance lease		–	112
		16,842	19,347
NET CURRENT ASSETS		65,770	108,150
TOTAL ASSETS LESS CURRENT LIABILITIES		94,894	116,798

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	239	–
Obligation under finance lease	–	253
	<u>239</u>	<u>253</u>
NET ASSETS	<u>94,655</u>	<u>116,545</u>
CAPITAL AND RESERVES		
Share capital	6,559	6,559
Reserves	88,096	109,986
	<u>94,655</u>	<u>116,545</u>
TOTAL EQUITY	<u>94,655</u>	<u>116,545</u>

NOTES:

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”).

Rosy Lane International Limited is the controlling shareholder of the Company, a company incorporated in the British Virgin Islands (the “BVI”) with limited liability, which is ultimate controlled by Mr. Zhi Hua, the director. 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 Room 303, 3/F., Hing Yip Commercial Centre, No. 272-284 Des Voeux Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are garment sourcing and provision of financial services.

The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$000) except otherwise indicated.

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

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

3. APPLICATION OF NEW AND REVISED HKFRSs

Application of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”, which are effective for the Group’s financial year beginning from 1 April 2019. A summary of the new and revised HKFRSs application by the Group is set out as follows:

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

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

HKFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

	As at 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	4,357
Less: Recognition exemption-short-term leases (<i>note i</i>)	(4,357)
Add: Obligation under finance lease (<i>note ii</i>)	365
	<hr/>
Lease liabilities as at 1 April 2019	365
	<hr/> <hr/>
Analysed as:	
Current	112
Non-current	253
	<hr/>
	365
	<hr/> <hr/>

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

	Right-of-use assets HK\$'000
Amount included in plant and equipment under HKAS 17 – Asset previously under finance lease (<i>note ii</i>)	<u>461</u>
	<u><u>461</u></u>
By class:	
Motor vehicle	<u><u>461</u></u>

Notes:

- (i) On 30 June 2019, the Group entered into a termination agreement with landlord to terminate the remaining non-cancellable rent period without any penalty was charged, thus classified as short-term leases.
- (ii) In relation to asset previously under finance leases, the Group recategorised the carrying amount of the relevant asset which were still under lease as at 1 April 2019 amounting to approximately HK\$461,000 as right-of-use assets. In addition, the Group reclassified the obligation under finance lease of HK\$112,000 and HK\$253,000 as current and non-current liabilities respectively as at 1 April 2019.

Transition to HKFRS 16 does not have impact on accumulated losses as at 1 April 2019.

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

	Carrying amounts previous report as at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 as at 1 April 2019 HK\$'000
Non-current assets			
Plant and equipment	7,042	(461)	6,581
Right-of-use assets	–	461	461
Current liabilities			
Lease liabilities	–	112	112
Obligation under finance lease	112	(112)	–
Non-current liabilities			
Lease liabilities	–	253	253
Obligation under finance lease	253	(253)	–
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

New and revised HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	Covid-19 Related Rent Concessions ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after a date to be determined.

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

The directors anticipate that the application of new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from sourcing of garment products	119,216	171,179
Financial service income	2,316	10,998
	<hr/>	<hr/>
Revenue from contracts with customers	121,532	182,177
Interest income from loan receivables	565	3,491
	<hr/>	<hr/>
Total revenue	122,097	185,668
	<hr/> <hr/>	<hr/> <hr/>

All of the revenue from contracts with customers is recognised at a point in time for both years.

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contract for sourcing of garment products and financial services such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for sourcing of garment products and financial services that had an original expected duration of one year or less.

5. SEGMENT INFORMATION

Information reported internally to the directors (chief operating decision maker (the “CODM”)) 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 segments under HKFRS 8 are as follows:

- garment sourcing
- provision of financial service

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 inter-segment sales for both years.

Segment result represents the loss incurred by each segment without allocation of corporate income and central administration expenses including directors’ emoluments, equity-settled share-based payment expense and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment revenue and results

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

For the year ended 31 March 2020

	Garment sourcing HK\$'000	Provision of financial service HK\$'000	Total HK\$'000
Revenue	119,216	2,881	122,097
Segment results	(6,574)	(937)	(7,511)
Unallocated other income			5,050
Unallocated administrative and other expenses			(21,397)
Finance costs			(51)
Loss before tax			(23,909)

For the year ended 31 March 2019

	Garment sourcing HK\$'000	Provision of financial service HK\$'000	Total HK\$'000
Revenue	171,179	14,489	185,668
Segment results	(513)	(882)	(1,395)
Unallocated other income			5,023
Unallocated administrative and other expenses			(2,465)
Finance costs			(23)
Profit before tax			1,140

Segment assets and liabilities

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

As at 31 March 2020

	Garment sourcing HK\$'000	Provision of financial service HK\$'000	Total HK\$'000
Segment assets	80,138	–	80,138
Unallocated corporate assets			31,598
			<hr/>
Consolidated assets			111,736
			<hr/> <hr/>
Segment liabilities	14,165	–	14,165
Unallocated corporate liabilities			2,916
			<hr/>
Consolidated liabilities			17,081
			<hr/> <hr/>

As at 31 March 2019

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

For the purpose of monitoring resource allocation and assessment of segment performance:

- all assets are allocated to reportable segments other than unallocated corporate assets (mainly comprising of certain plant and equipment, certain right-of-use assets, financial asset at fair value through profit or loss, amounts due from former subsidiaries, certain deposits, prepayment and other receivables and cash and cash equivalents); and
- all liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly comprising of certain accruals and other payables, tax payables, lease liabilities and obligation under finance lease).

Geographical information

The Group's revenue from external customers is mainly derived from its operations in the PRC and non-current assets of the Group are mainly located in the PRC.

Other segment information

	Garment sourcing		Provision of financial service		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment results or segment assets:								
Depreciation of plant and equipment	212	34	128	360	99	459	439	853
Depreciation of right-of-use assets	341	-	-	-	482	-	823	-
Impairment loss recognised in respect of financial assets under expected credit loss model, net of reversal	114	435	(145)	358	4,149	42	4,118	835
Loss on disposal of plant and equipment	-	-	-	-	447	-	447	-
Additions to non-current assets (<i>note</i>)	24,650	121	63	7,677	1,014	-	25,727	7,798
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:								
Bank interest income	1	38	4	5	189	1	194	44
Finance costs	-	-	-	-	51	23	51	23

Note: Non-current assets excluded amount due from a former subsidiary.

Information about major customers

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

	2020	2019
	HK\$'000	HK\$'000
Sourcing of garment products:		
Customer A	39,560	41,434
Customer B	55,002	38,519
Customer C	22,653	-

Except disclosed above, no other customer contributed 10% or more to the Group's revenue for both years.

6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	194	44
Rental income	–	28
Gain on disposal of subsidiaries	4,608	4,885
Gain arising on change in fair value of financial assets at fair value through profit or loss	143	–
Sundry income	–	506
	<u>4,945</u>	<u>5,463</u>

7. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	93	46
PRC Enterprise Income Tax (“EIT”)		
– Current year	–	618
	<u>93</u>	<u>664</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

No provision for PRC Enterprise Income Tax has been made for the year ended 31 March 2020 as the Group has no assessable profit arising in PRC.

8. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit for the year attributable to owners of the Company has been arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	530	530
– non-audit services	–	88
	530	618
Cost of inventories sold	116,590	162,118
Directors' remuneration	10,052	2,624
Other staff costs		
– salaries and wages	3,491	4,878
– retirement benefit scheme contributions	402	447
– staff welfare	–	3
– equity-settled share-based payment expense	6	12
Total staff costs	13,951	7,964
Depreciation of plant and equipment	439	853
Depreciation of right-of-use assets	823	–
Sampling expenses (included in selling and distribution costs)	–	39
Loss on disposal of plant and equipment	447	–
Impairment loss recognised/(reversed) on:		
– trade receivables	397	(11)
– short-term loan and loan interest receivables	(175)	535
– other receivables	(253)	269
– amounts due from former subsidiaries	4,149	42
	4,118	835
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	768	–
Operating lease rental relating to short-term lease and low-value lease upon application of HKFRS 16	12	–
Minimum lease payments in respect of operating lease for premises	–	3,210
Equity-settled share-based payment expense to customers/supplier	596	616

9. DIVIDEND

No final/interim dividend was paid or proposed for the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u><u>(24,002)</u></u>	<u><u>476</u></u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u><u>655,927</u></u>	<u><u>655,927</u></u>

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic (loss)/earnings per share calculation, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted (loss)/earnings per share for both years.

11. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables arising from contracts with customers	54,118	4,776
Less: Allowance for credit losses	<u>–</u>	<u>(128)</u>
	<u><u>54,118</u></u>	<u><u>4,648</u></u>

The Group normally grants credit terms to its customers ranging from 30 to 150 days. The aging analysis of the trade receivables (net of allowance for credit losses) based on invoice date which approximates the respective revenue recognition dates were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	23,871	3,304
31 – 60 days	14,433	–
61 – 90 days	15,814	–
91 – 120 days	–	–
Over 120 days	–	1,344
	<u>54,118</u>	<u>4,648</u>

12. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term loan and loan interest receivables (current not past due)		
– Principal	–	64,260
– Interest	–	1,173
Less: Allowance for credit losses	–	(409)
	<u>–</u>	<u>65,024</u>

13. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 60 days	14,151	2,529
61 – 90 days	–	–
Over 90 days	–	2,681
	<u>14,151</u>	<u>5,210</u>

The average credit period on purchases of goods is 30 days (2019: 30 days).

BUSINESS REVIEW

The Group is principally engaged in (i) the garment sourcing; and (ii) provision of financial services.

(I) GARMENT SOURCING

During the Reporting Period, the global economic growth had continued to slow down. As affected by the Sino-US trade disputes, the trading atmosphere had remained tense and the international policy had been highly uncertain. The increasing trade barriers brought along financial burden, which coupled with the faster-than-expected economic slow-down in certain major economies that increased the risk of economic downturn, constituted the continuous weakening of business confidence. In Mainland China, as impacted by the slower economic growth, weakened RMB exchange rate and rising living costs, consumers' consuming ability had been weakened, which dampened consumers' sentiment. The unusually warm weather during the fall/winter season as well as the outbreak of COVID-19 further exacerbated the weakening of consuming power and consumers' sentiment. As a result, the performance of retailers was adversely affected, especially for those engaged in the trading of non-daily necessities, such as apparel products. Some of them even had to shut down their large retail stores and to realise their real assets as they are plunged into liquidity crisis. Facing the unfavorable market conditions resulted from the undesirable business environment, wholesalers are also cautious in placing orders. In addition, attributed to the increasing popularity of online shopping, customers have significantly higher expectation on speediness, quality and pricing of products and services, which also posed challenges to our business. In Hong Kong, the operating atmosphere of the Group deteriorated materially in the midst of the continuous massive social events and the outbreak of COVID-19 pandemic occurred during the Chinese New Year holiday. As affected by such, the Group also suffered a serious business setback. To mitigate the adverse impacts, the Group has closed down underperforming subsidiaries and negotiated with landlords for rent concessions to enhance its operational efficiency and strengthen its cost control to enhance competitive advantage.

During the Reporting Period, in order to strengthen the Group's position in the garment industry in the PRC, on 15 November 2019, the Company and Good Fellow Garment (Fujian) Co., Ltd ("**Good Fellow Garment (Fujian)**") as landlord entered into a tenancy agreement (the "**Tenancy Agreement**") for a leasing period of 10 years at an aggregate rent of HK\$14 million commencing from the date that all necessary resolution(s) has been passed by the independent shareholders of the Company at the special general meeting held on 9 January 2020 ("**SGM**"). The subject premises of the Tenancy Agreement shall be used for manufacturing and sales of garment products. On the same day, the Company and Good Fellow Garment (Fujian) as transferor entered into a transfer agreement (the "**Transfer Agreement**"), pursuant to which the Company has agreed to acquire and Good Fellow Garment (Fujian) has agreed to sell the garment manufacturing machineries and equipment and office equipment owned by Good Fellow Garment (Fujian) at a total consideration of HK\$11 million. For details, please refer to the announcement dated 15 November 2019 and the circular dated 16 December 2019.

(II) PROVISION OF FINANCIAL SERVICES

The Board from time to time, reviews its existing operations and explores other business opportunities with a view to diversify the Group's business. The Group commenced a new business segment of financial services which includes asset management, finance lease, pawn and money lending business in 2018. Against this backdrop, the Group has been focusing on accelerating its strategic plan in the China and Hong Kong market, further enriching its product offerings and enhancing its financial service system, with an aim to rapidly enhance its business scale and seize the PRC and Hong Kong market. The Board considers that the demand for financial services is significant and the industry is vibrant in both 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 the shareholders of the Company (the "**Shareholders**") as a whole. During the Reporting Period, the Directors are committed to grasping market opportunities and managing the risks of the Company. The increasing credit risk of the P2P lending platform restrained the development of the online lending industry. After due consideration and assessment by the Board, on 22 May 2019, the Group entered into an assignment contract to dispose its VIE arrangement at a consideration of RMB6,540,000 (equivalent to approximately HK\$7,432,000), resulting in a loss of control over Hangzhou Huazhiying Investment Management Company Limited (杭州華之贏投資管理有限公司) and its subsidiaries. The disposal generated a gain of approximately HK\$522,000.

PROSPECTS AND DEVELOPMENT PLAN

According to the latest "World Economic Outlook" issued by the International Monetary Fund, the COVID-19 pandemic is inflicting high and rising costs to people around the globe. In order to protect lives and to ensure the medical system can cope with this pandemic, quarantine, lockdown and massive closure have been implemented to slow down the spread of the virus. Therefore, the health threat is severely impacting economic activities. As a result of the pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008–2009 financial crisis. The Gross Domestic Product (GDP) of mainland China, the world's second largest economy, shrank by 6.8% in the first quarter of 2020 compared with the corresponding period of last year. Further, as a result of the COVID-19 pandemic, China will not set an economic growth goal for this year. It is the first time for the China Government not to set a GDP target since 1990, the year which the records began. Here in Hong Kong, the Financial Secretary forecasted a negative growth of 4% to 7% in 2020 because of the "serious and enduring" effects of the pandemic.

Notwithstanding the signing of the “Phase 1” agreement between the world’s two largest economies, and the completion of “Brexit”, yet it might be too soon to declare an all-clear on the impact of political front. The Sino-United States conflicts go beyond trade and will remain even after the signing of the “Phase 1” agreement and in the “Phase 2” negotiations, and may accelerate during the United States election in 2020; and the British government inclined to take a hard line on bilateral trade talks after Brexit. Regarding impacts of the pandemic on supply chain, the Group understands that the production activities of our suppliers are not severely impacted by the pandemic. Further, the Chinese New Year is not the peak production period for the Group’s products. As a result, we are currently not expecting major delay in supply chain.

The Group is cautious about the outlook of business in 2020 in light of the ongoing dour economic climates and uncertainties. At present, the Group is closely monitoring the market conditions and assessing the operational and financial impacts of the pandemic to the Group. Looking forward, global monetary policy easing should tend to incentivise investment, production and consumption. The Group will endeavor to raise the level of operations for our two principal businesses and will endeavor to search for new business opportunities and expand profit channels with the goal to strive for greater returns for Shareholders.

FINANCIAL REVIEW

During the Reporting Period, revenue of the Group amounted to approximately HK\$122,097,000 (2019: approximately HK\$185,668,000); revenue from the garment sourcing amounted to approximately HK\$119,216,000, representing a decrease of approximately 30.35% (2019: approximately HK\$171,179,000); revenue from provision of financial services amounted to approximately HK\$2,881,000, representing an decrease of approximately 80.12% (2019: approximately HK\$14,489,000), mainly due to the disposal of the P2P financing business. Gross profit margin was approximately 3.90%, representing an decrease of approximately 8.44% (2019: approximately 12.34%). Other income amounted to approximately HK\$4,945,000 (2019: approximately HK\$5,463,000), which was mainly attributable to the gain on disposal of subsidiaries. Foreign exchange loss amounted to approximately HK\$3,493,000 (2019: approximately HK\$1,212,000), mainly due to the sharp depreciation of RMB during the Reporting Period. Selling and distribution costs amounted to approximately HK\$965,000 (2019: approximately HK\$7,606,000), mainly due to the decrease of advertising and promotion costs. Administrative expenses amounted to approximately HK\$24,985,000, representing an increase of approximately 42.25% (2019: approximately HK\$17,564,000), mainly due to the increase in costs for collecting outstanding sum and Director’s fee according to the market conditions. Impairment loss recognised in respect of financial assets under expected credit loss model, net of reversal amounted to approximately HK\$4,118,000, representing an increase of approximately 393.17% (2019: approximately HK\$835,000), which was mainly attributable to the impairment loss recognised from former subsidiaries. Due to the aforesaid reasons, the (loss)/profit for the year attributable to owners of the Company amounted to approximately HK\$(24,002,000) (2019: approximately HK\$476,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of approximately HK\$111,736,000 (as at 31 March 2019: approximately HK\$136,145,000) (including cash and cash equivalent of approximately HK\$21,736,000 (as at 31 March 2019: approximately HK\$3,705,000)) which were financed by current liabilities of approximately HK\$16,842,000 (as at 31 March 2019: approximately HK\$19,347,000), non-current liabilities of approximately HK\$239,000 (as at 31 March 2019: approximately HK\$253,000) and Shareholders' equity of approximately HK\$94,655,000 (as at 31 March 2019: approximately HK\$116,545,000).

The Group generally services its debts primarily through cash generated from its operations. As at 31 March 2020, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 4.91:1 (as at 31 March 2019: 6.59:1). The gearing ratio of the Group, based on total debts (including lease liabilities and obligation under finance lease) over total equity, was 0.94% (as at 31 March 2019: 0.31%), which was at a healthy level. The Group also approaches other investors, especially strategic investors to invest in the Company, hoping to bring in more funds. 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 Reporting Period and had no outstanding financial derivative contracts as at 31 March 2020.

CAPITAL EXPENDITURE AND COMMITMENTS

As at 31 March 2020, the Group had no commitment (as at 31 March 2019: Nil) in respect of acquisition of new plant and equipment 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 2020, the Group had no pledged assets (as at 31 March 2019: Nil).

CONTINGENT LIABILITIES

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

DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 March 2020 (for the year ended 31 March 2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

- (a) Since January 2020, the outbreak of COVID-19 has impacted the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will continued to attend to the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.
- (b) On 18 May 2020, the Group entered into a facility agreement with the borrower and the guarantor to provide a revolving loan facility of up to HK\$25,000,000 to the borrower (the “**Loan**”). The Loan is interest bearing at 10% per annum and available for drawdown for the period of 3 years commencing on 18 May 2020 and contains a repayment on demand clause. The Loan is secured by the guarantee for the payment by the borrower of its debt under the facility agreement.

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 2020 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 2019	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 31 March 2020
Directors									
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 (resigned on 24 December 2019)	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	0
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	-	-	300,000	15,576,000

Except for the lapsed 1,300,000 share options, none of the share options was granted, exercised, lapsed and cancelled under the Share Option Scheme throughout the year ended 31 March 2020 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 2020, 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. Chau On Ta Yuen, an independent non-executive Director, was unable to attend the annual general meeting (“**AGM**”) held on 30 September 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 three independent non-executive Directors, namely Dr. Lam Lee G. (chairman), 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 2020, 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 2020, the Audit Committee has convened two 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;
- 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 2020 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 2020.

By Order of the Board
Hang Pin Living Technology Company Limited
Lam Kai Yeung
Chief Executive & Executive Director

Hong Kong, 24 June 2020

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

* *For identification purposes only*