HK Asia Holdings Limited
港亞控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1723

Annual Report
2019

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Siu Muk Lung *(Chairman)*
Mr. Chung Chi Fai

Non-executive Directors

Mr. Ritchie Ma
Mr. Lam Kin Lun Davie

Independent Non-executive Directors

Mr. Lee Kwan Ho, Vincent Marshall
Mr. Kwok Wai Leung, Stanley
Mr. Fok Kam Chau
Mr. Shiao Hei Lok Herod

AUDIT COMMITTEE

Mr. Fok Kam Chau *(Chairman)*
Mr. Lam Kin Lun Davie
Mr. Kwok Wai Leung, Stanley
Mr. Shiao Hei Lok Herod

REMUNERATION COMMITTEE

Mr. Shiao Hei Lok Herod *(Chairman)*
Mr. Ritchie Ma
Mr. Kwok Wai Leung, Stanley
Mr. Fok Kam Chau

NOMINATION COMMITTEE

Mr. Siu Muk Lung *(Chairman)*
Mr. Lee Kwan Ho, Vincent Marshall
Mr. Kwok Wai Leung, Stanley
Mr. Shiao Hei Lok Herod
Mr. Fok Kam Chau

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Mr. Siu Muk Lung
Mr. Chan Him Alfred

JOINT COMPANY SECRETARIES

Mr. Chan Him Alfred
Mr. Au Yeung Yiu Chung

AUDITORS

HLB Hodgson Impey Cheng Limited

LEGAL ADVISOR TO THE COMPANY AS TO HONG KONG LAW

Sit, Fung, Kwong & Shum

COMPLIANCE ADVISER

CLC International Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

24th Floor, Chun Wo Commercial Centre
23 Wing Wo Street, Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(up to 10 July 2019)
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
(with effect from 11 July 2019)

STOCK CODE

1723

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.hkasiaholdings.com

Chairman's Statement

TO THE SHAREHOLDERS

On behalf of the board (the "**Board**") of directors (the "**Directors**") of HK Asia Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I hereby present the first annual report of the Company for the year ended 31 March 2019 since the successful listing of shares of the Company (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 September 2018 (the "**Listing Date**"). The Listing was a significant landmark in the development of the Group. It provides the Company with access to one of the world's essential capital markets, boosts up the confidence of the customers and suppliers of the Group, and also presents new opportunities for the future development of the Group.

BUSINESS REVIEW

The Group conducts wholesale and retail sales of pre-paid products (i.e. SIM card and top-up voucher) (the "**Pre-paid Products**") in Hong Kong targeted at Indonesian and Filipino consumers and Pre-paid Products targeted at mobile users who demand for local and international phone call and/or mobile data services in Hong Kong and overseas ("**Other Users**"). The Group is a long-established and well-recognized distributor in the industry.

During the year under review, the Group recorded growth of turnover of approximately 1.0% to approximately HK$195.0 million compared to last year (2018: approximately HK$193.2 million) and growth of gross profit of approximately 8.0% to approximately HK$66.8 million compared to last year (2018: approximately HK$61.8 million). Since the Listing, the Group has obtained two more Pre-paid Products sourced from the suppliers for sales.

OUTLOOK AND PROSPECT

The Group is seeking to expand its business and further increase its market share in the sectors of Pre-paid Products targeted at (i) Indonesian and Filipino consumers; and (ii) Other Users. The Group plans to open new self-managed retail shops in selective locations, increase the number of retailers in sales network, increase advertising and marketing activities and strengthen the Group's inventory management capability.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my deep gratitude to all our business partners, customers, suppliers and the shareholders of the Company (the "**Shareholders**") for their continuous support. The growth of the Group would not be attained without the support and efforts from all the stakeholders. We shall continue to strive our best to develop and grow to maximise values for the Shareholders.

Siu Muk Lung
Chairman and Executive Director
Hong Kong, 27 June 2019

Management Discussion And Analysis

BUSINESS REVIEW

The Group is principally conducting wholesale and retail sales of Pre-paid Products in Hong Kong. During the period from the Listing Date to 31 March 2019, the Group obtained two more products sourced from the suppliers for sales, including a Pre-paid Product with face value of HK$118 for 8 days and 6GB data for use of mobile data services in 9 Asia Pacific countries and territories and a Pre-paid Product with face value of HK$238 inclusive of 5GB data for use of mobile data services in Hong Kong, Macau, the People's Republic of China (the "**PRC**") and Taiwan.

OUTLOOK AND PROSPECT

The Group is seeking to expand its business and further increase its market share in the sectors of Pre-paid Products targeted at (i) Indonesian and Filipino consumers; and (ii) Other Users.

The Group plans to open new self-managed retail shops in selective locations, increase the number of retailers in sales network, increase advertising and marketing activities and strengthen the Group's inventory management capability.

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2019, the Group's revenue amounted to approximately HK$195.0 million, representing an increase of approximately 1.0% as compared to approximately HK$193.2 million for the year ended 31 March 2018. The increase in revenue was mainly due to the increase in sales to the wholesaler and retailers within the Group's sales network by approximately HK$5.4 million which offset the effect of decrease in sales made by the Group's own retail shops by approximately HK$3.6 million.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK$5.0 million or 8.0% from approximately HK$61.8 million for the year ended 31 March 2018 to approximately HK$66.8 million for the year ended 31 March 2019. The increase in gross profit was generally in line with the increase in the total revenue and was mainly attributable to the increase in revenue of Pre-paid Products targeted at Other Users. The gross profit margin increased from approximately 32.0% for the year ended 31 March 2018 to approximately 34.3% for the year ended 31 March 2019. The increase in gross profit margin was primarily due to a higher level of discount given by the Group's supplier.

Other revenue

During the year under review, the Group's other revenue amounted to approximately HK$3.0 million, representing an increase of approximately 13.5% as compared to approximately HK$2.6 million for the year ended 31 March 2018. The increase in other revenue was mainly due to the increase in consignment income for selling mobile phones and accessories and the increase in fair value gain on financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses mainly comprised (i) rent and rates; (ii) staff costs; (iii) advertising and promotion expenses; and (iv) other expenses. During the year ended 31 March 2019, selling and distribution expenses amounted to approximately HK$24.9 million (2018: approximately HK$23.3 million), representing an increase of approximately 6.8% as compared to the year ended 31 March 2018. The increase in selling and distribution expenses was mainly attributable to the increase in advertising and promotion expenses of approximately HK$1.5 million as compared to the year ended 31 March 2018.

Administrative expenses

Administrative expenses mainly represented (i) staff costs; (ii) rent and rates; (iii) professional fees; and (iv) listing expense. For the year ended 31 March 2019, administrative expenses amounted to approximately HK$23.5 million (2018: approximately HK$16.1 million), representing an increase of approximately 46.1% as compared to the year ended 31 March 2018. The increase was mainly due to the increase in non-recurring listing expenses of approximately HK$3.0 million, increase in directors' emoluments of approximately HK$1.0 million and increase in professional fees of approximately HK$2.0 million.

Taxation

During the year ended 31 March 2019, the income tax expenses amounted to approximately HK$5.4 million (2018: approximately HK$5.6 million) and the effective tax rate for the year was approximately 25.2% (2018: approximately 22.5%) which was higher than the statutory profits tax rate of 16.5% because the listing expenses were not deductible for tax purpose.

Profit for the year

Profit for the year ended 31 March 2019 was approximately HK$15.9 million, representing a decrease of approximately 17.8% as compared with approximately HK$19.4 million for the corresponding period in 2018. Excluding the non-recurring listing expenses amounting to approximately HK$12.5 million for the year (2018: approximately HK$9.4 million), the Group's adjusted profit for the year would have been approximately HK$28.4 million, representing a decrease of approximately 1.4% as compared with approximately HK$28.8 million for the corresponding period in 2018.

Inventories

The Group had inventories of approximately HK$56.3 million as at 31 March 2019, representing an increase of approximately HK$23.8 million compared to the inventories of approximately HK$32.5 million as at 31 March 2018. The increase was resulted from the bulk purchase of products during the year under review to enjoy a higher purchase discount.

LIQUIDITY AND CAPITAL RESOURCES

Net current assets

The Group had net current assets of approximately HK$146.2 million as at 31 March 2019 (31 March 2018: HK$60.9 million). The current ratio of the Group increased from approximately 6.1 as at 31 March 2018 to 33.4 as at 31 March 2019.

Borrowings

The Group's bank and other borrowings was nil as at 31 March 2019 (31 March 2018: nil).

Gearing ratio

The Group's gearing ratio was nil as at 31 March 2019 (31 March 2018: nil) as it has no outstanding debts. The gearing ratio equals total amount of debts divided by total amount of equity and multiplied by 100%.

Share capital structure

On 27 August 2018, the Company increased its authorised share capital to HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each (the "**Shares**").

During the year, the Company issued 17,000,000 new Shares in consideration of acquisition of subsidiaries, 299,999,999 new Shares by way of capitalisation issue and 83,000,000 new Shares in relation to the Listing. The Shares were subsequently listed on the Main Board of the Stock Exchange on 27 September 2018.

There has been no change in the share capital structure of the Company since then. As at 31 March 2019, the number of issued Shares was 400,000,000 ordinary shares of HK$0.01 each.

Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

Foreign Exchange Exposure

All of the transactions of the Group are denominated in HK$ and the Group is not exposed to any significant foreign exchange exposure.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 March 2019, the Group had 43 employees (as at 31 March 2018: 40 employees) with a total remuneration of approximately HK$11.2 million during the year under review (2018: approximately HK$9.3 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices. Performance bonuses are offered to qualified employees based on individual and the Group's performance. The Group is dedicated to providing training programs for new employees and regular on-the-job trainings to employees to enhance their sales and marketing skills and know-how. The emoluments of the Directors are recommended by the Remuneration Committee of the Company, with reference to their respective contribution of time, effort and expertise on the Company's matters. The Company has also adopted a share option scheme to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

PLEDGE OF ASSETS

As at 31 March 2019, the Group did not have any pledged assets (31 March 2018: nil).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the year, there were no material acquisition, disposal or significant investment by the Group.

USE OF PROCEEDS

The business objectives and planned use of proceeds as stated in the prospectus dated 11 September 2018 published by the Company (the "**Prospectus**") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer (as defined in the Prospectus) (the "**Share Offer**") received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK$40.6 million. During the period from the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to 31 March 2019, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds HK$' million	Amount utilised HK$' million	Remaining balance HK$' million
Setting up of five retail shops	27.0	–	27.0
Hiring additional sales personnel	1.6	0.3	1.3
Carrying out marketing and promotional activities	9.8	0.9	8.9
Implementing an enterprises resources planning system	1.9	0.1	1.8
For working capital and other general corporate purposes	0.3	0.3	–
	40.6	1.6	39.0

The unutilised net proceeds have been placed with licensed banks in Hong Kong as interest bearing deposits. The Board closely monitored the use of proceeds from the Listing with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus.

EVENT AFTER THE REPORTING PERIOD

There were no significant events after the end of the year to the date of this annual report.

CAPITAL COMMITMENT

As at 31 March 2019, the Group had capital commitments of approximately HK$300,000 (31 March 2018: approximately HK$357,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group's current business and implementing the future plans as disclosed in the Prospectus, the Group will explore new business opportunities as and when appropriate, in order to enhance shareholders' value.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 March 2019 (31 March 2018: nil).

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Siu Muk Lung (蕭木龍先生) (“**Mr. Siu**”), aged 58, is the founder of the Group, the Chairman of the Board and the Nomination committee, and an executive Director. He has been a director of Mobile Phone Direct Selling Centre Limited since December 1995. He is primarily responsible for leading and chairing meetings of the Board, supervising the operations of the Group, planning the business and marketing strategies and overseeing the management of the business of the Group. Mr. Siu was appointed as a Director on 5 May 2016 upon the incorporation of the Company and was redesignated as an executive Director on 27 August 2018. Mr. Siu serves the office of director in each of the subsidiaries of the Group. Mr. Siu attended secondary education in the PRC until 1978.

Since the founding of the Group, Mr. Siu has been working in the pre-paid SIM card and mobile phone industry during which period he worked/served as the director of various subsidiaries in the Group. With his background and experience in the pre-paid SIM card and mobile phone industry, Mr. Siu has been able to help the Group expanding its market share in the industry, enabling the Group to become one of the market leaders. Mr. Siu has also been a member of the fourth session of Yulin Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議玉林委員會) since 2015.

Mr. Chung Chi Fai (鍾志輝先生) (“**Mr. Chung**”), aged 43, is an executive Director and the general manager of the Company. He is primarily responsible for formulating overall policies and strategies of the Group, participating in meetings of the Board and overseeing the general management and day-to-day operations of the business of the Group.

Mr. Chung joined the Group in July 1995 and was responsible for overseeing the business operations of the retail shops. He has served in various departments of the Group as sales and general manager. He was appointed as a Director on 18 August 2017 and was redesignated as an executive Director on 27 August 2018. He is currently the general manager of Kinson Group Company Limited, a wholly-owned subsidiary of the Company. Mr. Chung completed his secondary education in Hong Kong in August 1993. Mr. Chung has over 20 years of experience in the mobile phone industry. Prior to joining the Group, he was the sales manager of Otel Telecom from September 1993 to May 1995, during which he was responsible for overseeing the distribution of mobile phone accessories and network services.

Non-executive Directors

Mr. Ritchie Ma (馬肇文先生) (formerly known as Ma Si Ping Ritchie (馬仕平)) (“**Mr. Ma**”), aged 59, is a non-executive Director and a member of the Remuneration Committee of the Company. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring the Directors’ consideration and/or approval. Mr. Ma was appointed as a Director on 18 August 2017, and was redesignated as a non-executive Director on 27 August 2018.

Mr. Ma graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University), Hong Kong in November 1989 with a Higher Certificate in Communication, Advertising and Marketing. He further obtained a Master of Business degree from the University of Newcastle, Australia in July 2008.

Mr. Ma has over 25 years of experience in sales, marketing, operations and business management. He was a sales at Jawbone in San Francisco, California from July 2013 to December 2015. Before that, he worked at Motorola Mobility Hong Kong Limited from March 2008 to December 2012, his last position being general manager of mobile devices in Hong Kong and Taiwan. From July 1996 to December 2007, he held senior marketing and corporate development positions in various telecommunications companies, including Hong Kong CSL Limited, Telstra International Hong Kong and SmarTone Telecommunications Limited.

Mr. Ma is the spouse of Ms. Cheung Yuet Ngo, Flora, the Administration Manager of the Group.

Mr. Lam Kin Lun Davie（林健倫先生）(“**Mr. Lam**”), aged 62, is a non-executive Director and a member of the Audit Committee of the Company. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors’ consideration and/or approval. He was appointed as a Director on 18 August 2017, and was redesignated as a non-executive Director on 27 August 2018.

Mr. Lam graduated from Curtin University of Technology, Australia with a Bachelor of Business in Accounting in August 1993. He also received a Master of Science in Information Management from the National University of Ireland, Ireland in October 1999. Mr. Lam is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and is also a fellow of the Australian Society of Certified Practicing Accountants, the Association of Chartered Certified Accountants and member of the Chartered Professional Accountants of British Columbia, Canada. He has been working in Welkinson and Associates since July 2011 and is currently the business development director. His key responsibilities include providing professional consultancy services to clients in corporate finance and retail management. He was the general manager of Macau operations in Hutchison Telecommunications (Hong Kong) Limited from April 2009 to June 2011. Prior to that, he worked in CSL Limited from January 1984 to November 2008, his last position being the director of mobile devices in the marketing development.

Independent non-executive Directors

Mr. Lee Kwan Ho, Vincent Marshall（李君豪先生）(“**Mr. Vincent M Lee**”), Deputy to the National People’s Congress of PRC, BBS, Officer of the Order of the Crown (Belgium), aged 63, was appointed as an independent non-executive Director on 27 August 2018. He is a member of the Nomination Committee of the Company.

Mr. Vincent M Lee obtained a Bachelor of Science in Business Administration from the University of Southern California, the United States of America in June 1978 graduating with Magna Cum Laude. He was awarded a Master of Science in Accounting and Finance by The London School of Economics and Political Science, the United Kingdom in August 1981. Mr. Vincent M Lee has been a certified public accountant registered with the California State Board of Accountancy, the United States of America since December 1980. He was admitted as a member of the American Institute of Certified Public Accountants in January 1982 and HKICPA in January 1989. He currently holds SFC licences for Dealing in Securities (type 1 regulated activity), Dealing in Futures Contracts (type 2 regulated activity), Advising on Securities (type 4 regulated activity) and Asset Management (type 9 regulated activity).

Biographical Details of Directors and Senior Management (continued)

Mr. Vincent M Lee undertook a number of public service and community activities. He has been elected consecutively as a member of the Election Committee of the HKSAR since 2006. He is currently the Chairman of the Correctional Services Children's Education Trust Investment Advisory Board. He was the Chairperson of Sir Murray MacLehose Trust Fund Investment Advisory Committee and has been in this position from December 2012 to November 2018. From 2012 to 2016, he was a member of Correctional Services Children's Education Trust Committee. He was appointed as a non-official member of the Financial Services Development Council from January 2013 to January 2019. Mr. Vincent M Lee was a member of the Securities and Futures Appeals Tribunal from 2003 to 2009, and the SFC Academic and Accreditation Advisory Committee from 2002 to 2006.

Mr. Vincent M Lee is currently the chairman of Tung Tai Group of Companies and he has been in such position since October 2010, having previously been the managing director from August 1990 to September 2010. From 1981 to 1990, he was a senior banker at HSBC Group, Hong Kong and Canada, his last position being the manager at the overseas banking center of Hongkong and Shanghai Banking Corporation Limited.

Mr. Vincent M Lee has held directorships in the following listed companies:

Name of listed company and stock code	Period of service	Position
Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (stock code: 112)	From March 2013 to June 2017	Non-executive Director
Guangdong Land Holdings Limited (stock code: 124)	From March 2009 to present	Independent Non-executive Director
Hong Kong Exchanges and Clearing Limited (stock code: 388)	From April 2000 to April 2017	Independent Non-executive Director

Mr. Kwok Wai Leung, Stanley (郭偉良先生) ("**Mr. Kwok**"), aged 44, was appointed as an independent non-executive Director on 27 August 2018. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Kwok obtained a Bachelor of Science from the Macquarie University, Australia in April 1998. He was further awarded a Master of Commerce in Funds Management from the University of New South Wales, Australia in July 2000.

Mr. Kwok is currently the Chairman of Skys D Limited (trading as Expandasia) and is responsible for the day to day operation of the consultancy business. He has been serving in this position since January 2014. He is also currently the managing partner and also director of Mount Logan Capital Limited. From August 2009 to December 2013, Mr. Kwok served as the Chief Executive Officer of Lippo Investments Management Limited. From May 2003 to June 2009, Mr. Kwok worked at State Street Global Advisors Asia Limited, the investment and asset management arm of State Street Corporation.

Biographical Details of Directors and Senior Management (continued)

Mr. Shiao Hei Lok Herod (蕭喜樂先生) ("Mr. Shiao"), aged 54, was appointed as an independent non-executive Director on 27 August 2018. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

Mr. Shiao was awarded a Diploma in Business Studies by the Hang Seng School of Commerce, Hong Kong in July 1986. He later on obtained a Postgraduate Certificate in Business Administration from the Open University of Hong Kong, Hong Kong in December 2001, and a Postgraduate Diploma in Business Administration from the University of Wales College, Newport, the United Kingdom in October 2002. Mr. Shiao was further awarded a Master of Business Administration degree by the University of Wales, Newport (currently known as the University of South Wales), the United Kingdom, in October 2004. Mr. Shiao passed the licensing examination for Securities and Futures Intermediaries held by the Hong Kong Securities Institute in June 2011. He was a member of the Society of Registered Financial Planners for over 12 years.

Mr. Shiao has over 30 years of experience in the banking industry, having worked in four banks in Hong Kong. He has been the first vice president in the private banking department of the Bank of East Asia Limited since June 2011. Before that, he was a vice president at CitiBank, N.A., from June 2005 to June 2011, and his last position held was sales team head. He previously served as the assistant vice president in the commercial team of the marketing division of Jian Sing Bank Limited (currently known as China Construction Bank) from October 2000 to June 2005. Before that, he worked at Hua Chiao Commercial Bank Limited (currently known as Bank of China Hong Kong Limited) from July 1986 to October 2000 and his last position held was deputy manager in the corporate banking department.

Mr. Fok Kam Chau (霍錦就先生) ("Mr. Fok"), aged 65, was appointed as an independent non-executive Director on 27 August 2018. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. Fok was awarded a Diploma in Business Management from Hong Kong Baptist College (currently known as Hong Kong Baptist University), Hong Kong in November 1980. He was later on awarded a Master of Business Administration from the University of East Asia, Macau in October 1986. He further obtained a Diploma in Financial Management from the University of New England, Australia, in April 1989 and Master of Economic Law from Peking University, the PRC in July 1999. Mr. Fok proceeded to obtain a Doctor in Business Administration degree from the Shanghai University of Finance and Economics, the PRC, in June 2016

Mr. Fok is a founding member of the Hong Kong Independent Non-Executive Director Association. He is a certified public accountant registered with the HKICPA, and a certified tax adviser registered with the Taxation Institute of Hong Kong. He has also been a member of the Australian Society of Certified Practicing Accountants and Certified General Accountants' Association of Canada (currently known as Chartered Professional Accountants of Canada) for over 25 years. Mr. Fok is currently the principal of K.C.Fok & Company, Certified Public Accountants.

SENIOR MANAGEMENT

Chief Financial Officer and Joint Company Secretary

Mr. Chan Him, Alfred (陳謙先生) ("**Mr. Chan**"), aged 55, is the Chief Financial Officer and Joint Company Secretary of the Company. He is mainly responsible for overseeing the finance, accounting and company secretarial matters of the Group. He joined the Group on 17 July 2017.

Mr. Chan graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University), Hong Kong in November 1987 with a Professional Diploma in Accountancy. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chan has accumulated over 25 years of experience in audit, finance and company secretarial work gained from various senior finance related positions in an international accounting firm, private and listed companies in Hong Kong.

Joint Company Secretary

Mr. Au Yeung Yiu Chung (歐陽耀忠先生) ("**Mr. Au Yeung**"), aged 37, was appointed as Joint Company Secretary of the Company on 26 April 2019. He has over 10 years of experience in the financial industry. Mr. Au Yeung graduated from The Hong Kong Polytechnic University with a Bachelor of Science in Applied Biology with Biotechnology. Mr. Au Yeung obtained a Master of Business Administration degree from the University of Wales in 2014 and a Master of Corporate Governance degree from The Open University of Hong Kong in 2017. He has been recognized by the International Association of Consultants, Valuators and Analysts as an International Certified Valuation Specialist since 2013. He is also a Certified M&A Dealmaker endorsed by the China Mergers and Acquisitions Association and the Museum of Mergers and Acquisitions in the PRC. Mr. Au Yeung has been an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since 2018.

Administrative Manager

Ms. Cheung Yuet Ngo, Flora (張月娥女士) ("**Ms. Cheung**"), aged 57, is the Administration Manager of the Group. She joined the Group on 1 July 2017 and is primarily responsible for overseeing the human resources and administration of the Group.

Ms. Cheung graduated from the Sheffield City Polytechnic (currently known as the Sheffield Hallam University), the United Kingdom with a Higher National Diploma in Business and Finance in July 1991. She further obtained a Postgraduate Diploma in Business Administration in the same university in June 1992.

Ms. Cheung has extensive experience in the marketing and administration field. During the period of August 1997 to August 2008, Ms. Cheung was the owner of Prime Premium & Promotions. Before that, she was the head of sales and marketing at MBf Asia Capital Corporation Holdings Limited from March to December 1996, and the marketing distribution and sales manager at Citibank, N.A. from November 1992 to March 1996.

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving and maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

As the Shares were listed on the Stock Exchange on 27 September 2018, the requirements under Appendix 14 to the Listing Rules are only applicable to the Company upon the Listing. The Board is of the view that throughout the period from the Listing Date to 31 March 2019, the Company has complied with all applicable code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 March 2019.

The Company has also established written guidelines (the "**Employees Written Guidelines**") which are of no less exacting terms than the Model Code for securities transactions by the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises the following Directors:

Executive Directors
Mr. Siu Muk Lung *(Chairman of the Board and Chairman of the Nomination Committee)*
Mr. Chung Chi Fai *(General Manager)*

Non-executive Directors
Mr. Ritchie Ma *(Member of the Remuneration Committee)*
Mr. Lam Kin Lun Davie *(Member of the Audit Committee)*

Independent Non-executive Directors
Mr. Lee Kwan Ho, Vincent Marshall *(Member of the Nomination Committee)*
Mr. Kwok Wai Leung, Stanley
(Member of the Audit Committee, Remuneration Committee and Nomination Committee)
Mr. Fok Kam Chau
(Chairman of the Audit Committee, Member of the Remuneration Committee and Nomination Committee)
Mr. Shiao Hei Lok Herod
(Chairman of the Remuneration Committee and Member of the Audit Committee and Nomination Committee)

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 9 to 13 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive

The positions of Chairman and Chief Executive are held by Mr. Siu Muk Lung and Mr. Chung Chi Fai respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the period from the Listing Date to 31 March 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a period of two years commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Articles of Association of the Company (the"**Articles**").

According to the Articles, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting ("**AGM**") provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for the leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The training records of the Directors from the Listing Date and up to date of this report are summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Mr. Siu Muk Lung	A, B
Mr. Chung Chi Fai	A, B
Non-executive Directors	
Mr. Ritchie Ma	A, B
Mr. Lam Kin Lun Davie	A, B
Independent Non-executive Directors	
Mr. Lee Kwan Ho, Vincent Marshall	A, B
Mr. Kwok Wai Leung, Stanley	A, B
Mr. Fok Kam Chau	A, B
Mr. Shiao Hei Lok Herod	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of one non-executive Director, namely Mr. Lam Kin Lun Davie, and three independent non-executive Directors, namely Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod. Mr. Fok Kam Chau is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and materials, and provide advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company.

During the period from the Listing Date up to the date of this annual report, two Audit Committee meetings were held to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and relevant scope of works and connected transactions.

Remuneration Committee

The Remuneration Committee consists of one non-executive Director, namely Mr. Ritchie Ma, and three independent non-executive Directors, namely Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod. Mr. Shiao Hei Lok Herod is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, reviewing performance-based remuneration and ensuring that no Director will determine his/her own remuneration.

During the period from the Listing Date up to the date of this annual report, two Remuneration Committee meetings were held to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management. The Remuneration Committee also recommended the remuneration of Mr. Au Yeung Yiu Chung (joint company secretary appointed on 26 April 2019) to the Board for approval.

Details of the remuneration of the Directors and senior management by band are set out in note 11 to the consolidated financial statements for the year ended 31 March 2019.

Nomination Committee

The Nomination Committee consists of one executive Director, namely Mr. Siu Muk Lung, and four independent non-executive Directors, namely Mr. Lee Kwan Ho, Vincent Marshall, Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod. Mr. Siu Muk Lung is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified as potential board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the Chairman.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the period from the Listing Date up to the date of this annual report, three Nomination Committee meetings were held to review the structure, size and composition of the Board, to consider and recommend to the Board on the proposed appointment of an executive Director, to consider the re-election of retiring Directors and make recommendation, and to review the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to maintaining diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the period from the Listing Date to 31 March 2019, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. The Company will schedule Board meetings to be held regularly every year in compliance with code provision A.1.1 of the CG Code. Apart from regular Board meetings, the Chairman will also hold at least annually meetings with independent non-executive Directors only without the presence of other Directors.

During the period from the Listing Date up to the date of this annual report, four board meetings, two Audit Committee meetings, two Remuneration Committee meetings and three Nomination Committee meetings were held.

The attendance record of each Director at these meetings is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Siu Muk Lung	4/4	N/A	N/A	3/3
Mr. Chung Chi Fai	4/4	N/A	N/A	N/A
Mr. Ritchie Ma	4/4	N/A	2/2	N/A
Mr. Lam Kin Lun Davie	4/4	2/2	N/A	N/A
Mr. Lee Kwan Ho, Vincent Marshall	3/4	N/A	N/A	2/3
Mr. Kwok Wai Leung, Stanley	4/4	2/2	2/2	3/3
Mr. Fok Kam Chau	4/4	2/2	2/2	3/3
Mr. Shiao Hei Lok Herod	4/4	2/2	2/2	3/3

The Chairman also held one meeting with the non-executive Directors without the presence of other Directors on 18 April 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has implemented various policies and procedures to ensure effective risk management in each aspect of the operations, financial reporting and recording, fund management, and compliance with applicable laws and regulations of Hong Kong. The Directors and senior management assume the overall responsibilities for overseeing the implementation of the internal control and risk management procedures and other measures throughout the Group.

The Group conducts regular review(s) at least annually to identify risks that would adversely affect the achievement of the Group's objectives, and assess and prioritise the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant. The Group has engaged an independent professional advisor to perform periodic review on the risk management and internal control systems. It is intended to examine key issues in relation to the accounting practices, all material controls and business processes and to report findings and propose recommendations for improvement to the senior management of the Company. Internal audit report to be produced by the independent professional advisor will be submitted to the Audit Committee at least once a year.

The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; the communications with the Board in relation to result of risk management and internal control review; significant risks, failures or weaknesses identified and their related implications; and status of compliance with the laws and regulations that are applicable to the Group. The Board considers the Group's risk management and internal control systems were effective and adequate during the year.

The management, in coordination with division heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2019.

The Company has engaged external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their responsibilities on the financial statements is set out in the Independent Auditors' Report on page 40 to 44 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor of the Company in respect of audit services for the year ended 31 March 2019 amounted to HK$1,000,000. The external auditor of the Company did not provide any non-audit services for the year ended 31 March 2019.

JOINT COMPANY SECRETARIES

Mr. Chan Him Alfred, the Chief Financial Officer of the Company, is the company secretary of the Company. On 26 April 2019, Mr. Au Yeung Yiu Chung was appointed as a joint company secretary of the Company to discharge the duties of company secretary jointly with Mr. Chan.

For the year ended 31 March 2019, Mr. Chan has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

According to article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

If a Shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, pursuant to article 85 of the Articles, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a written notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 24th Floor, Chun Wo Commercial Centre, 23 Wing Wo Street, Sheung Wan, Hong Kong
(For the attention of the Board of Directors)

Email: ir@hkasiaholdings.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through AGM and other general meetings. At the AGM, the Directors (or their delegates as appropriate) are available to meet the Shareholders and answer their enquiries.

Since the Listing Date, the Company has not made any changes to its Articles. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure that the Shareholders' views and concerns are appropriately addressed. The policy will be regularly reviewed to ensure its effectiveness.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Further details of the Dividend Policy have been set out in the section headed "Report of Directors".

Report of Directors

The Board is pleased to present to the Shareholders its report and the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 5 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Group is principally engaged in wholesale and retail sales of the Pre-paid Products. Details of the principal activities of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

A fair review of the Group's business during the year, a discussion about the Group's future business development and an analysis of the Group's performance using financial key performance indicators are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Financial Summary" in this annual report and a discussion of the principal risks and uncertainties facing the Group is included in this section and note 32 of the consolidated financial statements. The review forms part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following lists out the key risks and uncertainties facing the Group.

Concentration of Customers

The Group has a concentration of customers and any decrease or loss of business from these major customers could adversely and substantially affect the operations and financial conditions.

Concentration of Suppliers

The Group has a concentration of suppliers and any decrease or loss of business from these major suppliers could adversely and substantially affect the operations and financial conditions.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out on page 45 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2019.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends on 14 January 2019 and shall take into account the following factors of the Group when considering the declaration and payment of dividends:-

– financial results;

– cash flow situation;

– business conditions and strategies;

– future operations and earnings;

– capital requirements and expenditure plans;

– interests of shareholders;

– any legal restrictions;

– any loan or other agreement that may enter into; and

– any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

– interim dividend;

– final dividend;

– special dividend; and

– any distribution of net profits that the Board may deem appropriate.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the provisions of the Articles and all applicable laws and regulations and the factors set out above. Any final dividend for a financial year will be subject to the Shareholders' approval.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 March 2019 are set out in note 15 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBERS FOR AGM

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Thursday, 29 August 2019, the register of members of the Company will be closed from Monday, 26 August 2019 to Thursday, 29 August 2019, both days inclusive. In order to be eligible to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. (Hong Kong time) on Friday, 23 August 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares during the year.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to HK$41,195,000.

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year (2018: nil).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, sales to the single largest customer of the Group and the five largest customers of the Group accounted for approximately 19.0% and 32.5% (2018: approximately 16.8% and 41.4%) of the total sales of the year, respectively. During the year, the Group has only two suppliers (2018: two) and the single largest supplier of the Group accounted for approximately 76.4% (2018: approximately 89.8%) of the total purchases of the year.

None of the Directors or any of their close associates or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Siu Muk Lung *(Chairman)* (re-designated as executive Director on 27 August 2018)
Mr. Chung Chi Fai (re-designated as executive Director on 27 August 2018)

NON-EXECUTIVE DIRECTORS

Mr. Ritchie Ma (re-designated as non-executive Director on 27 August 2018)
Mr. Lam Kin Lun Davie (re-designated as non-executive Director on 27 August 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kwan Ho, Vincent Marshall (appointed on 27 August 2018)
Mr. Kwok Wai Leung, Stanley (appointed on 27 August 2018)
Mr. Fok Kam Chau (appointed on 27 August 2018)
Mr. Shiao Hei Lok Herod (appointed on 27 August 2018)

Pursuant to article 83(3) of the Articles, all the Directors including Mr. Siu Muk Lung, Mr. Chung Chi Fai, Mr. Ritchie Ma, Mr. Lam Kin Lun Davie, Mr. Lee Kwan Ho, Vincent Marshall, Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod, who were appointed by the Board, will retire at the forthcoming AGM. All Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior notice in writing, or by payment of three months' fixed salary in lieu of notice (subject to retirement by rotation and re-election at an AGM in accordance with the Articles). Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a period of two years commencing from the Listing Date (subject to retirement by rotation and re-election in accordance with the Articles).

Apart from the foregoing, no Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment or compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PERMITTED INDEMNITY PROVISION

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors during the year and up to the date of approval of this report, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he/she is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year, no claims were made against the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those disclosed in the section headed "Connected Transactions" and in note 29 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the Directors and the chief executive of the Company had the following interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code to be notified to the Company and the Stock Exchange:

Long positions in the Shares of the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding *(Note)*
Mr. Siu	Beneficial Owner	300,000,000	75%

Note:

The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 March 2019 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 31 March 2019, none of the Directors or the chief executive of the Company had any interest and/or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which was required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executives of the Company, as at 31 March 2019, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding *(Note 1)*
Ms. Lee Chun Yuk ("**Mrs. Siu**")	Interest of spouse *(Note 2)*	300,000,000	75%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 March 2019 (i.e. 400,000,000 Shares).

2. Mrs. Siu is the spouse of Mr. Siu. Under the SFO, Mrs. Siu is deemed to be interested in the same number of Shares which Mr. Siu is interested in.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 31 March 2019, there was no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO.

NON-COMPETITION UNDERTAKINGS

Mr. Siu (the "**Covenantor**") has entered into a deed of non-competition (the "**Deed of Non-Competition**") on 27 August 2018 in favor of the Company as more particularly described in the section headed "Relationship with the Controlling Shareholder" of the Prospectus. The Covenantor has confirmed and declared that, since the Listing Date and up to 31 March 2019, he had strictly complied with the Deed of Non-competition without any breach thereof. All the independent non-executive Directors had reviewed the matters relating to the enforcement of the Deed of Non-competition and consider that the terms of the Deed of Non-competition have been complied with by the Covenantor since the Listing Date and up to 31 March 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Other than those disclosed in the section headed "Connected Transactions" and in note 29 to the consolidated financial statements, no contract of significance (including those for provision of services to the Company or any of its subsidiaries by the controlling shareholders) has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year.

EQUITY-LINKED AGREEMENT

During the year, other than the Share Option Scheme as set out in the section headed "Share Option Scheme" of this report, the Company has not entered into any equity-linked agreement.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was conditionally adopted by the Company on 27 August 2018 (the "**Adoption Date**") and became effective on the Listing Date. The purpose of the Share Option Scheme is to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. Pursuant to the Share Option Scheme, the Board may, at its discretion, make offer of options to any employee (full-time or part-time), directors (including executive, non-executive or independent non-executive directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Group (the "**Eligible Participants**"). The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date, i.e., 40,000,000 Shares, which represents 10% of the total number of Shares in issue as at the date of this annual report, unless Shareholders' approval has been obtained.

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the total number of Shares in issue. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of Shares in issue on the date of offer and having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the Shareholders taken on a poll in general meeting.

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of grant of the option. Unless otherwise determined by the Board, there is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

Upon acceptance of the offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price for Shares in respect of any particular option shall be determined by the Board and shall be at least the highest of:–

(a) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of offer of the option; and

(c) the nominal value of a Share.

The Share Option Scheme is valid and effective for a period of ten years commencing on 27 August 2018 (being the Adoption Date).

No share option has been granted under the Share Option Scheme since the Adoption Date and up to the date of this report.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 29 to the consolidated financial statements. Save as disclosed in the sections headed "Connected Transactions", none of the related party transactions constitutes a connected transaction or continuing connected transaction which is subject to Shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 March 2019, the Group entered into the following continuing connected transactions which were required to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules:-

	2019 **HK$'000**	2018 HK$'000
Consignment income for selling mobile phones and accessories received from Hong Kong Telecommunication Direct Selling Centre Limited ("**HKT Direct Selling Centre**")	**2,007**	1,822

Mr. Siu, being an executive Director and a substantial Shareholder, is a connected person of the Company. HKT Direct Selling Centre, a company wholly owned by Mr. Siu, is therefore an associate of Mr. Siu and a connected person of the Company. Hence, the transactions contemplated under the Consignment Agreement (as defined below) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. HKT Direct Selling Centre and Kinson Group Company Limited ("**Kinson Group**"), a wholly owned subsidiary of the Company, entered into a consignment agreement (the "**Consignment Agreement**") on 27 August 2018 for a period of three years starting from 1 September 2018 and expiring on 31 March 2021. Pursuant to the Consignment Agreement, Kinson Group is appointed as the agent of HKT Direct Selling Centre in selling mobile phones, electronics and accessories (the "**Consigned Goods**") and Kinson Group could obtain delivery of the Consigned Goods from HKT Direct Selling Centre from time to time on a consignment basis for the purpose of sale by Kinson Group to its customers, and HKT Direct Selling Centre shall pay Kinson Group a commission at a rate equal to 16% of the selling prices of the Consigned Goods. The principal terms of the Consignment Agreement are more particularly set out in the section headed "Connected Transactions" of the Prospectus.

All the independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The external auditor of the Company, HLB Hodgson Impey Cheng Limited ("**HLB**"), was engaged to report on the continuing connected transactions and they have provided a letter to the Board confirming that:

(i) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to their attention that caused them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past four financial years are set out on page 112 of this annual report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management of the Group and reviewed this report and the audited financial results of the Group for the year ended 31 March 2019, including the accounting principles and practices adopted by the Group and discussed financial related matters.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with all applicable code provisions set out in the CG Code during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules from the Listing Date up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have compiled with the required standard set out in the Model Code since the Listing Date up to the date of this report.

USE OF PROCEEDS

Details of the use of the proceeds from the Listing are set out on page 8 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures in place, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. During the year, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group. Discussions on the Group's environmental policies and performance and compliance with all relevant laws and regulations that have a significant impact on the Group will be provided in the 2019 Environmental, Social and Governance Report to be available on the websites of the Stock Exchange and the Company respectively.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation. The Group provides periodical trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

The Group understands the importance of maintaining a good relationship with its business partners, including the customers, suppliers, bankers and other financial institutions. The Group believes that a healthy relationship can be built up by providing enhanced services to the customers, maintaining an effective communication channel to the employees and our business partners.

AUDITOR

The consolidated financial statements for the year have been audited by HLB. A resolution will be submitted to the forthcoming AGM to re-appoint HLB as auditor of the Company.

By order of the Board

Siu Muk Lung
Chairman and Executive Director
Hong Kong, 27 June 2019

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF HK ASIA HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HK Asia Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the"**Group**") set out on pages 45 to 111, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matter
Net realisable value ("NRV") assessment of inventories	
We identified the NRV assessment of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with estimation uncertainty associated with determining the allowances of inventories. The Group makes allowance for inventories if the NRV of inventories is lower than the cost of inventories. In determining the NRV of the Group's inventories, the management takes into consideration the fluctuations in price, the inventory level, the conditions, aging and expiry dates of inventories. As disclosed in note 18 to the consolidated financial statements, the carrying amount of the Group's inventories was HK$56,310,000 as at 31 March 2019 and no allowance for inventories has been made for the year.	Our procedures in relation to the NRV assessment of inventories included: • Obtaining an understanding of how allowance for inventories is estimated by the management; • Discuss with the management and evaluated the basis of identification of aged or obsolete inventories by the management and assessing the reasonableness of allowance for inventories, based on the fluctuations in price, the inventory level, the conditions, aging and expiry dates of inventories; • Testing the aging analysis of inventories, on a sample basis, to the goods received notes; and • Checking the subsequent selling price of inventories, on a sample basis, to the sales invoices. **Conclusion** We found that the estimates of management in relation to NRV assessment for inventories were supportable by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report (continued)

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai Basilia
Practising Certificate Number: P05806

Hong Kong, 27 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**195,018**	193,244
Cost of sales		**(128,222)**	(131,421)
Gross profit		**66,796**	61,823
Other revenue	8	**2,979**	2,625
Selling and distribution expenses		**(24,918)**	(23,322)
Administrative expenses		**(23,538)**	(16,114)
Profit before taxation	9	**21,319**	25,012
Taxation	12	**(5,373)**	(5,619)
Profit for the year		**15,946**	19,393
Other comprehensive income, net of income tax			
Item that may be reclassified subsequently to profit or loss			
Profit arising on revaluation of available-for-sale financial assets		**–**	90
Total comprehensive income for the year		**15,946**	19,483
Profit for the period attributable to owners of the Company		**15,946**	19,393
Total comprehensive income for the year attributable to owners of the Company		**15,946**	19,483
Earnings per share			
Basic and diluted (HK cents)	13	**4.44**	6.12

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*16*	**1,789**	1,736
Available-for-sale financial assets	*17*	**–**	870
Financial assets at fair value through profit or loss	*17*	**980**	–
		2,769	2,606
Current assets			
Inventories	*18*	**56,310**	32,464
Trade receivables	*19*	**1,049**	3,197
Deposits, prepayments and other receivables	*20*	**5,687**	9,081
Amount due from a related party	*23*	**164**	–
Cash and cash equivalents	*21*	**87,504**	28,136
		150,714	72,878
Liabilities			
Current liabilities			
Accruals, other payables and receipts in advance	*22*	**3,604**	4,811
Contract liabilities	*24*	**34**	–
Amount due to a related party	*25*	**–**	6,055
Tax payables		**881**	1,156
		4,519	12,022
Net current assets		**146,195**	60,856
Total assets less current liabilities		**148,964**	63,462
Net assets		**148,964**	63,462
Equity			
Share capital	*26*	**4,000**	670
Reserves		**144,964**	62,792
Total equity		**148,964**	63,462

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 June 2019.

Mr. Siu Muk Lung
Director

Mr. Chung Chi Fai
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 March 2019

	Share Capital *HK$'000*	Share Premium *HK$'000*	Other Reserve *HK$'000* *(note a)*	Available for-Sale Financial Assets Reserve *HK$'000* *(note b)*	Retained Earnings *HK$'000*	Total *HK$'000*
At 1 April 2017	670	–	–	70	73,239	73,979
Profit for the year	–	–	–	–	19,393	19,393
Fair value change on available-for-sale financial assets	–	–	–	90	–	90
Total comprehensive income for the year	–	–	–	90	19,393	19,483
Dividend paid	–	–	–	–	(30,000)	(30,000)
At 31 March 2018 and 1 April 2018	670	–	–	160	62,632	63,462
Adoption of HKFRS 9 *(note c)*	–	–	–	(160)	160	–
At 1 April 2018 as restated	**670**	**–**	**–**	**–**	**62,792**	**63,462**
Profit for the year	**–**	**–**	**–**	**–**	**15,946**	**15,946**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**15,946**	**15,946**
Arising from reorganisation	**(670)**	**–**	**670**	**–**	**–**	**–**
Issue of shares in consideration of the acquisition of the subsidiaries	**170**	**(170)**	**–**	**–**	**–**	**–**
Issue of shares under capitalisation	**3,000**	**(3,000)**	**–**	**–**	**–**	**–**
Issue of shares under share offer	**830**	**82,170**	**–**	**–**	**–**	**83,000**
Transaction costs attributable to issues of shares	**–**	**(13,444)**	**–**	**–**	**–**	**(13,444)**
At 31 March 2019	**4,000**	**65,556**	**670**	**–**	**78,738**	**148,964**

Note:

(a) Other reserve represents the difference between the share capital of Hong Kong Mobile Phone Limited ("**HK Mobile**"), Harvest Triple Holdings Limited ("**Harvest Triple**"), Golden Bright Holdings Limited ("**Golden Bright**"), Hong Kong Asia Telecom Limited ("**HK Asia Telecom**"), Kinson Group Company Limited ("**Kinson Group**"), Mobile Phone Direct Selling Centre Limited ("**MP Direct Selling Centre**") and HK Asia Mobile Communications Limited ("**HK Asia Mobile**"). The reorganisation is detailed in Note 2 of the consolidated financial statements.

(b) The available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies adopted for the revaluation for available-for-sale financial assets.

(c) Upon the adoption of HKFRS 9 "Financial Instruments" on 1 April 2018, as accumulated impact of HK$160,000 was recorded as an adjustment to the retained earnings as at 1 April 2018, which represented the revaluation for available-for-sale financial assets. Details of the adjustment are set out in Note 3.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before taxation	**21,319**	25,012
Adjustments for:		
Depreciation of property, plant and equipment	**642**	480
Fair value gain on financial assets at fair value through profit or loss	**(110)**	–
Operating profit before working capital changes	**21,851**	25,492
(Increase)/decrease in inventories	**(23,846)**	3,676
Decrease/(increase) in trade receivables	**2,148**	(3,197)
Decrease/(increase) in deposits, prepayments and other receivables	**3,394**	(3,689)
(Decrease)/increase in accruals, other payables and receipts in advance	**(1,207)**	2,304
Increase in contract liabilities	**34**	–
Net cash generated from operations	**2,374**	24,586
Income tax paid	**(5,648)**	(6,991)
Net cash (used in)/generated from operating activities	**(3,274)**	17,595
Cash flows from investing activities		
Purchases of property, plant and equipment	**(695)**	(1,501)
Net cash used in investing activities	**(695)**	(1,501)
Cash flow from financing activities		
(Advance to)/repayment from related parties	**(6,219)**	8,992
Dividends paid to equity owners of the Company	**–**	(3,846)
Proceeds from issued shares under share offer, net	**69,556**	–
Net cash generated from financing activities	**63,337**	5,146
Net increase in cash and cash equivalents	**59,368**	21,240
Cash and cash equivalents at the beginning of the year	**28,136**	6,896
Cash and cash equivalents at the end of the year	**87,504**	28,136
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	**87,504**	28,136

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 May 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (law 3 of 1961 as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 27 September 2018.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the Company's principal place of business is at 24/F, Chun Wo Commercial Centre, 23-29 Wing Wo Street, Sheung Wan, Hong Kong. The Company is an investment holding company. The Group is principally engaged in wholesale and retail sales of the pre-paid products (i.e. SIM card and top-up voucher) (the "**Pre-paid Products**") in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company and its principal subsidiaries and all values are rounded to the nearest thousands (HK$'000) except when otherwise stated.

2. GROUP REORGANISATION

Pursuant to the corporate reorganisation (the "**Reorganisation**") as fully explained in the section headed "History, Reorganisation and Development" of the prospectus of the Company dated 11 September 2018 (the "**Prospectus**"), the Company became the holding company of the companies now comprising the Group on 5 September 2018. Before and after the completion of the Reorganisation and throughout the Track Record Periods (as defined in the Prospectus) or since their respective dates of incorporation, where there is a shorter period, all the companies comprising the Group have been under common control of Mr. Siu Muk Lung ("**Mr. Siu**").

The Reorganisation is merely a reorganisation of the listing business with no change in management of such business and the ultimate owner of the business. Accordingly, the consolidated financial statements has been prepared by applying the principles of merger accounting, as prescribed in Hong Kong Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), as if the Reorganisation had been completed at the beginning of the reporting period.

Accordingly, the consolidated financial statements of the Group for the year ended 31 March 2019 have been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the current group structure had been in existence throughout the year under review, or since their respective dates of incorporation or acquisition, where there is a shorter period.

2. GROUP REORGANISATION (CONTINUED)

Pursuant to the Reorganisation detailed below, the Company has become the holding company of the companies now comprising the Group on 5 September 2018. The Company and its subsidiaries have been under the common control of Mr. Siu throughout the reporting period, and before and after the Reorganisation, or since their respective dates of incorporation, where there is a shorter period.

The Group has undergone the corporate reorganisation to rationalize the Group's structure in preparation for the listing which involved the following steps:

Incorporation of the Company

On 5 May 2016, the Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK$380,000 divided into 38,000,000 shares. 1 share of the Company was allotted and issued fully paid at par to an initial subscriber upon incorporation and on the same date, the one subscriber share was transferred to Mr. Siu. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Hong Kong Companies Ordinance on 3 June 2016.

Incorporation of HK Asia Mobile

On 13 June 2016, HK Asia Mobile was incorporated in the British Virgin Islands with limited liability. HK Asia Mobile was initially authorised to issue a maximum of 50,000 shares of US$1.00 each. 1 share of HK Asia Mobile was issued to the Company for cash at par and therefore HK Asia Mobile was the Company's wholly-owned subsidiary.

Transfer of share of China Way (Far East) Limited ("China Way") from MP Direct Selling Centre to Mr. Siu

China Way is a company incorporated in Hong Kong with limited liability on 26 November 2004 with issued share capital of HK$2.00 and its entire issued share capital was beneficially owned as to 50% by Mr. Siu and 50% by MP Direct Selling Centre prior to the Reorganisation.

On 9 August 2017, 1 share of China Way was transferred from MP Direct Selling Centre to Mr. Siu at a consideration of HK$1 with reference to the net asset value of China Way. After such transfer of share in China Way, China Way ceased to be a member of the Group.

Having considered that the business and the assets held by China Way are not related to the business of the Group, China Way has been disposed of and is not included in the Group.

2. GROUP REORGANISATION (CONTINUED)

Acquisition of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group by the Company

Pursuant to a sale and purchase agreement entered into among, Mr. Siu, HK Asia Mobile and the Company on 27 August 2018, HK Asia Mobile acquired:

(a) the entire issued share capital of MP Direct Selling Centre from Mr. Siu as beneficial owner;

(b) the entire issued share capital of HK Mobile from Mr. Siu as beneficial owner;

(c) the entire issued share capital of Golden Bright from Mr. Siu as beneficial owner;

(d) the entire issued share capital of Harvest Triple from Mr. Siu as beneficial owner;

(e) the entire issued share capital of HK Asia Telecom from Mr. Siu as beneficial owner; and

(f) the entire issued share capital of Kinson Group from Mr. Siu as beneficial owner.

In consideration of the above acquisition:

(a) HK Asia Mobile had, at the direction of Mr. Siu, procured the Company to allot and issue 17,000,000 Shares to Mr. Siu, credited as fully paid.

(b) 1 ordinary share of US$1.00 in HK Asia Mobile, credited as fully paid, was allotted and issued to the Company.

The transfer of the acquired shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group took effect on 5 September 2018.

After the above acquisition, each of HK Asia Mobile, MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group became wholly-owned subsidiaries of the Company.

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

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

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "**new and amendments to HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for annual periods on or after 1 April 2018.

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

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

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

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standards below.

Consolidated statement of financial position (extract)	At 31 March 2018	Impact on initial application of HKFRS 9	Impact on initial application of HKFRS 15	At 1 April 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sales financial assets	870	(870)	–	–
Financial assets at fair value through profit or loss	–	870	–	870
Current liabilities				
Accruals, other payables and receipts in advance	4,811	–	(937)	3,874
Contract liabilities	–	–	937	937

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

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

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

Accounting policies resulting from application of HKFRS 9 disclosed in Note 4.

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

HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Available-for-sale financial assets *HK$'000*	Financial assets at FVTPL *HK$'000*
Closing balance at 31 March 2018 – HKAS 39	870	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale financial assets	(870)	870
Opening balance at 1 April 2018	–	870

From available-for-sale financial assets to financial assets at FVTPL

Unlisted club debentures with a fair value of HK$870,000 were reclassified from available– for-sale financial assets to financial assets at FVTPL, as the investment is held as long-term strategic investments that do not represent solely payments of principal and interest, so they do not meet the HKFRS 9 criteria for classification at amortised cost.

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

HKFRS 9 Financial Instruments (Continued)

Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

ECL for other financial assets at amortised cost, including cash and bank balances, other receivables and deposits are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 April 2018.

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

HKFRS 15 Revenue from Contracts with Customers and the related amendments

As a result of the changes in the Group's accounting policies, as explained below, except for the reclassification of the contract liabilities from receipt in advance of HK$937,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial statement and/or disclosures set out in the consolidated financial statement except that, the Group has adopted the following accounting policies on revenues with effect from 1 April 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the consolidated financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 April 2018.

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

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

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$13,713,000 as stated in Note 30. 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.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 "Leases" (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial positions.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Merger accounting for common control combination

The consolidated financial statements incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (upon adoption of HKFRS 15 in accordance with transition provisions in note 3)

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

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

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

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

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

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

A contract liability represents the group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Sale of goods

Revenue from wholesale and retail sales of pre-paid products (i.e. SIM card and voucher) operation are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 0 to 21 days upon delivery. Payment in advance is required for some contracts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consignment commission income

Consignment commission income from customer is recognised upon performance of sales services.

Interest income

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

Revenue recognition (before adoption of HKFRS 15 on 1 April 2018)

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discounts and returns.

(i) Sales of goods

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Consignment commission income

The Group recognises commission income from consignment sales services when services are provided to the customers to complete the consignment sales transaction.

(iii) Interest income

Interest income from a financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the reporting period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the reporting period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from "profit before taxation" as reported in the consolidated financial statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Property, plant and equipment

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or fair value to their residual values over their estimated useful lives using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

The estimated useful lives for the current and comparative periods are as follows:

Furniture and office equipment	20% per annum
Leasehold improvement	20% per annum
Motor vehicles	20% per annum

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighting average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, itis probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend

Dividend to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018)

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

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

Financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

a. debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("**SPPI**"), are subsequently measured at amortised cost;

b. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Specifically (Continued)

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECLs**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Amortised cost and effective interest method (Continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the “Other income” line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) trade receivables and other receivables

(b) amounts due from a related party

(c) cash and bank balances

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Impairment of financial assets (Continued)

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage l); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

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

The Group always recognises lifetime ECL for amounts due from a related party. The ECL on these assets are assessed individually for debtors with significant balances.

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

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

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

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

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

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Write-off policy

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

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Impairment of financial assets (Continued)

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

Presentation of allowance for ECL in the combined statements of financial position

Loss allowances for ECL are presented in the combined statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the combined statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the combined statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

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

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

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (under adoption of HKFRS 9 as at 1 April 2018) (Continued)

Impairment of financial assets (Continued)

Financial liabilities

Financial liabilities, including other payables, amounts due to related companies, amount due to a related party and secured borrowings are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Equity instruments

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

Financial instruments (before 1 April 2018)

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before 1 April 2018) (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or lost' (FVTPL) ,'held-to-maturity' investments, 'available-for-sale'(AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial asset

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial asset are recognized in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset reserve is reclassified to profit or loss.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit and loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before 1 April 2018) (Continued)

Financial assets (Continued)

Available-for-sale financial asset (Continued)

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits and other receivables, amounts due from a related party and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

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

For all other financial assets objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past as well as observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before 1 April 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before 1 April 2018) (Continued)

Financial liabilities (Continued)

Classification as debt or equity

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

Other financial liabilities

Other financial liabilities (including other payables and amount due to a related party) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the group are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before 1 April 2018) (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Liabilities are recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions

A party is considered to be related to the Group if:

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member;

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in(i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(h) The entity, or any member of a group of which is a part, provides key management personnel services to the Group and Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the equity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statement, are identified from the Historical Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent form other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(a) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write down technically obsolete assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

(c) Income tax and deferred taxation

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) Provision

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and those amount is reasonable estimate, a corresponding amount of provision is recognised in the financial statement. However, no provision is recognised for costs that need to be incurred to operate in the future.

6. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the years ended 31 March 2019 and 2018, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial results of the Group as a whole reported under HKFRSs.

The Group currently has one operating segment which is revenue from sale of the Pre-paid Products (i.e. SIM Cards and top-up vouchers). Accordingly, the Group does not have separate reportable segments.

Geographical information

As all the Group's operations and non-current assets are located in Hong Kong, no geographical analysis is presented.

Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the years ended 31 March 2019 and 2018 are as follow:

	2019 **HK$'000**	2018 HK$'000
Customer A	**–**[1]	32,492
Customer B	**37,124**	–[1]
Retailer A	**–**[1]	24,916

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. REVENUE

Revenue, which is also the Group's turnover, represents the income generated by sale of Pre-paid Products during the year.

All of the Group's revenue from contracts with customers is generated in Hong Kong based on where goods are sold. All revenue contracts are for a period of one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2019 **HK$'000**	2018 HK$'000
Sales of Pre-paid Products recognised at point in time	**195,018**	193,244

8. OTHER REVENUE

	2019 **HK$'000**	2018 HK$'000
Promotion income	**780**	780
Consignment income	**2,007**	1,822
Sundry income	**82**	23
Fair value gain on financial assets at fair value through profit or loss	**110**	–
	2,979	2,625

9. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	2019 HK$'000	2018 HK$'000
Auditors' remuneration	**1,000**	329
Cost of inventories recognised as an expense	**128,222**	131,421
Depreciation of property, plant and equipment	**642**	480
Employee benefit expenses (including Directors' emoluments) *(Note 10)*	**11,246**	9,306
Minimum lease payment under operating lease in respect of premises	**12,513**	12,108
Listing expenses	**12,461**	9,421
Advertising and promotion expenses	**5,653**	4,110

10. EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Directors' fees	**552**	–
Salaries, allowance and benefits in kind	**10,045**	8,542
Retirement scheme contributions	**649**	764
	11,246	9,306

The Group operates defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2019 **HK$'000**	2018 HK$'000
Directors' fee	**552**	–
Salaries and other benefits in kind	**765**	314
Retirement scheme contributions	**27**	11
	1,344	325

The remuneration of each director for the years ended 31 March 2019 and 2018 are set out below:

	Directors' Fee HK$'000	**Salaries and other benefits in kind** HK$'000	**Discretionary bonuses** HK$'000	**Retirement scheme contributions** HK$'000	**Total** HK$'000
Year ended 31 March 2019					
Executive directors					
Mr. Siu *(Note a)*	–	307	–	9	316
Mr. Chung Chi Fai *(Note b)*	–	458	–	18	476
Non-executive directors					
Mr. Ritchie Ma *(Note c)*	92	–	–	–	92
Mr. Lam Kin Lun Davie *(Note c)*	92	–	–	–	92
Independent non-executive directors					
Mr. Lee Kwan Ho, Vincent Marshall *(Note d)*	92	–	–	–	92
Mr. Kwok Wai Leung, Stanley *(Note d)*	92	–	–	–	92
Mr. Fok Kam Chau *(Note d)*	92	–	–	–	92
Mr. Shiao Hei Lok Herod *(Note d)*	92	–	–	–	92
Total emoluments	552	765	–	27	1,344

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (Continued)

	Directors' Fee HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive directors					
Mr. Siu *(Note a)*	–	–	–	–	–
Mr. Chung Chi Fai *(Note b)*	–	314	–	11	325
Non-executive directors					
Mr. Ritchie Ma *(Note c)*	–	–	–	–	–
Mr. Lam Kin Lun Davie *(Note c)*	–	–	–	–	–
Total emoluments	–	314	–	11	325

Notes:

(a) Mr. Siu was appointed as a director of the Company on 5 May 2016 and was redesignated as an executive director of the Company on 27 August 2018.

(b) Mr. Chung Chi Fai was appointed as a director of the Company on 18 August 2017 and was redesignated as an executive director of the Company on 27 August 2018.

(c) Mr. Ritchie Ma and Mr. Lam Kin Lun Davie were appointed as non-executive directors of the Company on 18 August 2017 and were redesignated as non-executive directors of the Company on 27 August 2018.

(d) Mr. Lee Kwan Ho, Vincent Marshall, Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod were appointed as independent non-executive directors of the Company on 27 August 2018.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five highest paid employees during the year ended 31 March 2019 included two directors of the Company (2018: nil), details of whose emoluments are set out above in Note 11(a). Details of the emoluments for the year of the remaining three (2018: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**1,949**	2,136
Retirement benefit schemes contributions	**36**	73
Equity-settled share option expense	**–**	–
	1,985	2,209

The number of the highest paid individuals who are not the Directors of the Company whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2019	2018
Nil to HK$1,000,000	**2**	5
HK$1,000,001 – HK$1,500,000	**1**	–
	3	5

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(c) Senior management of the Group

The emoluments of senior management are within the following band:

	No. of senior management	
	2019	2018
Nil to HK$1,000,000	**3**	4
HK$1,000,001 – HK$1,500,000	**1**	–
	4	4

During the year ended 31 March 2019, no emoluments were paid by the Group to the above highest paid individuals and the directors as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2018: Nil).

None of the directors, highest paid individuals and senior management personnel waived or agreed to waive any emoluments during the years ended 31 March 2019 and 2018.

12. TAXATION

	2019 **HK$'000**	2018 HK$'000
The taxation charge comprises:		
Hong Kong Profits tax		
– Current year	**5,373**	5,619

12. TAXATION (CONTINUED)

A reconciliation of the income tax expense applicable to profit before tax at the statutory tax rates to the tax expenses is as follows:

	2019 HK$'000	**%**	2018 HK$'000	%
Profit before taxation	**21,319**		25,012	
Tax at applicable income tax rate	**3,353**	**15.7**	4,127	16.5
Tax effect of expenses not deductible for tax purpose	**2,080**	**9.8**	1,492	6.0
Statutory tax concession	**(60)**	**(0.3)**	–	–
Taxation for the year	**5,373**	**25.2**	5,619	22.5

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$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 31 March 2019.

13. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings:		
Earning for the purpose of calculation of calculation basic earnings per share		
– Profit for the year attributable to owners of the Company	**15,946**	19,393

	2019 '000	2018 '000
Number of shares:		
Weighted average number of ordinary shares in issue	**359,296**	317,000

13. EARNINGS PER SHARE (CONTINUED)

For the year ended 31 March 2018, the number of ordinary shares for the purpose of calculating basic earning per share was the number of shares in issue immediately after the completion of capitalisation issue as described in the prospectus.

Diluted earnings per share for the years ended 31 March 2019 and 2018 were the same as the basic earnings per share as there were no potential dilutive ordinary shares existing during the reporting period.

14. DIVIDENDS

During the year ended 31 March 2018, HK Mobile paid dividends of approximately HK$30,000,000, to its shareholders.

The Board did not recommend the payment for any dividend for the year ended 31 March 2019.

15. SUBSIDIARIES

The following is a list of the subsidiaries at 31 March 2019:

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Particulars of issued share capital	Percentage of interest held
HK Asia Mobile	Limited liability company incorporated on 13 June 2016, the BVI	Investment holding	Ordinary share US$1	100% (direct)
HK Mobile	Limited liability company incorporated on 4 March 2009, Hong Kong	Wholesale and retail sales of the Pre-paid Products	Ordinary share HK$20,000	100% (indirect)
HK Asia Telecom	Limited liability company incorporated on 6 September 2010, Hong Kong	Retail sales of the Pre-paid Products	Ordinary share HK$1	100% (indirect)
Kinson Group	Limited liability company incorporated on 6 February 2014, Hong Kong	Retail sales of the Pre-paid Products and consignment sales	Ordinary share HK$1	100% (indirect)

The above table lists the subsidiaries of the Group, which in the opinion of directors, principally attribute the results or assets of the Group. To give details of other subsidiaries would, in to opinion of directors, result in particulars of excessive lengths.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
As at 1 April 2017	1,861	3,041	333	5,235
Additions	630	871	–	1,501
As at 31 March 2018 and 1 April 2018	2,491	3,912	333	6,736
Additions	388	307	–	695
As at 31 March 2019	**2,879**	**4,219**	**333**	**7,431**
Accumulated depreciation				
As at 1 April 2017	1,497	2,690	333	4,520
Charge for the year	229	251	–	480
As at 31 March 2018 and 1 April 2018	1,726	2,941	333	5,000
Charge for the year	326	316	–	642
As at 31 March 2019	**2,052**	**3,257**	**333**	**5,642**
Net book values				
As at 31 March 2019	**827**	**962**	**–**	**1,789**
As at 31 March 2018	765	971	–	1,736

17. AVAILABLE-FOR-SALE FINANCIAL ASSET/FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Available-for-sale financial asset, at fair value		
– Club debentures	**–**	870
Financial asset at fair value through profit or loss		
– Club debentures	**980**	–
	980	870

Available-for-sale financial assets were reclassified to financial asset at fair value through profit or loss upon the initial application of HKFRS 9 at 1 May 2018

18. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Pre-paid Products	**56,310**	32,464

19. TRADE RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**1,049**	3,197

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 21 days to its customers.

19. TRADE RECEIVABLES (CONTINUED)

The following table sets forth the ageing analysis of trade receivables, based on invoice date, as at the dates indicated:

	2019 HK$'000	2018 HK$'000
0 – 10 days	**718**	1,808
Over 10 days	**331**	1,389
	1,049	3,197

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately HK$1,379,000 and HK$331,000 as at 31 March 2018 and 2019 respectively which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

	2019 HK$'000	2018 HK$'000
Overdue by:		
Within 10 days	**331**	1,377
Over 10 Days	**–**	2
	331	1,379

19. TRADE RECEIVABLES (CONTINUED)

Past due but not impaired (Continued)

For the year ended 31 March 2019, the Group's policy for impairment loss on trade receivable is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balance.

The Group applies with simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Deposits	**3,916**	4,472
Prepayments	**1,460**	4,341
Other receivables	**311**	268
	5,687	9,081

21. CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash at banks		
Cash and cash equivalents	**87,504**	28,136

Notes:

(a) The cash and cash equivalents are denominated in HK$ as at 31 March 2019 and 2018.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

22. ACCRUALS, OTHERS PAYABLES AND RECEIPTS IN ADVANCE

	2019 HK$'000	2018 HK$'000
Accruals	**2,060**	676
Provision for severance payments *(note i)*	**1,479**	1,244
Receipts in advance *(note ii)*	**–**	937
Other payables	**65**	1,954
	3,604	4,811

Note (i):

The provision for severance payments is determined with reference to the employees' remuneration and their years of services and the movements of the provision for severance payments during the year are as follows:

	Severance payments HK$'000
At 31 March 2017 and 1 April 2017	849
Provision for the year	395
As at 31 March 2018 and 1 April 2018	1,244
Provision for the year	235
As at 31 March 2019	1,479

Note (ii):

Upon initial adoption of HKFRS 15, as at 1 April 2018, the receipts in advance of HK$937,000 related to the sales of Prepaid Card are reclassified to contract liabilities (Note 24).

23. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party was in trade nature, unsecured, interest free and repayable on demand.

	2019 **HK$'000**	2018 HK$'000
Related party:		
Hong Kong Telecommunication Direct Selling Centre Limited (“**HKT Direct Selling Centre**”) *(note)*	**164**	–

Note: HKT Direct Selling Centre is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.

24. CONTRACT LIABILITIES

	HK$'000
Balance at 1 April 2018 (restated)	937
Decrease in contract liabilities as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(937)
Increase in contract liabilities excluding amounts recognised a revenue during the year	34
Balance at 31 March 2019	34

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration, or for which an amount of consideration is due from customers.

25. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party was in trade nature, unsecured, interest free and repayable on demand.

	2019 **HK$'000**	2018 HK$'000
Related party:		
HKT Direct Selling Centre *(note)*	–	6,055

Note: HKT Direct Selling Centre is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.

26. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
At 31 March 2017, 1 April 2017 and 31 March 2018 of nominal value of HK$0.01 each *(note a)*	38,000,000	380
Increase of authorised share capital of nominal value of HK$0.01 each on 27 August 2018 *(note b)*	9,962,000,000	99,620
At 31 March 2019	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2017, 1 April 2017 and 31 March 2018 of nominal value of HK$0.01 each	1	–*
Issue of shares in consideration of the acquisition of the subsidiaries *(note c)*	17,000,000	170
Issue of shares under capitalization issue *(note d)*	299,999,999	3,000
Issue of shares under the Share Offer *(note e)*	83,000,000	830
At 31 March 2019	400,000,000	4,000

Notes:

* The amount of issued and fully paid share capital was HK$0.01.

(a) The Company was incorporated and registered as an exempted company in the Cayman Islands on 5 May 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of nominal value of HK$0.01 each.

(b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(c) On 27 August 2018, in consideration of the acquisition by HK Asia Mobile of all the issued shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group, an aggregate of 17,000,000 shares were allotted and issued, credited as fully paid, to Mr. Siu.

(d) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, conditional upon the share premium account of the Company being credited with the proceeds from the new issue, the Directors were authorised to capitalise a sum of HK$2,999,999.99 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 299,999,999 shares, such shares to be allotted and issued, credited as fully paid at par, to the holders of shares whose names appear on the register of members of the Company at the close of business on 27 August 2018, or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fraction of shares) to their respective shareholdings in the Company.

(e) On 27 September 2018, the Company issued 83,000,000 new shares at HK$1.0 each in relation to the Share Offer (as defined in the Prospectus). The premium on the issue of shares, amounting to approximately HK$68,726,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

27. SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was conditionally adopted by the Company on 27 August 2018 (the "**Adoption Date**") and became effective on the Listing Date. The purpose of the Share Option Scheme is to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. Pursuant to the Share Option Scheme, the Board may, at its discretion, make offer of options to any employee (full-time or part-time), directors (including executive, non-executive or independent non-executive directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Group (the "**Eligible Participants**"). The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date, i.e. 40,000,000 Shares, which represents 10% of the total number of Shares in issue as at the date of this annual report unless Shareholders' approval has been obtained.

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the total number of Shares in issue. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of Shares in issue on the date of offer and having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the Shareholders taken on a poll in general meeting.

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of grant of the option. Unless otherwise determined by the Board, there is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

27. SHARE OPTION SCHEME (CONTINUED)

Upon acceptance of the offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price for Shares in respect of any particular option shall be determined by the Board and shall be at least the highest of:–

(a) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of offer of the option; and

(c) the nominal value of a Share.

The Share Option Scheme is valid and effective for a period of ten years commencing on 27 August 2018 (being the Adoption Date).

During the year ended 31 March 2019, the Company did not grant any share option under the share option scheme.

28. RETIREMENT BENEFIT PLANS

Defined contribution scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 (before 1 June 2014: HK$1,250) and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (before 1 June 2014: HK$1,250) (the "**mandatory contributions**"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in Note 10.

29. MATERIAL RELATED PARTY TRANSACTIONS

(a) Name of related parties and relationship with the Group

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Name	Relationship with the Group
Mr. Siu	Ultimate owner of the Company
Lung Shun Holdings Ltd	50% owned by Mr. Siu and 50% owned by Mrs. Siu
Hung Sang Group Ltd	50% owned by Mr. Siu and 50% owned by Mrs. Siu
HKT Direct Selling Centre	Wholly owned by Mr. Siu

(b) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the reporting period is set out in note 11.

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Significant transactions with related party

Other than the transactions and balances disclosed elsewhere in the consolidated financial statement, the Group had the following transactions with related parties during the reporting period:

	2019	2018
	HK$'000	HK$'000
Recurring:		
Rental expense paid to related parties: *note (i)*		
– Lung Shun Holdings Ltd	**836**	696
– Hung Sang Group Ltd	**769**	720
Consignment income received from HKT Direct Selling Centre	**2,007**	1,822

(i) During the years ended 31 March 2018 and 2019, the rental expenses paid to related parties, Lung Shun Holdings Ltd and Hung Sang Group Ltd were fair and reasonable.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group has future aggregate minimum lease payables under non-cancellable operating leases in respect of office premises and retail stores which fall due as follow:

	2019	2018
	HK$'000	HK$'000
Within one year	**11,166**	12,229
In the second to third year	**2,547**	11,680
	13,713	23,909

Operating lease payments represent rentals payable by the Group for certain office premises and retail shops. Leases are negotiated for terms of 1 to 3 years.

31. CAPITAL COMMITMENTS

As at 31 March 2019, the Group had capital commitments of approximately HK$300,000 (31 March 2018: HK$357,000) in respect of acquisition of property, plant and equipment.

32. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close cooperation with the board of directors. Overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimizing its exposure to financial markets.

(a) Categories of financial assets and liabilities

	2019	2018
	HK$'000	HK$'000
Financial assets		
Available-for-sale financial assets	**–**	870
Financial assets at fair value through profit or loss	**980**	–
At amortised costs/loan and receivables (including cash and cash equivalents)		
– Trade receivables	**1,049**	3,197
– Deposits and other receivables	**4,227**	4,740
– Amount due from a related party	**164**	–
– Cash and cash equivalents	**87,504**	28,136
	93,924	36,943

	2019	2018
	HK$'000	HK$'000
Financial liabilities		
Amortised cost:		
– Other payables	**65**	1,954
– Amount due to a related party	**–**	6,055
	65	8,009

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank and cash balance. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate bank and cash balance.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of bank balance and cash is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

(c) Credit risk

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Normally, the Group requests the customers to pay sales deposits to reduce the credit risk exposures.

The Group applies with simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

The Group has concentration risk on trade receivables from Customer B, the largest customer of the Group for the year ended 31 March 2019. During the years ended 31 March 2019 and 2018, all the trade receivables were from Customer B. Customer B has no significant defaults in the past. The Group's historical experience in collection of trade receivables falls within the recorded allowances and the directors are of the opinion that no provision for uncollectible receivables is required.

The credit risk for cash and bank balances is considered minimal as such amounts are placed in banks with good credit ratings assigned by international credit rating agencies.

For other receivables and amount due from a related party, the management of the Group makes periodic collective as well as individual assessment on the recoverability based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management, the management considers the ECL for other receivables and amount due from a related party are insignificant.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The management of the Group has built a liquidity risk management framework for managing the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining bank facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
As at 31 March 2019						
Other payables	–	65	–	–	65	65
As at 31 March 2018						
Other payables	–	1,954	–	–	1,954	1,954
Amount due to a related party	–	6,055	–	–	6,055	6,055
		8,009	–	–	8,009	8,009

(e) Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used).

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (Continued)

The different levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value at 31 March 2018 HK$'000	Fair value at 31 March 2019 HK$'000	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable inputs
Club debentures	870	980	Level 2	Market approach – reference to saleable price of club debentures of similar nature	31 March 2018 None 31 March 2019 None

There was no transfer between Level 1 and Level 2 during the years ended 31 March 2018 and 2019.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The above table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's combined statements of financial position approximate of their fair values.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Reconciliation of liabilities arising from financing activities

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

	(Advance to)/ repayment from related parties HK$'000	**Amounts due (to)/ from a director** HK$'000	**Total** HK$'000
At 1 April 2017	(14,676)	(14,415)	(29,091)
Assigned to director	11,739	(11,739)	–
Settled by dividends	–	26,154	26,154
Financing cash inflows	8,992	–	8,992
At 31 March 2018	6,055	–	6,055
At 31 March 2017 and 1 April 2018	6,055	–	6,055
Financing cash outflows	(6,219)	–	(6,219)
At 31 March 2019	(164)	–	(164)

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	2019 HK$'000	2018 HK$'000
Current assets		
Deposits and prepayments	**26**	4,179
Cash and cash equivalents	**57,105**	–
	57,131	4,179
Current liabilities		
Other payables	**1,289**	1,888
Amounts due to subsidiaries	**10,647**	14,252
	11,936	16,140
Net current assets/(liabilities)	**45,195**	(11,961)
Net assets/(liabilities)	**45,195**	(11,961)
Equity		
Share capital	**4,000**	–
Reserves	**41,195**	(11,961)
Total equity	**45,195**	(11,961)

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019 and signed on its behalf by:

Mr. Siu Muk Lung
Director

Mr. Chung Chi Fai
Director

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserves of the Company

	Share Premium	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000
On 1 April 2017	–	(2,455)	(2,455)
Loss and total comprehensive income for the period	–	(9,506)	(9,506)
Balance at 31 March 2018 and 1 April 2018	–	(11,961)	(11,961)
Loss and total comprehensive income for the year	–	(12,400)	(12,400)
Issue of shares in consideration of the acquisition of the subsidiaries	(170)	–	(170)
Issue of shares under capitalisation	(3,000)	–	(3,000)
Issue of shares under share offer	82,170	–	82,170
Transaction costs attributable to issues of shares	(13,444)	–	(13,444)
Balance at 31 March 2019	65,556	(24,361)	41,195

Note:

i) At 31 March 2019, the Company had HK$41,195,000 distribution reserve available for distribution to the shareholders.

34. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the debt to equity ratio. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2019.

The Group's net debts to equity ratio at the reporting period was as follows:

	2019	2018
	HK$'000	HK$'000
Net debts *(note)*	**–**	–
Total equity	**148,964**	63,462
Net debts to equity ratio	**N/A**	N/A

Note: Net debts are defined to include bank overdraft net of cash and cash equivalents.

35. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 March 2019.

36. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods, comparative information is not restated. Further details of the change in accounting policies are disclosed in note 3 of the consolidated financial statements.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2019.

Financial Summary

The following is a summary of the consolidated results, assets and liabilities of the Group for the last four financial years, as extracted from the Prospectus and the published audited financial statements of the Group. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$' 000	HK$' 000
REVENUE	**195,018**	193,244	191,981	200,316
GROSS PROFIT	**66,796**	61,823	55,817	52,939
PROFIT BEFORE INCOME TAX	**21,319**	25,012	32,228	26,612
INCOME TAX EXPENSE	**(5,373)**	(5,619)	(5,916)	(5,069)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**15,946**	19,393	26,312	21,543
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	**–**	–	–	1,468

ASSETS AND LIABILITIES

	As at 31 March			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$' 000	HK$' 000
NON-CURRENT ASSETS	**2,769**	2,606	1,495	1,695
CURRENT ASSETS	**150,714**	72,878	78,341	69,133
TOTAL ASSETS	**153,483**	75,484	79,836	70,828
CURRENT LIABILITIES	**4,519**	12,022	5,857	23,141
NON-CURRENT LIABILITIES	**–**	–	–	–
TOTAL LIABILITIES	**4,519**	12,022	5,857	23,141
NET ASSETS	**148,964**	63,462	73,979	47,687