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CHONG KIN GROUP HOLDINGS LIMITED
創建集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of Chong Kin Group Holdings Limited (the "**Company**") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019 together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	3	**420,867**	428,694
Cost of sales		**(381,129)**	(353,527)
Gross profit		**39,738**	75,167
Other income	4	**5,001**	11,943
Fair value gain on contingent consideration receivables	17	**34,240**	—
Impairment loss on goodwill	11	**(116,674)**	—
Selling and distribution expenses		**(1,781)**	—
Administrative and other operating expenses		**(56,015)**	(45,391)
Operating (loss)/profit		**(95,491)**	41,719
Finance costs	5	**(10,706)**	(1,795)
(Loss)/profit before income tax	6	**(106,197)**	39,924
Income tax expense	7	**(998)**	(7,898)
(Loss)/profit for the year		**(107,195)**	32,026
Attributable to:			
Equity shareholders of the Company		**(106,092)**	32,026
Non-controlling interests		**(1,103)**	—
		(107,195)	32,026
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share	8	**HK cents (12.75)**	HK cents 4.19

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year		**(107,195)**	32,026
Other comprehensive (expense)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**23,632**	—
Total comprehensive (expense)/income for the year		**(83,563)**	32,026
Total comprehensive (expense)/income attributable to:			
Equity shareholders of the Company		**(83,300)**	32,026
Non-controlling interests		**(263)**	—
		(83,563)	32,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**123,026**	34,238
Goodwill	11	**406,699**	—
Finance lease receivables		**14,248**	—
Other deposits		**3,730**	3,650
		547,703	37,888
CURRENT ASSETS			
Inventories		**341,776**	—
Finance lease receivables		**9,080**	—
Loan and interest receivables	12	**55,452**	213,479
Trade and other receivables	13	**273,808**	69,693
Amount due from a non-controlling shareholder of a subsidiary	14	**24,932**	—
Contract assets	15	**147,583**	—
Gross amounts due from customers for contract work	16	**—**	125,329
Contingent consideration receivables	17	**35,463**	—
Current income tax recoverable		**8,880**	2,145
Cash and bank balances		**45,454**	21,828
		942,428	432,474
CURRENT LIABILITIES			
Trade and other payables	18	**276,383**	40,193
Amount due to a former director	19	**30,000**	30,000
Amount due to a shareholder	19	**3,150**	—
Amount due to a director	19	**22,071**	—
Amount due to a related party	19	**1,150**	—
Gross amounts due to customers for contract work	16	**—**	37,778
Contract liabilities	15	**1,561**	—
Borrowings	20	**381,424**	797
Current income tax liabilities		**2,176**	—
		717,915	108,768
NET CURRENT ASSETS		**224,513**	323,706

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	*20*	**15,784**	126,387
Deferred tax liabilities		**2,897**	4,622
		18,681	131,009
NET ASSETS		**753,535**	230,585
Capital and reserves			
Share capital	*21*	**9,178**	7,648
Reserves		**720,885**	222,937
Equity attributable to equity shareholders of the Company		**730,063**	230,585
Non-controlling interests		**23,472**	—
TOTAL EQUITY		**753,535**	230,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 October 2016. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is Suite 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services, sales of new energy vehicles, and provision of logistics related services and car leasing services in the PRC. Its parent and ultimate holding company is Prestige Rich Holdings Limited ("**Prestige Rich**") a company incorporated in the British Virgin Islands ("**BVI**"). Mr. Zhang Jinbing is the sole owner and sole director of Prestige Rich. As at 31 March 2019, the directors consider the ultimate controlling shareholder of the Company to be Mr. Zhang Jinbing.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 25 June 2019.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the years, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretations issued by the HKICPA that are effective for the Group's financial year beginning 1 April 2018 throughout the year.

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation, which have been adopted at the same time as HKFRS 9.

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on retained profits at 1 April 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group's trade and other receivables, loan and interest receivables and cash and bank balances are reclassified from loans and receivables to financial assets carried at amortised cost under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The measurement basis and carrying amounts for all financial assets and liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 April 2018.

(ii) Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade receivables and other receivables, loan and interest receivables and bank balances and cash).

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on debtors' aging.

For all other instruments, the Group measures the loss allowance equal to 12-month 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.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary upon the initial adoption of the standard.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. The cumulative effect of initial application, if any, is recognised as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The new accounting policies and the impact of the adoption of HKFRS 15 is shown as follows:

Accounting for revenue from construction contracts

In prior reporting periods, the Group accounted for revenue from construction contracts when the outcome of construction contracts can be estimated reliably by reference to the stage of completion of the contract activities at the end of the reporting periods. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

Under HKFRS 15, revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If i) the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, or ii) if construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction service.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Presentation of contract assets and liabilities

Previously, contract balances relating to construction contracts in progress were presented in the consolidated statement of financial position under "amounts due from/(to) customers for contract work".

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work.

- Contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work.

The effects of the adoption of HKFRS 15 on the consolidated statement of financial position at 1 April 2018 are as follows:

	HKAS 11 Carrying amount 31 March 2018	Reclassification	Remeasurement	HKFRS 15 Carrying amount 1 April 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Retention receivables	**58,200**	**(58,200)**	**—**	**—**
Gross amount due from customers for contract work	**125,329**	**(125,329)**	**—**	**—**
Contract assets	**—**	**145,751**	**637**	**146,388**
Gross amount due to customers for contract work	**37,778**	**(37,778)**	**—**	**—**
Current income tax liabilities	**—**	**—**	**105**	**105**
Retained earnings	**161,278**	**—**	**532**	**161,810**

(b) New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interests 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 1st January 2021.

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

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations 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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the 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.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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$16,863,000 as lessor and HK$20,775,000 as lessee as disclosed in Note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all the leases of which it is a lessee.

In addition, the Group currently considers refundable rental deposits paid of HK$4,358,000 and refundable rental deposits received of HK$2,182,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4. Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3 REVENUE AND SEGMENT INFORMATION

Revenue

(i) Analysis of revenue with the adoption of HKFRS 15 and HKAS 17

	2019	2018
	HK$'000	*HK$'000*
Total revenue recognised during the year:		
Concrete placing services and other ancillary services	**314,173**	428,694
Sales of new energy vehicles	**48,099**	—
Provision for logistics related services	**24,188**	—
Car leasing revenue	**4,992**	—
Finance lease income	**29,415**	—
	420,867	428,694

	2019	2018
	HK$'000	*HK$'000*
		(Note)
Revenue from contracts with customers with the adoption of HKFRS 15		
Concrete placing services and other ancillary services	**314,173**	428,694
Sales of new energy vehicles	**48,099**	—
Provision for logistics related services	**24,188**	—
	386,460	428,694
Timing of revenue recognition		
At a point in time	**72,287**	—
Over time	**314,173**	428,694
	386,460	428,694

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

	2019	2018
	HK$'000	*HK$'000*
Revenue from other sources with the adoption of HKAS 17		
Car leasing revenue	**4,992**	—
Finance lease income	**29,415**	—
	34,407	—

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers:

	Concrete placing services and other ancillary services
	HK$'000
Within one year	73,291
More than one year but not more than two years	42,140
More than two years	37,417
	152,848

Sales of new energy vehicles and provision for logistics related services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

Information reported to the chief executive of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

For the year ended 31 March 2019, the Group's operating and reportable segments currently are: (i) Concrete placing services and other ancillary services and (ii) sales of new energy vehicles, provision of logistics related services and car leasing services. The CODM considers the Group has two operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

For the year ended 31 March 2018, the Board regards the Group's business as a single operating segment as the Group was engaged in the provision of concrete placing services and other ancillary services and reviews the consolidated financial statements for the Group as a whole accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

(i) ***Segment revenue and results***

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

	Concrete placing services and other ancillary services *HK$'000*	Sales of new energy vehicles, logistics related services and car leasing *HK$'000*	Total *HK$'000*
For the year ended 31 March 2019			
Segment revenue	**314,173**	**106,694**	**420,867**
Segment loss	**(725)**	**(122,418)**	**(123,143)**
Unallocated income			**5,001**
Unallocated expenses			**(11,589)**
Fair value gain on contingent consideration receivables			**34,240**
Finance costs			**(10,706)**
Loss before taxation			**(106,197)**
For the year ended 31 March 2018			
Segment revenue	428,694	—	428,694
Segment profit	36,679	—	36,679
Unallocated income			11,944
Unallocated expenses			(6,904)
Finance costs			(1,795)
Profit before taxation			39,924

Segment profit/(loss) represents the profit/(loss) earned/(incurred) by each segment without allocation of certain administrative expenses, other gains and losses, fair value gain on contingent consideration receivables, finance costs and unallocated income and expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

(ii) Segment assets and liabilities

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

Segment assets

	2019	2018
	HK$'000	*HK$'000*
Concrete placing services and other ancillary services	**197,740**	256,025
Sales of new energy vehicles, logistics related services and car leasing	**1,158,168**	—
Total segment assets	**1,355,908**	256,025
Property, plant and equipment	**4,872**	—
Amount due from a non-controlling shareholder of a subsidiary	**24,932**	—
Contingent consideration receivables	**35,463**	—
Other receivables, deposits and prepayments	**67,039**	206,295
Current income tax recoverable	**—**	2,145
Cash and bank balances	**1,917**	5,897
Consolidated assets	**1,490,131**	470,362

Segment liabilities

	2019	2018
	HK$'000	*HK$'000*
Concrete placing services and other ancillary services	**57,075**	116,860
Sales of new energy vehicles, logistics related services and car leasing	**516,695**	—
Total segment liabilities	**573,770**	116,860
Other payables and accruals	**159,929**	118,295
Deferred tax liabilities	**2,897**	4,622
Consolidated liabilities	**736,596**	239,777

(iii) Other segment information

	Concrete placing services and other ancillary services *HK$'000*	Sales of new energy vehicles, logistics related services and car leasing *HK$'000*	Total *HK$'000*
For the year ended 31 March 2019			
Additions to non-current assets	**5,569**	**600,147**	**605,716**
Depreciation for property, plant and equipment	**(12,973)**	**(3,631)**	**(16,604)**
Gain/(loss) on disposal of property, plant and equipment	**6**	**(19)**	**(13)**
Loss on written off of property, plant and equipment	**—**	**(13)**	**(13)**
Impairment loss on goodwill	**—**	**(116,674)**	**(116,674)**
Interest income	**83**	**107**	**190**
Interest expense	**(6,343)**	**(4,363)**	**(10,706)**
Income tax credit/(expense)	**65**	**(1,063)**	**(998)**
For the year ended 31 March 2018			
Additions to non-current assets	6,000	—	6,000
Depreciation for property, plant and equipment	(13,358)	—	(13,358)
Gain on disposal of property, plant and equipment	455	—	455
Interest income	5,335	—	5,335
Interest expense	(1,795)	—	(1,795)
Income tax expense	(7,898)	—	(7,898)

Note: Non-current assets included property, plant and equipment and goodwill.

(iv) Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the destination of shipment for sales of products or location of services rendered/operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from external customers

	2019	2018
	HK$'000	***HK$'000***
PRC	**106,694**	—
Hong Kong	**314,173**	428,694
	420,867	428,694

Non-current assets by geographical location

	2019	2018
	HK$'000	*HK$'000*
PRC	**502,891**	—
Hong Kong	**26,834**	34,238
	529,725	34,238

(v) Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**80,747**	147,121
Customer B	**62,480**	54,611
Customer C	**55,911**	91,527

4 OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**25**	7
Loan interest income	**—**	5,250
Rental income	**2,456**	1,660
Interest income from life insurance policies	**80**	78
Finance lease interest income	**85**	—
Government grants *(Note)*	**136**	1,197
Insurance claims	**1,748**	3,117
Gain on disposal of property, plant and equipment	**—**	455
Gain on exchange difference	**8**	—
Others	**463**	179
	5,001	11,943

Note: There are no unfulfilled conditions or contingencies relating to these grants.

5 FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on finance leases	**932**	136
Interest on bank borrowings	**3,524**	272
Interest on loan from the former substantial shareholder	**6,250**	1,387
	10,706	1,795

6 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Auditors' remuneration	**1,814**	1,050
Cost of inventories recognised as an expense	**381,129**	353,527
Depreciation of property, plant and equipment		
— included in cost of sales	**14,595**	12,073
— included in selling and distribution expenses	**4**	—
— included in administrative and other operating expenses	**2,005**	1,285
Staff costs (including directors' emoluments)	**207,518**	226,609
Operating lease rental on premises	**6,281**	863

7 INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
— Current income tax	**1,660**	7,408
— Underprovision in prior years	**—**	540
PRC Enterprise Income Tax ("**EIT**"):		
— Current income tax	**1,063**	—
Deferred income tax	**(1,725)**	(50)
Income tax expense	**998**	7,898

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

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

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

8 (LOSS)/EARNINGS PER SHARE

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

	2019	2018
(Loss)/profit attributable to equity shareholders of the Company *(HK$'000)*	**(106,092)**	32,026
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(in thousand)*	**832,270**	764,800
Basic (loss)/earnings per share *(HK cents)*	**(12.75)**	4.19

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no potential ordinary share in issue during the years ended 31 March 2018 and 2019.

9 DIVIDENDS

No dividend was proposed or paid during the year ended 31 March 2019 (2018: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *HK$'000* *(Note a)*	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000* *(Note a)*	Total *HK$'000*
Cost					
At 1 April 2017	106,568	220	962	8,002	115,752
Additions	6,000	—	—	—	6,000
Disposals	(34,885)	—	—	(1,965)	(36,850)
At 31 March 2018 and 1 April 2018	77,683	220	962	6,037	84,902
Acquisition through business combinations	—	534	647	8,467	9,648
Additions	—	2,577	2,414	94,574	99,565
Disposals	—	—	—	(172)	(172)
Written off	—	—	(14)	—	(14)
Transfer to inventories	—	—	—	(5,611)	(5,611)
Disposal of a subsidiary	—	—	—	(20)	(20)
Exchange adjustments	—	28	47	1,642	1,717
At 31 March 2019	77,683	3,359	4,056	104,917	190,015
Accumulated depreciation					
At 1 April 2017	**(68,641)**	**(220)**	**(956)**	**(3,609)**	**(73,426)**
Charge for the year	**(12,073)**	**—**	**(2)**	**(1,283)**	**(13,358)**
Disposals	**34,885**	**—**	**—**	**1,235**	**36,120**
At 31 March 2018 and 1 April 2018	**(45,829)**	**(220)**	**(958)**	**(3,657)**	**(50,664)**
Charge for the year	**(11,586)**	**(265)**	**(300)**	**(4,453)**	**(16,604)**
Disposals	**—**	**—**	**—**	**141**	**141**
Written off	**—**	**—**	**1**	**—**	**1**
Transfer to inventories	**—**	**—**	**—**	**189**	**189**
Disposal of a subsidiary	**—**	**—**	**—**	**1**	**1**
Exchange adjustments	**—**	**(2)**	**(3)**	**(48)**	**(53)**
At 31 March 2019	**(57,415)**	**(487)**	**(1,260)**	**(7,827)**	**(66,989)**
Net book value					
At 31 March 2019	**20,268**	**2,872**	**2,796**	**97,090**	**123,026**
At 31 March 2018	**31,854**	**—**	**4**	**2,380**	**34,238**

Note:

(a) Machinery and equipment and motor vehicles include the following amounts where the Group is a lessee under finance leases:

	Motor vehicles 2019 *HK$'000*	Machinery and equipment 2018 *HK$'000*
Cost — capitalised finance leases	**35,732**	7,700
Accumulated depreciation	**(2,008)**	(5,518)
Net book value	**33,724**	2,182

(b) Depreciation expense of approximately HK$14,595,000 (2018: HK$12,073,000) has been included in cost of sales.

11 GOODWILL

	HK$'000
Cost	
Acquisition of subsidiaries *(Note 22)*	506,151
Exchange adjustments	19,011
At 31 March 2019	**525,162**
Accumulated impairment losses	
Impairment loss recognised for the year	(116,674)
Exchange adjustments	(1,789)
At 31 March 2019	**(118,463)**
Carrying amount	
At 31 March 2019	**406,699**

Impairment test

Goodwill set out above has been allocated to one individual cash generating units ("**CGU**"), comprising the subsidiaries in the new energy vehicles, logistics related services and car leasing segment.

The goodwill arose from the acquisition of Stand East Investments Limited ("**Stand East**") and its subsidiaries ("**Stand East Group**"), which are engaged in the transportation and car leasing business, on 22 October 2018.

The recoverable amount of the CGU was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 5 years.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The discount rate applied to the cash flow projections is 29.1%. The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions. Based on the valuation report prepared by independent professional valuers, Grant Sherman Appraisal Limited ("**Grant Sherman**"), an impairment loss of approximately HK$116,674,000 was recognised for the year. The impairment mainly represented the elimination of the difference between the fair values of the shares of the Company based on closing price of HK$3.8 per share at the completion date of acquisition on 22 October 2018 and the issue price of the shares of the Company of HK$3 per share at the date of signing sale and purchase agreement on 12 June 2018.

12 LOAN AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Loan receivables	**55,452**	210,000
Interest receivables	**—**	3,479
	55,452	213,479

Pursuant to the loan agreement made on 12 February 2018 between the Company and the borrower, the loan receivables of HK$210 million bear interest at a rate of 18% per annum for a term of 12 months from the date of the said loan agreement, and are secured by a legal charge over the borrower's assets.

The Company appointed joint and several receivers over the substantial assets of the borrower in April 2018 in view of the occurrence of an event of default on the part of the borrower. Pursuant to the said legal charge, the joint and several receivers subsequently sold the substantial assets to recover the loan receivables. The Company has also taken legal action against the borrower for recovering the remaining loan receivables and obtained orders for sale at the High Court in Hong Kong over other assets of the borrowers.

Based on the current assessment, the management believes that no impairment allowance is necessary in respect of those loan and interest receivables as the balances are considered fully recoverable (2018: Nil).

13 TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(Note (a) and (b))*	**61,236**	9,745
Prepayment	**104,993**	1,284
Deposits and other receivables	**107,579**	464
Retention receivables	**—**	58,200
	273,808	69,693

Note:

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 0 to 30 days (2018: 14 to 60 days) from payment application date generally.

(b) The ageing analysis of the trade receivables based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**13,128**	7,592
31–60 days	**2,283**	1,000
61–90 days	**793**	—
Over 90 days	**45,032**	1,153
	61,236	9,745

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Group's trade and retention receivables using a provision matrix:

At 31 March 2019

	Expected credit loss rate (%) *HK$'000*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Provision on individual basis (Note)				
91 days to 180 days past due	0%	43,071	—	43,071
181 days to 365 days past due	0%	1,870	—	1,870
Provision on collective basis				
Current	0%	10,950	—	10,950
Within 90 days past due	0%	5,345	—	5,345

Note:

As at 31 March 2019, trade and retention receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. The directors are of the opinion that the credit risk of these receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of these receivables is assessed to be close to zero and no provision was made for the year ended 31 March 2019.

Impairment under HKAS 39 for the year ended 31 March 2018

Trade receivables of approximately HK$6,983,000 as at 31 March 2018 were not yet past due and approximately HK$2,762,000 as at 31 March 2018 were past due but not impaired. Trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The Group does not hold any collateral over those balances. The ageing analysis of these trade receivables is as follows:

	2018 *HK$'000*
0–30 days	—
31–60 days	1,609
61–90 days	—
Over 90 days	1,153
	2,762

The provision for impairment of trade receivables was measured based on incurred credit losses under HKAS 39. The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship and those distributors with strategic business relationship with the Group and the repayment history of these customers were good.

Retention receivables as at 31 March 2018 were not yet past due and will be settled in accordance with the terms of respective contract.

14 AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest free and repayable on demand.

15 CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets

	2019	1 April 2018
	HK$'000	*HK$'000*
		(Note)
Construction contracts	**147,583**	146,388

Note: The amount in this column is after adjustments from the application of HKFRS 15

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Contract liabilities

	2019	1 April 2018
	HK$'000	*HK$'000*
		(Note)
Sales of new energy vehicles	**1,520**	—
Provision for logistics related services	**41**	—
	1,561	—

Note: Upon the adoption of HKFRS 15, amounts previously included as "Receipts in advance" in "Accruals and other payables" (note 18) were reclassified to contract liabilities.

When the Group receives a deposit before the goods this will give rise to contract liabilities at the start of a contract, until the revenue is recognised.

For some sales orders, the Group may ask the customers to made a deposit on acceptance of the order, with the remainder of the consideration payable at the earlier of delivery of the finished goods and notice from the customer to cancel the order. If the customer cancels the order, then the Group is immediately entitled to receive payment for work done to date.

16 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2019	2018
	HK$'000	*HK$'000*
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	—	988,284
Less: Progress billings received and receivable	—	(862,955)
	—	125,329

	2019	2018
	HK$'000	*HK$'000*
Gross amounts due to customers for contract work		
Progress billings received and receivable	—	510,199
Less: Contract costs incurred plus recognised profits less recognised losses	—	(472,421)
	—	37,778

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

17 CONTINGENT CONSIDERATION RECEIVABLES

	HK$'000
At fair value	
Acquisition of subsidiaries *(Note 22)*	**1,223**
Change in fair value	**34,240**
At 31 March 2019	**35,463**

The fair value of the contingent consideration receivable is related to profit guarantee of HK$20,000,000 by the vendor of Stand East for each of three financial years ending 31 December 2019, 2020 and 2021.

The arrangement of the profit guarantee compensation requires the former owner of Stand East to guarantee the Group that the total net profits of Stand East Group after tax for the financial years ending 31 December 2019, 2020 and 2021 shall not be less than HK$20 million per financial year. If the total net profits fail to meet HK$20 million for any financial year, the former owner shall have to compensate the Group on the shortfall to the total net profits in cash based on the formula (amount of compensation = (HK$20 million — actual net profits) x 22.944, capped at the total consideration for acquisition of Stand East Group), for each of the financial year.

The contingent consideration receivables represent the fair value of the profit guarantees in accordance with the share purchase agreements for the acquisition of Stand East Group, which is estimated by Grant Sherman. As at 31 March 2019, the fair value of the contingent consideration receivables were estimated by applying income approach on the estimated profits of Stand East Group for the years ended 31 December 2019, 2020 and 2021.

The variables and assumptions used in computing the fair value of the contingent consideration receivable are based on the management's best estimate. The value of the contingent consideration receivable varies with different variables of certain subjective assumptions.

The fair value of contingent consideration receivables is a level 3 recurring fair value measurement.

18 TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**170,266**	11,061
Accruals and other payables	**106,117**	29,132
	276,383	40,193

The ageing analysis of trade payables based on the invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**21,544**	9,537
31–60 days	**2,310**	1,485
61–90 days	**–**	39
Over 90 days	**146,412**	—
	170,266	11,061

19 AMOUNTS DUE TO A FORMER DIRECTOR/ SHAREHOLDER/ DIRECTOR/ RELATED PARTY

The amounts are unsecured, non-interest bearing and has no fixed term of repayment.

20 BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Current		
Bank borrowings, secured *(Note (a), (b) and (f))*	**238,434**	—
Loan from former substantial shareholder *(Note (c))*	**132,637**	—
Finance lease liabilities *(Note (d))*	**10,353**	797
	381,424	797
Non-current		
Loan from former substantial shareholder *(Note (c))*	**—**	126,387
Finance lease liabilities *(Note (d))*	**15,784**	—
	15,784	126,387
Total borrowings	**397,208**	127,184

Note:

(a) Bank borrowings

The bank borrowings contain Repayment on Demand clauses. According to the repayment schedule, the bank borrowings are repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**238,434**	—

(b) The carrying amounts of the bank borrowings are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
RMB	**238,434**	—

(c) The loan advanced by Pioneer Investment Limited, the former substantial shareholder, is unsecured and bears interest at 5% per annum and will be repayable in January 2020.

(d) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

	2019	2018
	HK$'000	*HK$'000*
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**11,734**	809
Between 1 and 2 years	**15,378**	—
	27,112	809
Future finance charges on finance leases	**(975)**	(12)
Present value of finance lease liabilities	**26,137**	797

The present value of finance lease liabilities is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**10,353**	797
Between 1 and 2 years	**15,784**	—
	26,137	797

The finance leases are secured by the Group's machinery and equipment and motor vehicles with an aggregate net book value of approximately Nil (2018: HK$2,182,000) and HK$33,724,000 (2018: Nil) respectively as at 31 March 2019.

The carrying amounts of finance lease liabilities are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
HKD	**1,364**	797
RMB	**24,773**	—
	26,137	797

(e) The interest rates per annum of borrowings are as follows:

	2019	2018
Bank borrowings	**6%**	3.5%
Loan from former substantial shareholder	**5%**	5%
Finance lease liabilities	**1.8%–12%**	5.67%

(f) The banking facilities as at 31 March 2019 are secured/guaranteed by:

(i) Pledged of motor vehicles with an aggregate net book value of approximately HK$33,371,000 and inventories approximately HK$169,727,000 respectively as at 31 March 2019; and

(ii) Corporate guarantee provided by the Company as at 31 March 2019.

21 SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2017, 31 March 2018 and 2019	2,000,000,000	20,000
Issued and fully paid:		
As at 1 April 2017 and 31 March 2018	764,800,000	7,648
Issue of shares upon acquisition of subsidiary *(Note 22)*	152,960,000	1,530
At 31 March 2019	917,760,000	9,178

Note: All the shares issued ranked pari passu in all respects with the then existing shares in issue.

22 ACQUISITION OF SUBSIDIARIES

On 12 June 2018, the Group as the purchaser entered into a conditional sale and purchase agreement, and subsequently revised by a supplementary agreement, with an independent third party as the vendor to acquire the entire issued share capital and shareholder's loan of Stand East at the total consideration of HK$458,880,000. The acquisition was completed on 22 October 2018, which is also the acquisition date for accounting purpose. The total consideration was settled by the issue of 152,960,000 shares of the Company ("**Consideration Shares**"). The fair value of the Consideration Shares on 22 October 2018, amounted to HK$582,777,600. The fair value of the Consideration Shares was determined by reference to the published closing price of HK$3.81 at the completion date. Stand East Group is principally engaged in provision of new energy vehicles and logistics related services in the PRC. The acquisition was made as part of the Group's strategy to expand into and develop its logistics related services in the PRC.

The Group has elected to measure the non-controlling interests in Stand East at the non-controlling interest's proportionate share of fair values of Stand East's identifiable net assets.

The fair value of the identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	9,648
Inventories	30,566
Trade and other receivables	74,317
Cash and bank balances	71,985
Trade and other payables	(97,584)
Total identifiable net assets at fair value	88,932
Non-controlling interests	13,528
Consideration	581,555
Less: Fair value of net assets acquired	(75,404)
Goodwill *(Note 11)*	506,151
Total purchase consideration satisfied by:	
Issuance of new shares at fair value	582,778
Contingent consideration receivables *(Note 17)*	(1,223)
	581,555
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	71,985

Goodwill arising on the acquisition of Stand East in the current year is determined on the fair value of the net identifiable assets acquired. The management of the Company has engaged an independent professional valuer, Grant Sherman, to carry out a valuation on the fair value of the net identifiable assets acquired as at date of acquisition. The goodwill arose from the acquisition of Stand East mainly represented (1) the difference between the fair values of the shares of the Company at the completion date of acquisition on 22 October 2018 and the issue price of the shares of the Company at the date of signing sales and purchase agreement on 12 June 2018 and (2) significant future prospect and the business value of Stand East Group.

Since the acquisition date, Stand East Group has contributed revenue of approximately HK$106,694,000 and a loss after income tax of approximately HK$9,918,000 to the Group. If the acquisition had occurred on 1 April 2018, consolidated revenue and consolidated loss after income tax of the Group for the year ended 31 March 2019 would have been approximately HK$433,111,000 and HK$116,937,000 respectively.

23 COMMITMENTS

(a) Capital commitments

The Group did not have any significant capital commitment as at 31 March 2019 (2018: Nil).

(b) Operating lease commitments — Group as lessor

At the end of each of the reporting period, the total future minimum receipts under non-cancellable operating leases were receivable as follow:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**12,915**	—
In the second to fifth years inclusive	**3,948**	—
	16,863	—

The Group is the lessor in respect of office premises and car leasing under operating leases. The leases typically run for an initial period of 3 months to 2 years, with an option to renew the leases when all terms are renegotiated.

(c) Operating lease commitments — Group as lessee

At the end of each of the reporting period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**9,817**	554
In the second to fifth years inclusive	**10,958**	—
	20,775	554

The Group is the lessee in respect of office premises and car parks under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the leases when all terms are renegotiated.

24 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

25 EVENTS AFTER THE REPORTING PERIOD

(i) On 14 January 2019, the Group entered into the sales and purchase agreements (the "**Agreements**") with independent third parties relating to the acquisition of 100% and 86.67% of the equity interest in Blossom Field Trading Develop Limited and Hua Yao Shi Ye (Shenzhen) Company Limited 華耀實業（深圳）有限公司 (together referred to as the "**Target Companies**") respectively (the "**Acquisition**") and in turn shall effectively hold approximately 90% of the equity interest in Hua Yao Finance Leasing (Shenzhen) Company Limited 華耀融資租賃（深圳）有限公司 (the "**Hua Yao Finance Leasing**"), the Group has expanded the business of finance leasing through the Hua Yao Finance Leasing. In accordance with the Agreements, the consideration for the Acquisition would be satisfied by immediately available funds of HK$125,000 and HK$325,000 respectively. Total purchase price of amount of HK$450,000 shall be paid up by cash as start-up cost as Hua Yao Finance Leasing has no business operation on the completion date of the registration and filing procedures in respect of the sale and purchase of the Target Companies sale shares.

Upon completion of the Acquisition, the Group shall contribute to the registered capital of the Hua Yao Finance Leasing on a pro rata basis of its effective interest of 90% of the equity interest in the Hua Yao Finance Leasing in the sum of USD27,000,000 (equivalent to approximately HK$210,600,000) which is required to be paid on or before 31 December 2045. The Acquisition was completed on 23 April 2019.

Details of the Acquisition are set out in the Company's circular dated 28 February 2019.

(ii) On 15 April 2019, the Company and the subscriber, Prestige Rich (the "**Subscriber**"), a company controlled by Mr. Zhang Jinbing, entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the subscription shares, being 60,000,000 new shares of the Company, at the subscription price of HK$3.5 per subscription share (the "**Subscription**").

The gross proceeds and the net proceeds (after deducting professional fees and other related expenses) from the Subscription will be approximately HK$210,000,000 and approximately HK$209,700,000 respectively. It is intended that the net proceeds from the Subscription will be fully utilised for investment in the finance leasing business of the Group in the PRC via payment of the registered capital of Hua Yao Finance Leasing.

The Subscriber is the controlling shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules.

The Subscription has been approved by the independent shareholders at the extraordinary general meeting of the Company held on 18 June 2019. Details of the Subscription are set out in the Company's announcement and circular dated 15 April 2019 and 31 May 2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) the provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects in Hong Kong; and (ii) the provision of new energy vehicle and logistics related services in the PRC including new energy vehicle sales and leasing, road freight transportation, logistics park development and warehousing services and the research and development, production, sales and application of lithium-ion powder batteries.

As at 31 March 2019, the Group had 28 concrete placing contracts on hand, including contracts in progress and contracts which are yet to commence, with an estimated contract value of approximately HK$153 million. As at 31 March 2018, the Group had 50 concrete placing contracts on hand with an estimated contract value of approximately HK$371 million.

On 22 October 2018, the Group successfully held 90% of the shareholding in Zhong Jun Kai Xuan Automotive Leasing Company* (中軍凱旋汽車有限公司) ("**Zhong Jun**") through the acquisition of the entire issued share capital of Stand East. The consideration for the acquisition was HK$458,880,000, and was satisfied by the issue and allotment of 152,960,000 shares ("**Consideration Shares**") of the Company, the Consideration Shares issued and allotted at an issue price of HK$3.0 was determined with reference to the then market price of the shares at the time of entering into the agreement.

On 27 November 2018, the Group announced the formation of a joint venture company, namely Henan Ping Chuang Xin Neng Yuan Co., Limited* (河南平創新能源有限公司) ("**Ping Chuang**"), through Zhong Jun with Henan Ping Mei Guo Neng Li Dian Co., Limited* (河南平煤國能鋰電有限公司), Zhong Jun will contribute RMB27,000,000 (equivalent to approximately HK$30,510,000) to the registered capital of Ping Chuang, representing 90% interest in the issued share capital at the time of the joint venture agreement. Ping Chuang is a company incorporated in the PRC, principally engaged in the business of assembling lithium-ion battery modules and packs, and the distribution of relevant products. As at the date of this report, Zhong Jun invested RMB10,000,000 into Ping Chuang, Ping Chuang is scheduled to put into production in the second quarter of 2019.

As such, during the Year, the Group successfully seized the new policy opportunities and diversified into new energy vehicle and logistics related business. As at 31 March 2019, the Group had 5,697 new energy vehicles, out of which 1,306 new energy vehicles had been in actual operation.

* *For identification purpose only*

On 14 January 2019, the Group entered into the sales and purchase agreements ("**Agreements**") for the acquisition 90% of the equity interest in Hua Yao Finance Leasing, a finance leasing company in the PRC, at total consideration amount of HK$0.45 million satisfied by cash (the "**Acquisitions**"). Upon completion of the Acquisitions, the Group shall contribute to 90% of the registered capital of Hua Yao Finance Leasing in the sum of USD27,000,000 (equivalent to approximately HK$210,600,000). The Acquisitions was completed on 23 April 2019, the Group started finance leasing business in May 2019.

The Group believes that the acquisition of Hua Yao Finance Leasing will have synergy effect with the business of Zhong Jun, as Zhong Jun will sell some of the new energy vehicles to self-employed drivers by way of finance leasing via Hua Yao Finance Leasing as one of its business development and cost saving measures.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased slightly by 1.8% in an amount approximately HK$420.9 million as compared to approximately HK$428.7 million for the previous year. The revenue comprised of income from the concrete placing business of approximately HK$314.2 million (2018: HK$428.7 million), and income from the new energy vehicle and logistics related business of approximately HK$106.7 million (2018: nil). During the Year, the Group experienced decline in the domestic concrete placing business from the continuous weakness of domestic construction industry and the keen competitions in the campaign of concrete placing business.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Year amounted to approximately HK$39.7 million, representing a decrease of 47.1% as compared with HK$75.2 million for the previous year. The decrease was mainly attributable to the raising labour cost and subcontracting charge in the concrete placing business, and the rapid growth of the new energy vehicle and logistics related business which the Group developing and aim to achieve higher future gross margin. The gross profit margin for the Year was approximately 9.4%, as compared with 17.5% for the previous year.

Other Income

Other income mainly comprises rental income from leasing of machinery to third parties, interest income from life insurance policies, government grants and reimbursement of employees' compensation from insurers for its injured workers. During the Year, other income amounted to approximately HK$5 million as compared to approximately HK$11.9 million for the previous year. The decrease in other income was mainly attributable to the decrease in interest income from a loan receivable in the event of default on the part of borrower.

Fair Value Gain on Contingent Consideration Receivables

As stated in Note 17, the fair value gain on contingent consideration receivable is related to profit guarantee of HK$20,000,000 by the vendor of Stand East for three financial years ending 31 December 2019, 2020 and 2021, represent the fair value of the profit guarantees in accordance with the share purchase agreements for the acquisition of Stand East Group, which is estimated by independent professional valuer.

The fair value gain on contingent consideration was estimated by applying income approach on the estimated profit of Stand East and it's subsidiaries, varies with certain subjective assumptions, the variable and assumptions used in computing the fair value are based on the management's best estimate. During the year end 31 March 2019, fair value gain on contingent consideration receivables amounted approximately HK$34.2 million (2018: nil) were recognised in the Consolidated Statement of Profit or Loss.

Impairment Loss on Goodwill

As stated in Note 11, during the year ended 31 March 2019, goodwill amounted to approximately HK$116.7 million (2018: nil) was determined to be impaired, which mainly represented the elimination of the difference between the fair values of the shares of the Company based on closing price of HK$3.8 per share at the completion date of acquisition on 22 October 2018 and the issue price of the shares of the Company of HK$3 per share at the date of signing sale and purchase agreement on 12 June 2018.

Goodwill arising on acquisition of Stand East is determined on the fair value of the net identifiable assets acquired. The management of the Company has engaged an independent professional valuer to carry out a review on fair value of the net identifiable assets acquired.

Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group for the Year amounted to approximately HK$56 million, representing an increase of 23.4% compared with HK$45.4 million for the previous year. The increase mainly reflect the expanded business scale that result in the increase in staff costs and rental expenses during the Year.

Finance Costs

Finance costs for the year was approximately HK$10.7 million, compared with HK$1.8 million in the previous year. The increase was mainly attributable to the increase in interest charges on the loan from the former substantial shareholder, and the interest charges on a secured loan from the Industrial Bank Co., Ltd for the financing of the acquisition of new energy vehicles.

Income Tax Expense

Income tax expenses primarily consists of current income tax and deferred income tax, the PRC subsidiaries of the Group are subject to the Enterprise Income Tax as determined under PRC tax laws and accounting standards.

Income tax expense decreased by 87.4% from HK$7.9 million for the previous year to approximately HK$1 million for the Year. The decrease was due to the decline in taxable income for the Year and the increase in tax credit from deferred income tax.

Net Loss

The Group incurred a loss for the Year amounted to HK$107.2 million, as compared to the profit of approximately HK$32 million for previous year. The loss for the Year was mainly due to (i) the impairment loss on goodwill related to the segment of new energy vehicles and logistics related services; and (ii) the decrease in revenue from concrete placing.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity for the Year and capital requirements primarily through capital contributions from shareholders, bank and other borrowings, cash inflows from operating activities and proceeds received from the initial public offering of the Company in the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") on 17 October 2016 (the "**Listing Date**").

As at 31 March 2019, the Group had total cash and bank balances of approximately HK$45.5 million (2018: HK$21.8 million).

As at 31 March 2019, the loan and interest receivable amounted to HK$55.5 million (2018: HK$213 million). As set out in Note 12, the Company is in the legal proceedings against the borrower to recover the loan and interest receivables. The high court has made orders for sale against the assets of the borrower. The Company will execute such orders to recover the outstanding loan and interest receivables. Based on the current assessment, the management believes that no impairment allowance is necessary in respect of those loan and interest receivables as the balances are considered fully recoverable.

The borrowings of the Group as at 31 March 2019 was approximately HK$397.2 million (2018: HK$127.2 million), the increase was mainly due to a secured loan approximately HK$238.4 million advanced from the Industrial Bank Co., Ltd for the financing of the acquisition of new energy vehicles.

As at 31 March 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK$9,178,000 and HK$730,063,000 respectively (2018: HK$7,648,000 and HK$230,585,000 respectively).

Debts and Charges on Assets

The total borrowings of the Group consist of the former substantial shareholder's loan, bank borrowings and finance leases, increased from HK$127.2 million as at 31 March 2018 to approximately HK$397.2 million as at 31 March 2019. Borrowings were denominated in Hong Kong dollars and Renminbi, interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy.

As at 31 March 2019, the Group's machinery and equipment with an aggregate net book value of approximately HK$33.7 million (2018: HK$2.2 million) were charged under finance leases.

As at 31 March 2019, the Group's machinery and equipment with an aggregate net book value of approximately HK$33.4 million (2018: nil) and inventories approximately HK$169.7 million (2018: nil) were pledged under a secured loan from the Industrial Bank Company Limited.

Foreign Exchange Risk

The Group's revenue and operating transactions were mostly denominated in Hong Kong dollars and Renminbi. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments.

Gearing Ratio

Gearing ratio is calculated by dividing all debts by total equity at the year end date and expressed as a percentage. Debts are defined to include payables not incurred in the ordinary course of business. The gearing ratio of the Group as at 31 March 2019 was approximately 52.7% (2018: 55.2%). As a result of the increased equity from the issue and allotment of 152,960,000 Consideration Share for the acquisition of Zhong Jun, the Group's gearing ratio decreased.

Employees and Remuneration Policy

As at 31 March 2019, the Group had a staff roster of 576 (2018: 564). The related staff costs (including directors' emoluments) for the Year amounted to approximately HK$207.5 million (2018: HK$226.6 million). The remuneration of employees was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Capital Commitments

The Group did not have significant capital commitments at 31 March 2019 (2018: nil).

Contingent Liabilities

Details of the contingent liabilities are set out in Note 24.

Event after the Reporting Period

Details of events after the reporting period are set out in Note 25.

Dividend

The Board does not recommend the payment of a final dividend for the year (2018: nil).

Use of Net Proceeds from the Listing

Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. The receipts of the proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("**Net Proceeds**") from the Listing were approximately HK$57.2 million. The use of proceeds has been consistent with the disclosure in the prospectus of the Company issued on 30 September 2016 in connection with its Listing. The total Net Proceeds received were applied by the Group during the period from the Listing Date up to 31 March 2019 are as follows:

Use of Net Proceeds:	**Planned use of proceeds** *HK$'000*	**Actual use of proceeds from the Listing Date to 31 March 2019** *HK$'000*	**Unused amount** *HK$'000*
Acquisition of machinery and related parts	23,103	23,103	—
Expansion of its workforce both at office level and worksite level	6,429	6,429	—
Repayment of the outstanding finance leases	11,050	11,050	—
Repayment of the outstanding bank borrowings	11,050	11,050	—
General working capital	5,524	5,524	—
Total	57,156	57,156	—

CORPORATE GOVERNANCE CODE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules as its code of corporate governance. For the year, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provisions A.2.1:

Code provision of A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Zhang Jinbing as both the Chairman and the Chief Executive Officer of the Company. The Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group's business strategies and provide a strong and consistent leadership to the Group. The Board also considers that the appointment of Mr. Zhang Jinbing as the chairman of the Board and the chief executive officer of the Company will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of two executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

MODEL CODE FOR SECURITIES TRANSACTIONS

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements of the Model Code during the year.

AUDIT COMMITTEE

The Company established an Audit Committee on 27 September 2016 in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Dr. Zhu Zhengfu, Dr. Li Yifei and Mr. Tam Ping Kuen, Daniel. Currently, Mr. Tam Ping Kuen, Daniel is the chairperson of the Audit Committee.

REVIEW OF ANNUAL RESULTS

The Group's consolidated annual financial statements for the year have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Group's auditors, KTC Partners CPA Limited, to the amounts as set out in the Group's audited consolidated financial statements for the year. The work performed by KTC Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited on the preliminary announcement.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the Group's the overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified;

2. The senior management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented;

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls systems.

The risk management framework, coupled with our internal controls, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. The Group has conducted an annual review on whether there is a need for such an internal audit department is required. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. Nevertheless, our Group engaged an external consultant, Eternal Bright Consultants Limited, for internal control to conduct review on the internal control system of our Group during the year. The review covers certain procedures in the new energy vehicle and logistics related business in the PRC, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of our Group has been identified.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacies of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board concluded that our Group's risk management and internal control systems were in place and effective.

With respect to the monitoring and disclosure of inside information, our Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

ANNUAL GENERAL MEETING

The notice of the annual general meeting will be published in the Company's website and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chongkin.com.hk. The annual report of the Company for the year containing all information required by the Listing Rules will be despatched to shareholders and published on above websites in due course.

By Order of the Board
Chong Kin Group Holdings Limited
Zhang Jinbing
Chairman

Hong Kong, 25 June 2019

As at the date hereof, the Board comprises two executive Directors, namely Mr. Zhang Jinbing and Mr. Ni Biao and three independent non-executive Directors, namely Dr. Zhu Zhengfu, Dr. Li Yifei and Mr. Tam Ping Kuen, Daniel.