Zhaobangji Properties Holdings Limited
兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Zhaobangji Properties Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 (the "**Year**") together with comparative figures of the year ended 31 March 2018 (the "**Previous Year**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

		Year ended 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	4	**219,729**	149,984
Cost of sales and services	6	**(144,177)**	(89,959)
Gross profit		**75,552**	60,025
Other income and gains, net	7	**1,843**	2,817
Selling expenses	6	**(4,872)**	(3,417)
Administrative expenses	6	**(30,683)**	(23,028)
Operating profit		**41,840**	36,397
Finance income		**250**	654
Finance costs		**(2,369)**	(2,419)
Finance costs, net		**(2,119)**	(1,765)
Profit before income tax		**39,721**	34,632
Income tax expense	5	**(9,119)**	(6,393)
Profit for the year		**30,602**	28,239
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss			
Foreign exchange differences		**(2)**	–
Changes in the fair value of available-for-sale financial asset		**–**	410
Items that will not be reclassified to profit or loss			
Fair value gain on revaluation of financial asset at fair value through other comprehensive income		**1,822**	–
Total comprehensive income for the year, net of tax		**32,422**	28,649

		Year ended 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Profit for the year attributable to:			
Equity holders of the Company		**30,604**	28,239
Non-controlling interests		**(2)**	–
		30,602	28,239
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**32,424**	28,649
Non-controlling interests		**(2)**	–
		32,422	28,649
		HK cents	*HK cents*
Earnings per share for profit attributable to equity holders of the Company:			
Basic and diluted	9	**2.47**	2.28

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2019

		As at 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**260,028**	229,031
Property usage rights		**54,718**	–
Deferred income tax assets		**1,119**	651
Available-for-sale financial asset		**–**	15,410
Deposits, prepayments and other receivables	10	**185**	1,253
Goodwill		**61**	–
		316,111	246,345
Current assets			
Inventories		**7,379**	9,220
Trade receivables	10	**48,885**	49,482
Deposits, prepayments and other receivables	10	**4,234**	4,182
Amounts due from related companies		**–**	84
Finance lease receivables		**–**	841
Income tax recoverable		**5,048**	4,533
Restricted cash		**6,428**	10,000
Cash and bank balances		**189,524**	63,258
		261,498	141,600
Total assets		**577,609**	387,945
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**12,390**	12,390
Reserves		**298,044**	265,620
		310,434	278,010
Non-controlling interest		**1**	–
Total equity		**310,435**	278,010

		As at 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**29,178**	23,948
Obligations under finance leases		**2,738**	5,346
		31,916	29,294
Current liabilities			
Trade and bills payables	11	**31,752**	11,992
Accruals and other payables	11	**68,705**	6,153
Amounts due to related companies		**1,221**	–
Loans from a shareholder		**74,575**	–
Contract liabilities		**2,077**	–
Borrowings		**46,378**	55,865
Obligations under finance leases		**8,396**	6,631
Income tax payable		**2,154**	–
		235,258	80,641
Total liabilities		**267,174**	109,935
Total equity and liabilities		**577,609**	387,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

On 16 May 2018, an Extraordinary General Meeting ("**EGM**") was held by the Company during which the English name of the Company was approved to be changed to Zhaobangji Properties Holdings Limited and "兆邦基地產控股有限公司" was approved to be adopted as the secondary name of the Company. The names have been effective on 13 June 2018.

The Company is an investment holding company and its subsidiaries (the "**Group**") are principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, provision of transportation services in Hong Kong and the provision of property management services, leasing of machinery and property leasing and subletting in the People's Republic of China ("**PRC**").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group:

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2018:

Annual Improvements Project HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle
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
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKFRS 40	Transfers of investment property
HK(IFRIC)-Interpretation 22	Foreign currency transactions and advance consideration

The Group has changed its accounting policies and made certain adjustments following the adoption of HKFRS 9 and HKFRS 15 as disclosed in Note 2(d). Other than HKFRS 9 and HKFRS 15, the adoption of these new standards, amendments to existing standards and interpretations did not have significant impact on the consolidated financial statements of the Group for the current year.

(b) New standards, interpretations and amendments not yet adopted:

The following are new standards, interpretations and amendments to standards that have been published but are not yet effective for the annual periods beginning after 1 April 2018 and have not been early adopted by the Group.

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting[2]
Amendment to HKAS 1 and HKAS 8	Definition of material[2]
Amendment to HKAS 19	Plan amendment, curtailment or settlement[1]
Amendment to HKAS 28	Long-term interests in associates and joint ventures[1]
Amendment to HKFRS 3	Definition of a business[2]
Amendment to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance contract[3]
HK(IFRIC)-Interpretation 23	Uncertainty over income tax treatment[1]
Annual improvements project 2015–2017	Annual improvements 2015–2017 cycle[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date to be determined

The adoption of these new standards, amendments and interpretations is not expected to have significant impact on the consolidated financial statements of the Group, except for the following new standard:

HKFRS 16 "Leases"

The adoption of HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise a lease liability measured at the present value of the minimum future lease payments, and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of comprehensive income over the period of the lease.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$22,001,000, However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The Group will apply the standard with effect from 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

(c) Application of business combination under common control

In November 2018, the Group acquired 100% of the issued share capital of Farman Investment Limited for a consideration of USD1. Farman Investment Limited and its subsidiaries (the "**Acquired Group**") commenced its property leasing and subletting business in the PRC since July 2018.

The Group and the Acquired Group are controlled by the same controlling shareholder both before and after the above-mentioned acquisition. The acquisition is regarded as business combination under common control.

Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

(d) Changes in accounting policy

(i) Impact on the financial statements

The following table shows the adjustments recognised for the impact on each individual line item upon the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from Contracts with Customers". Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)	31 March 2018 As originally presented *HK$'000*	HKFRS 9 *HK$'000*	HKFRS 15 *HK$'000*	1 April 2018 Restated *HK$'000*
Non-current assets				
Available-for-sale ("**AFS**") financial asset	15,410	(15,410)	–	–
Financial asset at fair value through other comprehensive income ("**FVOCI**")	–	15,410	–	15,410
Current liabilities				
Accruals and other payables	6,153	–	(1,607)	4,546
Contract liabilities	–	–	1,607	1,607

(ii) HKFRS 9 "Financial instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 onwards resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, the reclassifications and adjustments arising from the new rules are not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018. There is no impact on the Group's retained earnings as at 1 April 2018 upon the adoption of HKFRS 9.

Classification and measurement – AFS financial asset classified as financial asset at FVOCI

The Group elected to present in other comprehensive income ("OCI") the changes in fair value of its equity investment previously classified as AFS financial asset, because this investment was held as long-term strategic investment that was not expected to be sold in the short term. As a result, financial asset with a fair value of HK$15,410,000 was reclassified from AFS financial asset to financial asset at FVOCI on 1 April 2018. The financial asset was disposed of on 18 May 2018 for a consideration of HK$17,232,000.

On 1 April 2018, the date of initial application, the following financial instrument was reclassified:

	Measurement category		Carrying amount	
	Original	**New**		
	HKAS 39	**HKFRS 9**	**Original**	**New**
			HK$'000	*HK$'000*
Non-current assets				
Unlisted investment fund	AFS financial asset	Financial asset at FVOCI	15,410	15,410

Impairment of financial assets

The Group has three types of financial assets at amortised costs that are subject to HKFRS 9's new expected credit loss model:

- Cash and cash equivalents;
- trade receivables from sales of goods and from the provision of services; and
- other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There was no impact of the change in impairment methodology on the Group's retained earnings and equity.

Cash and cash equivalents

While cash and cash equivalents are subject to the impairment requirements of HKFRS 9, the impairment loss was immaterial.

Trade receivables

The Group applies the 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 applied different expected loss rates to different classes of trade receivables, according to their respective risk characteristics.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has applied the expected credit loss model to trade receivables as at 1 April 2018 and the change in impairment methodologies has no significant impact on the Group's opening loss allowance.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. Impairment on deposits and other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The Group has applied the expected credit loss model on other financial assets at amortised cost as at 1 April 2018 and the change in impairment methodologies has no material impact on the Group's opening loss allowance.

(iii) HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 from 1 April 2018 onwards which resulted in changes to accounting policies and adjustments to the amounts recognised in the consolidated balance sheet. The Group elected to adopt HKFRS 15 without restating comparatives as it has chosen the simplified transition method. The reclassifications and the adjustments arising from the new revenue recognition rules are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018. The following adjustments were made to the amounts recognised in the consolidated balance sheet at 1 April 2018, the date of initial application:

	HKAS 18 Carrying amount 31 March 2018 *HK$'000*	**Reclassification** *HK$'000*	**HKFRS 15 Carrying amount 1 April 2018** *HK$'000*
Current liabilities			
Accruals and other payables	6,153	(1,607)	4,546
Contract liabilities	–	1,607	1,607

The Group has also changed the presentation of certain amounts in the consolidated balance sheet to reflect the terminology of HKFRS 15. Contract liabilities in relation to the receipts in advance derived from sales of machinery and spare parts and provision of related services.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for the financial asset at fair value through other comprehensive income and derivative which are measured at fair value.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents gross receipts on sales of machinery and spare parts, leasing of machinery, the provision of transportation services and the provision of related services, provision of property management services and property leasing and subletting in the ordinary course of business. Revenue recognised during the year ended 31 March 2019 is as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Sales of machinery and spare parts and provision of related services	**66,768**	43,595
Leasing of machinery and provision of related services	**97,025**	83,495
Transportation services	**17,903**	22,894
Property management services	**23,662**	–
Property leasing and subletting	**14,371**	–
	219,729	149,984

Disaggregation of revenue from contracts with customers:

	Year ended 31 March 2019
	HK$'000
Timing of revenue recognition	
At a point in time	**84,671**
Over time	**135,058**
	219,729

The Group's reportable segments are as follows:

1. Trading – Sales of machinery and spare parts and provision of related services

2. Leasing – Leasing of machinery and provision of related services

3. Transportation – Provision of transportation services

4. Property management – Provision of property management services

5. Property leasing and subletting – Provision of property leasing and subletting

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

For the Year

	Trading *HK$'000*	**Leasing** *HK$'000*	**Transportation** *HK$'000*	**Property management** *HK$'000*	**Property leasing and subletting** *HK$'000*	**Total** *HK$'000*
Revenue						
Segment revenue from external customers	**66,768**	**97,025**	**17,903**	**23,662**	**14,371**	**219,729**
Timing of revenue recognition						
At a point in time	**66,768**	**–**	**17,903**	**–**	**–**	**84,671**
Over time	**–**	**97,025**	**–**	**23,662**	**14,371**	**135,058**
Results						
Segment profit	**8,333**	**38,439**	**844**	**11,119**	**2,178**	**60,913**
Unallocated corporate income						**482**
Unallocated corporate expenses						**(21,674)**
Profit before tax						**39,721**

For the Previous Year

	Trading *HK$'000*	Leasing *HK$'000*	Transportation *HK$'000*	Total *HK$'000*
Revenue				
Segment revenue from external customers	43,595	83,495	22,894	149,984
Results				
Segment profit	10,152	39,299	1,547	50,998
Unallocated corporate income				2,001
Unallocated corporate expenses				(18,367)
Profit before tax				34,632

Geographical information

The following table sets out information about the geographical location of the Group's revenue. In presenting the geographical information, segment revenue is based on the geographical location of external customers.

	Year ended 31 March	
	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	**180,146**	149,984
Mainland China	**39,583**	–
	219,729	149,984

5. INCOME TAX EXPENSE

The amount of income tax charged to profit or loss represents:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**1,071**	–
PRC corporate income tax	**3,286**	–
Deferred income tax	**4,762**	6,393
	9,119	6,393

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the Year.

The PRC corporate income tax represents taxation charged on assessable profits for the Year at the rates of taxation prevailing in the cities in the PRC in which the Group operates. The tax rate applicable to the subsidiaries in the PRC is 25%.

6. EXPENSES BY NATURE

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Expenses included in cost of sales and services, selling and administrative expenses are analysed as follows:		
Costs of machinery and equipment and spare parts	**57,802**	32,129
Costs of rent and management and office expenses	**16,155**	–
Staff costs, including directors' emoluments	**33,992**	23,679
Leasing expense of machinery and equipment	**6,406**	3,754
Operating lease rental in respect of office and storage premises	**4,354**	1,821
Auditor's remuneration		
– Audit services	**2,260**	1,750
– Non-audit services	**105**	319
Legal and professional fees	**3,955**	4,264
Amortisation	**1,563**	–
Depreciation		
– owned machinery and equipment	**32,464**	25,998
– machinery and equipment held under finance leases	**4,785**	4,096
Others	**15,891**	18,594
Total cost of sales and services, selling and administrative expenses	**179,732**	116,404

7. OTHER INCOME AND GAINS, NET

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Foreign exchange gain, net	**207**	1,221
Gain on disposal of property, plant and equipment	**1,611**	1,470
Others	**25**	126
	1,843	2,817

8. DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 March 2019 (2018: Nil).

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	Year ended 31 March	
	2019	2018
Profit attributable to equity holders of the Company *(HK$'000)*	**30,604**	28,239
Weighted average number of ordinary shares in issue *(thousands)*	**1,239,000**	1,239,000
Basic earnings per share *(HK cents)*	**2.47**	2.28

(b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 March 2019 (2018: same).

10. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**48,885**	50,504
Loss allowance	**–**	(1,022)
	48,885	49,482
Deposits, prepayments and other receivables	**4,419**	5,435
Less: non-current portion	**(185)**	(1,253)
Current portion	**4,234**	4,182

The credit period granted to trade customers was generally between 30 to 60 days. The Group does not hold any collateral as security.

As at 31 March 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**31,925**	16,956
31 to 60 days	**5,695**	14,457
61 to 90 days	**3,172**	6,907
More than 90 days	**8,093**	12,184
	48,885	50,504

11. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade and bills payables	**31,752**	11,992
Accruals and other payables		
– Payable for acquisition of property usage rights	**56,455**	–
– Accruals and other payables	**12,250**	6,153
	100,457	18,145

The ageing analysis of the trade and bills payables based on invoice date are as follows:

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**14,828**	8,963
31 to 60 days	**3,818**	1,416
61 to 90 days	**9,159**	791
More than 90 days	**3,947**	822
	31,752	11,992

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

The Group is principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, the provision of transportation services in Hong Kong, and the provision of property management services, leasing of machinery and property leasing and subletting in the People's Republic of China ("**PRC**").

The Board considers that, as expansionary monetary policies from major central banks around the world begin to reduce slowly, real estate transaction volume will follow. As vacant quality locations have significantly reduced, and asset prices have appreciated significantly in value, the Board is of the view that the shift in market conditions and monetary policies will pose challenges to the construction industry and real estate related businesses in Hong Kong and the PRC. Nonetheless, the Board considers that there are relatively more business opportunities arising from the policies implemented by the government of the PRC in the Greater Bay Area. Leveraging on the Group's existing network in the Greater Bay Area, the Board plans to establish companies in the PRC with a view to expand its scope of business upstream and downstream, including engaging in construction works, property management, leasing management, property investment, real estate development and the related business in the Greater Bay Area with Shenzhen as the focus. The Board believes that this will diversify the Group's business scope and its income sources in light of the evolving economic conditions. The Board considers focusing on selecting quality residential projects in the Greater Bay Area and commercial projects in the Shenzhen area, while employing a low leverage position to develop the aforementioned business scope.

The Group does not have any plan to terminate or dispose of its existing business and/or major operating assets. The Board will remain very vigilant in view of the ongoing China-US trade war and recent global economic downturn, and it will continue to explore potential business opportunities to bring long term value to the shareholders.

FINANCIAL REVIEW

Revenue

Our total revenue increased by approximately HK$69.7 million, or 46.5%, from approximately HK$150.0 million for the Previous Year to approximately HK$219.7 million for the Year. Such increase was mainly attributable to existing business expansion and new businesses of "property management services" and "property leasing and subletting services".

Leasing of construction machinery

Our Group's revenue generated from leasing of construction machinery recorded an increase by approximately HK$13.5 million, or approximately 16.2%, from approximately HK$83.5 million for the Previous Year to approximately HK$97.0 million for the Year. Such increase was mainly due to increase in the number of machines for leasing.

Trading of construction machinery

Our Group's revenue generated from trading of construction machinery recorded an increase by approximately HK$23.2 million, or approximately 53.2%, from approximately HK$43.6 million for the Previous Year to approximately HK$66.8 million for the Year. Such increase was mainly attributable to sales of new products and increase in demand from customers.

Transportation services

Our Group's revenue generated from transportation services decreased by approximately HK$5.0 million, or 21.8%, from approximately HK$22.9 million for the Previous Year to approximately HK$17.9 million for the Year, mainly attributable to decrease in demand from customers.

Property management services

Our Group began to expand into the property management segment in September 2018 and we recorded revenue of approximately HK$23.7 million. We will continue to expand our portfolio of properties under management in the coming year, in line with the Board's strategy to leverage our resources to expand into the Greater Bay Area.

Property leasing and subletting services

Our Group began to expand into the property leasing and subletting segment in July 2018 and we recorded revenue of approximately HK$14.4 million. We will continue to expand our portfolio of leasing and subletting services in the coming year, in line with the Board's strategy to leverage our resources to expand into the Greater Bay Area.

Cost of Sales and Services

Our Group's cost of sales and services amounted to approximately HK$144.2 million for the Year, representing an increase of approximately 60.2% (2018: approximately HK$90.0 million). Cost of sales and services mainly comprised costs of machinery and equipment and spare parts, cost of rent and management and office expenses, staff costs and depreciation.

The increase in cost of sales and services was in-line with the higher revenue generated for the Period and expansion in new business.

Gross Profit and Gross Profit Margin

Our Group's gross profit increased by approximately HK$15.6 million, or 26.0%, from approximately HK$60.0 million for the Previous Year to approximately HK$75.6 million for the Year, while our gross profit margin decreased from approximately 40.0% for the Previous Year to approximately 34.4% for the Year. The decrease in gross profit margin was due to lower profit margin in trading segment as a result of the increase in purchase cost of machinery and equipment and spare parts in trading segment by approximately HK$24.2 million, or 85.5% from approximately HK$28.3 million for the Previous Year to approximately HK$52.5 million for the Year.

Other Income and Gains

Our Group's other income and gains decreased by approximately HK$1.0 million, or 35.7%, from approximately HK$2.8 million gain for the Previous Year to approximately HK$1.8 million gain for the Year. The decrease in other income and gains was mainly attributable to gain on exchange decrease by approximately HK$1.0 million, or approximately 83.3% from approximately HK$1.2 million gain for the Previous Year to approximately HK$0.2 million gain for the Year.

Selling Expenses

Our Group's selling expenses increased by approximately HK$1.5 million, or approximately 44.1%, from approximately HK$3.4 million for the Previous Year to approximately HK$4.9 million for the Year, mainly due to salaries and commission expenses increase by approximately HK$1.5 million, or approximately 45.5%, from approximately HK$3.3 million for the Previous Year to approximately HK$4.8 million for the Year..

Administrative Expenses

Our Group's administrative expenses increased by approximately HK$7.7 million, or 33.5%, from approximately HK$23.0 million for the Previous Year to approximately HK$30.7 million for the Year. The increase in administrative expenses was mainly attributable to salaries expenses increase by approximately HK$4.2 million, or 87.5% from approximately HK$4.8 million for the Previous Year to approximately HK$9.0 million for the Year and new administrative set up to support the new business segments.

Finance Income

Our Group's finance income decreased by approximately HK$0.4 million or 57.1%, from approximately HK$0.7 million for the Previous Year to approximately HK$0.3 million for the Year, which was mainly attributable to bank interest rate decreased.

Finance Costs

Our Group's finance costs decreased by approximately HK$0.05 million, or 2.1%, from approximately HK$2.4 million for the Previous Year to approximately HK$2.4 million for the Year.

Income Tax Expense and Effective Tax Rate

Our Group's income tax expense increased by approximately HK$2.7 million, or approximately 42.2%, from approximately HK$6.4 million for the Previous Year to approximately HK$9.1 million for the Year, which is subject to higher tax rate in the PRC compared to Hong Kong tax rate.

Our Group's effective tax rate increased from approximately 18.4% for the Previous Year to approximately 23.0% for the Year, which was due to the fact that mainly attributable to obtain the profit from new business segment.

Net Profit and Net Profit Margin

Our Group's net profit increased by approximately HK$2.4 million, from approximately HK$28.2 million for the Previous Year to approximately HK$30.6 million for the Year, representing a net profit rise of approximately 8.5%.

Our Group's net profit margin were approximately 13.9% for the Year and 18.8% for the Previous Year, where the decrease was mainly due to the reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The Group financed its operations through a combination of cash flow from operations, borrowings and obligations under finance leases and loans from a shareholder. As at 31 March 2019, the Group had cash and bank balances of approximately HK$196.0 million (2018: approximately HK$63.3 million) which were mainly denominated in HK$, and had borrowings of approximately HK$46.4 million (2018: approximately HK$55.9 million) and obligations under finance leases of approximately HK$11.1 million (2018: approximately HK$12.0 million) respectively that were mainly in HK$ and had loans from a shareholder of approximately HK$74.6 million (2018: nil) which were mainly denominated in Renminbi ("**RMB**").

Gearing ratio is calculated as net debt divided by total equity at the end of the reporting period. Net debt is calculated as total borrowings and total obligations under finance leases less cash and bank balances and restricted cash. As at 31 March 2019, the gearing ratio was not applicable due to the net cash position (2018: same).

As at 31 March 2019, our Group's total current assets and current liabilities were approximately HK$261.5 million (2018: approximately HK$141.6 million) and approximately HK$235.3 million (2018: approximately HK$80.6 million) respectively. Our Group's current ratio decreased to approximately 1.1 times as at 31 March 2019 (2018: 1.8 times). The current ratio decreased mainly due to other payable for acquisition of property usage rights of approximately HK$56.5 million.

PLEDGE OF ASSETS

As at 31 March 2019, property, plant and equipment amounting to approximately HK$99.6 million (2018: approximately HK$87.3 million) was pledged for the Group's bank borrowings.

CAPITAL STRUCTURE

As at 31 March 2019, the total issued share capital of the Company was approximately HK$12.4 million representing 1,239,000,000 ordinary shares of HK$0.01 each.

CAPITAL EXPENDITURE

The total capital expenditure incurred for the Year amounting to HK$76.2 million (2018: HK$120.7 million) which was mainly used in purchase of machinery for our leasing business. While the purchase of property, plant and equipment of approximately HK$56.1 million (2018: approximately HK$120.7 million) was settled by cash and purchase of machinery and equipment of approximately HK$9.5 million were under finance leases.

CURRENCY RISK

Certain transactions of the Group are denominated in currencies which are different from the functional currencies of the Group's principle subsidiaries, namely, HK$ and RMB, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its purchases from suppliers are generally denominated in HK$, JPY, USD, EUR and RMB. Payments received by the Group from its customers are mainly denominated in HK$ and RMB.

The Group does not have a foreign currency hedging policy. However, the Group will continue to monitor closely its exposure to currency movement and take proactive measures.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at the end of the reporting period (31 March 2018: Nil).

CAPITAL COMMITMENTS

Our capital commitments consist primarily of purchase of construction machinery for leasing purpose and payable for leasehold improvements. As at 31 March 2019, there were HK$13.9 million (2018: HK$24.1 million) and HK$23.2 million capital commitments of machinery and equipment and leasehold improvements contracted but not provided for.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, our Group had 212 staff members (2018: 61). The total staff costs incurred by our Group for the Year were approximately HK$34.0 million (2018: approximately HK$23.7 million). The increase in staff costs was mainly due to increase in headcount and salary increment for the Year.

Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory provident funds scheme in HK and contribute an amount to certain retirement benefit schemes of those employees in the PRC.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

On 24 December 2018, the Group entered into an agreement for the acquisition of the entire equity interest in and the assignment of the shareholder's loan owned by Shenzhen Jimaoshun Trading Company Limited* (深圳市吉茂順貿易有限公司), whose wholly-owned subsidiary Lufeng Yinzhou Development Company Limited* (陸豐市銀州發展有限公司) owned the building ownership rights in respect of approximately 13,000 square meters of the DDM Mall. The consideration payable in respect of the acquisition and assignment was RMB49.0 million. The consideration would be settled after the condition precedents had been fulfilled, and funded by Mr. Xu Chujia, the chairman of the Board, an executive Director and the Company's controlling shareholder. The loan carries a term of five years, carries no interest and may be repaid by the Group any time prior to maturity. For details, please refer to the announcement of the Company dated 24 December 2018 in relation to a discloseable transaction.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company have been listed on the Stock Exchange since 10 February 2017 (the "**Listing Date**"). The receipt of proceeds net of listing expenses upon the Listing were approximately HK$109.4 million. As at 31 March 2019, the net proceeds had been utilised as follows:

		Net Proceeds utilised			
	Net proceeds to be applied to the intended uses after the reallocation disclosed in the announcement dated 22 October 2018	**Up to 22 October 2018**	**During the period from 23 October 2018 to 31 March 2019**	**Up to 31 March 2019**	**Net proceeds remaining unutilised as at 31 March 2019**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Expansion of our leasing fleet	102.4	(69.5)	(31.4)	(100.9)	1.5
Expansion of our transportation fleet	3.7	(3.7)	(–)	(3.7)	–
General working capital	3.3	(1.3)	(–)	(1.3)	2.0
Total	109.4	(74.5)	(31.4)	(105.9)	3.5

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There were no purchase, redemption or sale by the Company or any of its subsidiaries of the listed securities of the Company for the Year.

SHARE OPTION SCHEME

The Company's share option scheme ("**Share Option Scheme**") was adopted pursuant to the written resolutions passed on 23 January 2017. From the date of the adoption of the Share Option Scheme and up to the end of the reporting period, no share option has been granted, or agreed to be granted, under the Share Option Scheme.

OTHER INFORMATION

Corporate Governance Practices

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as our corporate governance practices. The Company had complied with all code provisions set out in the CG Code throughout the Year, except for the following deviations:

According to code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular Board meeting to give all Directors an opportunity to attend.

During the Year, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and carry out expeditious decision-making in respect of transactions or other matters which were of significance to the Group's business. As a result, the Board meetings were held with a shorter notice period than required with the consent of all Directors for that time being.

The Board will use its best endeavor to meet the requirements of the CG Code in the future.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made enquiries to all Directors regarding any non-compliance with the Model Code.

All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the Year.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary results announcement.

Review by Audit Committee

The annual results of the Group for the Year have been reviewed by the audit committee of the Company.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting ("**AGM**") of the Company to be held on Friday, 6 September 2019, the register of members of the Company will be closed from Tuesday, 3 September 2019 to Friday, 6 September 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019), for registration no later than 4:30 p.m. on Monday, 2 September 2019.

Publication of the Results Announcement and Annual Report

This results announcement is published on the Company's website (https://www.szzhaobangji.com) and the website of the Stock Exchange (http://www.hkex.com.hk).

The annual report of the Company for the Year will also be available at the respective websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in late July.

By Order of the Board
Zhaobangji Properties Holdings Limited
Xu Chujia
Chairman and Executive Director

Hong Kong, 28 June 2019

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Xu Chujia, Mr. Wu Hanyu, Mr. Cai Chun Fai, Mr. Li Yan Sang and Mr. Zhao Yiyong; two non-executive Directors, namely, Ms. Zhan Meiqing and Professor Lee Chack Fan, G.B.S., S.B.S., J.P.; and six independent non-executive Directors, namely, Mr. Cheng Yiu Tong G.B.M., G.B.S., J.P., Mr. Hui Chin Tong Godfrey, Mr. Sze-to Kin Keung, Mr. Wong Chun Man, Mr. Ye Longfei and Mr. Zhang Guoliang.