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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Chi Ching *(Chairman)*
Ms. Wu Shuk Kwan *(Chief Executive Officer)*

Non-executive Director
Mr. Wong Chung Yeung

Independent non-executive Directors
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

BOARD COMMITTEES

Audit committee
Mr. Ng Ki Man *(Chairman)*
Ms. Li On Lei
Mr. Lo Siu Kit

Nomination committee
Mr. Liu Chi Ching *(Chairman)*
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

Remuneration committee
Ms. Li On Lei *(Chairman)*
Mr. Liu Chi Ching
Mr. Ng Ki Man
Mr. Lo Siu Kit

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Liu Chi Ching
Ms. Yim Sau Ping

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Room Nos. 4101-04, 41/F, Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop No. A-B, 1/F
Sunking Factory Building
No. 1-7 Shing Chuen Road
Shatin
New Territories
Hong Kong

PRINCIPAL BANKS

OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited

STOCK CODE

1854

COMPANY'S WEBSITE

www.cyfood.com.hk

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Goal Forward Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to present the annual report of our Group for the year ended 31 March 2020.

OVERVIEW

In the second year since our transfer (the "**Transfer**") from GEM to the Main Board of The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**"), the macro business environment is ever challenging with the outbreak of coronavirus disease (the "**COVID-19**"). Given the adversity of the general catering business environment and with the class suspension and temporary closure of schools in Hong Kong in the early 2020, it results in a lower demand of food ingredients required from food service operators. Our stakeholders including but not limited to our suppliers, airfreight service providers and customers are also affected by a certain degree due to restriction measures and reduction of international flights. In view of the market volatility, our Group has made necessary adjustment to the operations to cope with the changes.

To assure the sustainability of our operations, we have adopted a prudent approach to the expansion opportunities in Hong Kong and Macau for the second half of the year. Our Group has actively implemented various measures to mitigate risks and impacts, and seek to lower the operating costs such as by reinforce the controls to our receivables, review our procurement processes and negotiate with the suppliers, and consolidate parts of our operations processes to minimize the costs. We hope the measures will sustain our market position over the epidemic situation and remain forefront among the industry.

RESULTS OF THE YEAR

Our Group principally engages in the sourcing, processing and supplying of food ingredients with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. The adversity in general catering business environment, the closure of schools in Hong Kong and the outbreak of COVID-19 over the year have greatly affected food service operators which simultaneously resulted a lower demand of food ingredients. For the year ended 31 March 2020, our Group generated a total revenue of approximately HK$154.1 million as compared to approximately HK$185.9 million for the year ended 31 March 2019, and a net loss of approximately HK$4.7 million for the year ended 31 March 2020 as compared to a net profit of approximately HK$16.1 million for the year ended 31 March 2019.

CHAIRMAN'S STATEMENT

PROSPECT

In view of the uncertainties brought by the outbreak of COVID-19, coupled with the reduction of overseas and mainland China visitors into Hong Kong and the restriction controls of the dine-out seating arrangement, we do anticipate that the operating pressures for food service industry may likely to persist moving forward until there are signs of controlled infectious rate globally. Although side opportunities arise with the increase of reliance on processed ingredients due to the reduction of labour for catering outlets, it may not fully compensate the loss from the temporary ripple effects of social distancing and reduced visitors in Hong Kong. Therefore, while our Group will continue to monitor the market closely and make necessary changes to the operations in order to adapt to the current market instability, we will also be cautious in selecting any potential investment opportunity ahead.

With the lower demand of food ingredients from food service operators, to sustain our market position in Hong Kong, our Group will also explore further opportunities in the retail segment and original equipment manufacture (OEM) service, therefore to seek to expand our service scope and product offerings, and continue to create long-term values to our shareholders and investors.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all shareholders, investors and business partners for their continuous support to our Group. I would also like to express my appreciation to all Directors, management and staff for striving through the challenges under the difficult business environment. We shall continue to perform and take our Company to the forefront in the industry and maximize values for our shareholders.

Liu Chi Ching
Chairman and Executive Director

Hong Kong, 23 June 2020

BUSINESS REVIEW

The Group is principally engaged in the sourcing, processing and supplying of food ingredients with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. It supplies food ingredients to over 480 customer outlets and offers more than 1,300 types of food ingredients to the customers.

For the year ended 31 March 2020, the Group recorded a net loss of approximately HK$4.7 million as compared to net profit of approximately HK$16.1 million for the same period in 2019. The Directors are of the view that the loss for the year ended 31 March 2020 was mainly attributable to the (i) the decrease in revenue and (ii) decrease in gross profit margin.

OUTLOOK

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange by way of placing (the "**Listing**") on 13 October 2016 (the "**Listing Date**") and have been listed on the Main Board of the Stock Exchange by way of transfer of listing (the "**Transfer of Listing**") since 21 March 2019. The Directors believe that the Listing could enhance the profile and recognition of the Group and its products and services and hence further strengthen the existing and potential customers' and suppliers' confidence in the Group. The Directors also believe the Transfer of Listing could broaden the investor base and enhance the corporate profile further. The Group could further expand and optimize its products and services, as well as creating long-term value to our shareholders.

The outbreak of the COVID-19 in early 2020 has adversely affected the catering industry significantly. Further, the social and political tension in the society has continued to pose challenges to the general catering business environment. In view of the above challenges, the Group will continue to closely monitor the market conditions, explore new sources of vegetables and fruits supplies, fine-tune its product mix and implement cost management measures accordingly. The Group shall sustain its competitiveness within the market and shall continue to strive to achieve the business objectives as stated in the prospectus of the Company dated 30 September 2016 (the "**Prospectus**").

Revenue

The Group's revenue for the year ended 31 March 2020 was approximately HK$154.1 million, representing a decrease of approximately 17.1% from approximately HK$185.9 million for the year ended 31 March 2019, which was primarily attributable to (i) the adversity of the general catering business environment and (ii) the class suspension and temporary closure of schools, resulting in a lower demand of food ingredients from the food service operators.

Cost of sales

The Group's cost of sales for the year ended 31 March 2020 was approximately HK$134.9 million, representing a decrease of approximately 5.0% from approximately HK$142.0 million for the year ended 31 March 2019, primarily attributable to (i) the lower demand of food ingredients from food service operators and (ii) the increase of the cost of raw materials that were of lower supply from certain regions.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2020 was approximately HK$19.2 million, representing a decrease of approximately 56.4% from approximately HK$44.0 million for the year ended 31 March 2019. The Group's gross profit margin for the year ended 31 March 2020 was approximately 12.5%, representing a decrease of approximately 11.2 percentage points as compared to approximately 23.7% for the year ended 31 March 2019. The decrease in gross profit margin was mainly due to (i) decrease in revenue and (ii) the rise of the cost of raw materials.

Selling and administrative expenses

The Group's selling and administrative expenses for the year ended 31 March 2020 were approximately HK$21.5 million, representing a decrease of approximately 8.5% from approximately HK$23.5 million for the year ended 31 March 2019, primarily due to the decrease in professional fee from approximately HK$4.5 million for the year ended 31 March 2019 to approximately HK$1.2 million for the year ended 31 March 2020 in relation to the Transfer of Listing.

Finance costs

Finance costs of the Group increased by approximately 100.0% from approximately HK$0.5 million for the year ended 31 March 2019 to approximately HK$1.0 million for the year ended 31 March 2020. The increase in finance costs was mainly attributable to increase in average bank borrowings balance during the year ended 31 March 2020.

Share of loss of a joint venture

During the year ended 31 March 2020, the Group recorded a share of loss of a joint venture of approximately HK$146,000 as compared with loss of approximately HK$2,000 for the year ended 31 March 2019.

(Loss)/Profit attributable to equity holders of the Company

As a result of the foregoing, the Group's loss attributable to equity holders of the Company for the year ended 31 March 2020 amounted to approximately HK$4.7 million, as compared with profit of approximately HK$16.1 million for the year ended 31 March 2019.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 31 March 2020.

Expansion of logistic team

Acquire seven additional chilled 5.5 tonne trucks and two non-chilled 5.5 tonne trucks	Five chilled trucks and two non-chilled trucks have been acquired to fulfill the needs of operations. Due to adversity of the general business environment, the acquisition schedule is deferred
Recruit eighteen additional distribution staff responsible for driving and delivering	Due to adversity of the general business environment, the recruitment schedule has been deferred
Maintain the cost of additional trucks acquired and distribution staff recruited	Portion of proceeds were used to maintain the cost of additional trucks acquired and distribution staff recruited but not fully utilised due to a delay in the schedule as explained above

Enhancement of sales channels

Enhance the sales channels such as upgrading of mobile sales application and developing an internet sales platform	Enhancement of sales channel which requires modification of the existing application system and such modifications required longer time than expected

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its Listing on 13 October 2016 through a placement of 320,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.225 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$47.8 million. Up to 31 March 2020, the net proceeds from the Listing had been applied as follows:

	Planned use of proceeds from Listing Date to 31 March 2020 HK$ million	Actual use of proceeds from Listing Date to 31 March 2020 HK$ million	Unutilised net proceeds up to 31 March 2020 HK$ million
Acquisition of new processing base, facilities and equipment	23.7	23.7	–
Further strengthening the manpower	9.1	9.1	–
Expansion of logistic team	9.7	8.6	1.1
Enhancement of sales channels	0.5	–	0.5
General working capital	4.8	4.8	–
Total	47.8	46.2	1.6

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

As at 31 March 2020, approximately HK$46.2 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds were deposited in licensed banks in Hong Kong. The Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market conditions to attain sustainable business growth of the Group.

CAPITAL STRUCTURE

The Company successfully transferred the listing of its Shares from GEM to the Main Board of the Stock Exchange on 21 March 2019. Save for the share repurchase as disclosed under the section headed "Other Information – Purchase, sale or redemption of listed securities of the Company", there has been no change in the capital structure of the Group since the Listing Date and up to the date of this report. The capital of the Company only comprises of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and bank borrowings.

As at 31 March 2020, the Group had borrowings of approximately HK$48.5 million which was denominated in Hong Kong dollars (31 March 2019: HK$26.7 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations and purchase of the existing premises.

As at 31 March 2020, the Group had bank balance and cash of approximately HK$32.8 million (31 March 2019: HK$24.7 million). The Group had no bank overdraft as at 31 March 2020 (31 March 2019: Nil). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

As at 31 March 2020, the gearing ratio of the Group was approximately 47.8% (31 March 2019: 24.2%). The increase in gearing ratio was due to increase in bank borrowings. Gearing ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings and total lease liabilities. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

CHARGE ON GROUP ASSETS

As at 31 March 2020, the Group has pledged its leasehold land under right-of-use assets and buildings with net book value amounted to approximately HK$59.9 million (31 March 2019: HK$54.4 million), for certain banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report and the Prospectus, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2020. There is no other plans for material investments or capital assets as at 31 March 2020.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is a food ingredients supplier and most of its transactions are settled in Hong Kong dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

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

COMMITMENTS

Contractual commitments mainly involve rental payable by the Group in respect of the processing facilities and parking lots under non-cancellable leases. From 1 April 2019, the Group recognised right-of-use assets for these leases, except for short-term leases and low-value leases. As at 31 March 2020, the Group's lease commitments were approximately HK$102,000 (31 March 2019: HK$872,000).

As at 31 March 2020, there are no capital commitments in respect of acquisition of property, plant and equipment (31 March 2019: Nil).

SEGMENT INFORMATION

The Group principally operates in one business segment, which is the sourcing, processing and supplying of food ingredients to food service operators in Hong Kong.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (31 March 2019: Nil).

INFORMATION ON EMPLOYEES

As at 31 March 2020, the Group had 77 employees working in Hong Kong (31 March 2019: 98). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the years ended 31 March 2019 and 2020 amounted to approximately HK$22.3 million and HK$21.9 million respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits.

Trade receivables are substantially from local food service operators with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks. The Group is subject to concentration of credit risk with respect to trade receivables as 65.4% of the total trade receivables were due from the largest five customers as at 31 March 2020 (31 March 2019: 56.2%). In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, the management communicates to the customers on the expected repayment terms with significant overdue balance and believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers based on the long-term relationship had no history of default. For the year ended 31 March 2020, the Group has made provision of approximately HK$721,000 for impairment of trade receivables (31 March 2019: approximately HK$95,000), based on assessment of the credit history of the customers and the current market condition.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated in the statement of financial position. For details of credit risk, please refer to note 3.1(a) to the consolidated financial statements.

Liquidity risk

As at 31 March 2020, 100% of the Group's financial liabilities were due within the next 12 months or carried a repayment on demand clause from the end of each reporting period for the year ended 31 March 2020 (31 March 2019: 100%). Based on the agreed scheduled repayments set out in the loan agreements of bank borrowings with a repayment on demand clause, 78.7% of the Group's financial liabilities were matured at more than 1 year from the end of each reporting period for the year ended 31 March 2020 (31 March 2019: 66.7%). The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable the Group to meet its normal operating and capital commitments. For details of the liquidity risk, please refer to note 3.1(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the values in protecting the natural environment for the benefits of earth. The Group has implemented a wide variety of green measures, including responsible use of resources, energy saving program, waste management and carbon emissions reduction to alleviate the intensity of environmental impact to the community. To help conserve the environment, the Group implements green practices such as papers are reused and recycled, paper waste is separated from other waste for easier collection, recycle paper waste instead of direct disposal at landfill, reduce energy consumption by replaced majority of the lighting system of the processing factory with LED lights and switching off air conditioning and electrical appliances upon used. The Group's operations were in compliance with all material aspects with currently applicable environmental protection laws and regulations in Hong Kong during the year.

For details of environmental, social and governance performance of the Group, please refer to the "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2020, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 March 2020, there was no material or significant dispute between the Group and its suppliers, customers and/or stakeholders.

OVERVIEW

This Environmental, Social and Governance (the "**ESG**") Report (the "**Report**") of the Group for the year ended 31 March 2020 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 of Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Corporate governance is addressed separately in the Corporate Governance Report.

Reporting Scope

The Report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of the Group.

The content of the Report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, our performance, and key performance indicators ("**KPIs**"). The reporting period of this report shall cover the date from 1 April 2019 to 31 March 2020.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the Board on 23 June 2020.

About the Group

The Group operates in Hong Kong and is principally engaged in the sourcing, processing and supplying of food ingredients with a focus on the provision of vegetables and fruits to over 480 customer outlets across Hong Kong. Particulars of the Group's principal entities are set out in note 28 to the consolidated financial statements for the year ended 31 March 2020.

Our Strategy

In addition to generating economic return for our stakeholders, the Group is also committed to fulfilling its social responsibilities. As part of our core values, it is our goal to safeguard the environment, provide a friendly workplace for our employees, and contribute to the local community.

We integrate environmental and social considerations into the Group's daily operations as summarized below:

Environmental Objectives

- Include environmentally-friendly practices to the daily operation activities;
- Reduce greenhouse gas emissions;
- Utilise energy and resources efficiently; and
- Continuously improve waste management

Social objectives

- Respect the rights of employees and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation

The Group executes its environmental and social strategy and achieves its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance with a balance view;
- Disclose KPIs as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

Our environmental and social management system comprises of the following:

- Direction from the Board to fulfil the ESG responsibilities;
- Routine execution of environmental and social strategy and achieving its objectives by senior management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance of environmental and social laws and regulations;
- Review and monitoring of ESG risks management and internal control systems by the Board; and
- Reporting and disclosure of the Group's performance and KPIs

To measure the achievements of our environmental and social objectives, the following aspects are taken into consideration:

- Environmental policies;
- Social policies;
- Checklists for compliance with applicable environmental and social laws and regulations;
- Mandatory documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and reviewed regularly by the Directors to keep track of the Group's ESG performance.

The Group has established a set of procedures for identification and mitigation of potential environmental impacts associated with its operations. As the first step, key environmental impacts are identified with the assistance of local authorities, local communities and conservation organizations. In case any of the identified environmental impacts cannot be avoided, the Group will work closely with relevant stakeholders and regulatory authorities to develop suitable mitigation measures and compensation where applicable.

Stakeholder Engagement

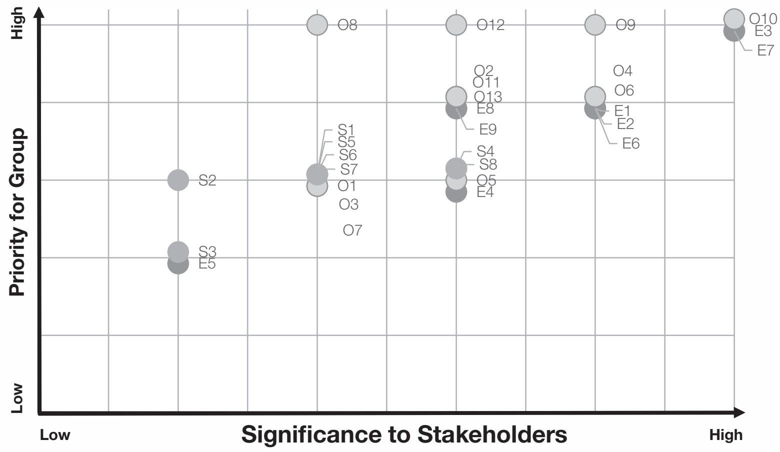
Stakeholder engagement is a key success factor in the formulation of our environmental and social strategy. It helps us define our key objectives and establish relevant policies, as well as to identifying and assessing areas of materiality. Our key stakeholders include customers, suppliers, employees, and managerial personnel. Through the use of surveys and discussions, we communicate with stakeholders to understand their views, which enables us to provide effective responses to better suit their needs and expectations. Stakeholder inputs are consolidated and prioritised accordingly for us to continuously improve our performance and provide better value to our stakeholders, community and the public as a whole.

Stakeholders	Expectations and Concerns	Engagement Channels
Customers	• Quality of products and services	• After-sales services • Feedback channels
Employees	• Staff salary and benefits • Health and safety of working environment • Training and development	• Training • Performance review and interviews • Internal announcements and publications • Suggestion box
Suppliers	• Timely payment for supplied goods/services	• Site visit
Shareholders	• Corporate governance • Return on investment	• Annual general meetings • Annual and interim reports • Press releases and announcements
Community	• Community involvement • Environmental protection awareness	• Community activities • Subsidies and charitable donations

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please kindly send it to the Group through its communication channels published on the Company's website at www.cyfood.com.hk.

Materiality Assessment

The Group has performed a materiality assessment, covering a variety of topics related to our social, operational and environmental performance. The objective of the assessment is to identify the key concerns and interests of the Group's internal and external stakeholders. The results of the assessment are consolidated in the form of a materiality matrix as shown below:



E1 Raw Materials Management

E2 Wastewater Management

E3 Energy Management

E4 Air Emission Management

E5 Expenses on Environmental Protection

E6 Waste Management

E7 Greenhouse Gases Management

E8 Environmental Compliance

E9 Green Product Management

O1 Supplier Management

O2 Innovation and Intellectual Property Rights

O3 Product Quality Management

O4 Product Health and Safety

O5 Anti-competitive behaviour management

O6 Product Sales and Labelling

O7 Occupational Safety and Health

O8 Data Security and Customer Privacy Management

O9 Generation of Economic Value

O10 Anti-Corruption

O11 Company profitability

O12 Anti-discrimination

O13 Customer Satisfaction

S1 Child Labour and Forced Labour Management

S2 Diversity and Equal Opportunity

S3 Human Right Protection

S4 Talent Management

S5 Social and Economic Compliance

S6 Training and Development

S7 Community Relations

S8 Employee communication

ENVIRONMENT

The Group recognises the values in protecting the natural environment for the benefit of Earth. We are committed to develop and manage our business in an environmentally responsible way to limit any negative impacts to ecosystems.

Use of Resources

The Group acknowledges that efficient consumption of resources, including energy, water and other raw materials, is crucial for the protection of the environment. Resource consumption associated with various aspects on our operation, such as production, storage, transportation, buildings, and electronic equipment, are closely monitored to ensure effective use of resources. For example, during the procurement process of raw materials, the Group purchases in bulk where possible to minimize emissions associated with transportation.

Electricity and water consumption data presented in the following sections are referred to bills from utility providers. Minor discrepancies may exist between the billing cycles and the reporting period of this report which we believe does not constitute significant materiality to the results. To address the minor discrepancies, we have undertaken our best efforts to present an accurate estimate of our consumption during the reporting period by performing minor interpolation and extrapolation based on the raw data.

Electricity

The Group has established policies and procedures to reduce electricity consumption at the facilities, including assessment of energy efficiency, increase in the use of clean energy, and where possible, set targets to monitor energy consumption. During non-production hours, the Group advocates to minimize utilization of lighting and electric equipment as much as possible to reduce energy usage.

Procurement of electrical appliances with high energy efficiency rating will be prioritized over those with lower energy efficiency performance. Majority of the lighting systems in the processing factory are installed with LED lights. Also, we promote the use of devices capable of performing multiple functions (such as one device handling all of printing, scanning, photocopying and fax) to reduce the quantity of electrical equipment and associated energy consumption at our facilities. Furthermore, it is ensured that power supply is turned off when electrical appliances are not in use.

During the reporting period, the Group has consumed 825,390 kWh of electricity (2019: 741,708 kWh). The increase of electricity consumption is primarily due to 1.) increased use of electrical equipment for the production of food ingredients to reduce direct human contact and 2.) addition of refrigerated storage facility.

Fossil Fuels

The Group believes green logistics provide benefits for both the nature and the Company, considering the simultaneous reduction of transportation costs, energy consumption and associate pollution. To achieve this, the Group requires the trucks to be loaded to the optimal capacity for long-distance transportation. The Group also encourages optimising transportation routes and to fill our trucks at high capacity to reduce the overall travel distance. In addition, the Group's vehicles are serviced regularly to ensure good working conditions, and annual emission tests are performed to confirm compliance against vehicle emission standards.

Employees are encouraged to maintain optimal tire pressures for vehicles, as well as to avoid engine idling where possible, to limit fossil fuel consumptions and associated emissions. Filters, air vents and ducts are to be regularly cleaned to ensure good airflow and efficient fuel combustion. The Group also reminds employees to consider the environmental impacts in their daily commuting decisions to reduce air and greenhouse gas emissions.

During the reporting period, the Group has consumed 5,056 litres of petrol and 46,580 litres of diesel (2019: 2,820 L petrol, 59,244 L diesel). The change in petrol and diesel consumption is mainly due to reassignment of delivery routes.

Water

Water consumption has a direct effect on the environmental footprint of the Group, as well as impacts on operational costs. Policies are in place to control the usage of water to limit wastage at the Group's facilities, including the food processing factory, logistics centre, warehouse, and offices.

For example, employees are encouraged to turn off water taps upon used, to check faucets and pipes for any potential leakage and to adopt the use of water saving appliances.

Apart from slicing, sorting and packaging of foods, our food processing procedures also involve a large amount of washing and peeling work. Water consumption in food processing is monitored closely so that the objective of saving water can be achieved.

Also, during the planning stage of the Group's projects, water availability assessment is performed to assess water supply sustainability, including the likelihood of water scarcity at in the future. It is also of priority to ensure necessary engagements are arranged with stakeholders of local water resources.

Based on the latest practicable data, it was estimated that the total quantity of water consumed by the Group during the reporting period was 10,261 cubic metres (2019: 6,120 cubic metres). The increase of water consumption is mainly due to the commencement of our new production factory in Kwai Chung since January 2019, hence resulting in increased overall water usage during the reporting period.

Packaging Materials

The disposal of products and packaging materials at the end of a consumption phase is a growing environmental challenge. The Group endeavours to adopt the lifecycle assessment approach to consider the environmental impact of products and packaging materials throughout their lifecycle, from covering material selection, acquisition, processing, consumption, disposal, and recycling. A "design for manufacturing" approach has also been adopted with the objective of optimizing project design to minimize resources needed during manufacturing and assembly processes. The Group encourages employees to use recycled or renewable material for packaging, and have an aim to design the packaging to be returnable, reusable, and renewable where possible.

During the reporting period, a total of 24 tonnes of packaging material, consisting primarily of bags and containers for delivery purposes, was used by the Group (2019: 24 tonnes).

Greenhouse Gases and Air Emissions

Consumption of fossil fuels and purchased electricity results in the emission of various compounds into the atmosphere which are responsible for air pollution, including nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**"), particulate matter. In addition, certain gases commonly released into the atmosphere have the ability to absorb and re-emit infrared radiation which intensifies the Greenhouse Effect. Such gases are commonly referred to as Greenhouse Gases, and examples of them include carbon dioxide, methane, nitrous oxide, chlorofluorocarbons (CFCs), hydrofluorocarbons (HCFCs), perfluorocarbons and sulphur hexafluoride. Greenhouse gas emissions, also referred to as carbon footprints, are commonly presented in the form of metric tons of equivalent carbon dioxide (CO2e), which takes into account the aggregate contribution from the emissions of the various greenhouse gases.

We have estimated our greenhouse gas and air emissions based on our consumption from various energy sources, including petrol and electricity which were identified to be the most significant sources of emission. Based on the energy consumption data, emissions factors associated with each form of energy consumption, obtained from credible sources, were used to determine our overall carbon footprint during the reporting period. In addition, the amount of CO2e corresponding to emissions of other greenhouse gases such as methane, nitrous oxides and refrigerants were considered and determined using Global Warming Potential (GWP) figures associated with the respective substances.

The emissions of various air pollutants and greenhouse gases by the Group's operations during the reporting period are summarized in the following sections of the report.

Direct Emissions from Fossil Fuel Consumption

In view of the Group's business nature, no significant direct emissions were generated from the production process. The majority of our direct emissions originate from transportation vehicles (such as vans and trucks), which are used for the delivery of products to customers. During the reporting period, a total of 142 tonnes CO2e of greenhouse gases was directly emitted from fuel consumption associated with the Group's operations (2019: 158 tonnes). In addition, 447.7 kg of nitrogen oxides (NOx), 0.8 kg of sulphur oxides (SOx) and 1.3 kg of particulate matter (PM) (2019: 544.0 kg NOx, 1 kg SOx, 1.5kg PM).

Direct Greenhouse Gas Emissions from Fugitive Emissions of Refrigerants

During the reporting period, 41kg of refrigerant (R-404A) emissions was recorded by the Group (2019: 52kg). With the consideration of the Global Warming Potential (GWP) for the refrigerant (3,260), the equivalent greenhouse gas emission was determined to be about 133 tonnes CO2e (2019: 170 tonnes).

Indirect Emissions from Electricity Consumption

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various power-saving policies have been established to reduce the electricity consumption by the Group. The Group encourages staff members to switch off lights upon idle, maintain lamps conditions, install energy-efficient lighting, and make use of standby mode for all electrical appliances, including computers, photocopiers and printers to limit electricity consumption when they are not in use. Air conditioning is required to be set no lower than 25 ℃ in summer. The Group also requires windows and doors remain properly closed while air-conditioning is on, and the air-conditioners are to be switched off after office hours or after the usage of meeting rooms. Operating performance of office air conditioning systems are regularly inspected for leaks and operation efficiency.

The equivalent greenhouse gas emissions associated with the Group's electricity consumption during the reporting period is 520 tonnes of CO2e (2019: 467 tonnes).

Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills

In order to minimise indirect emissions relating to paper waste deposited at landfills, the Group encourages employees to apply the use of computer technology such as emails and data storage devices to reduce paper consumption. Unnecessary printing or copying on paper is to be avoided. In case printing is required, our employees are recommended to make use of efficient document formatting and duplex printing to optimise paper usage. Recycling boxes have been provided next to photocopiers for collection of paper for reuse/recycle. The Group consumed 1.2 tonnes of paper (2019: 2.1 tonnes) during the reporting period, which contributes to 5.8 tonnes of equivalent CO2 emission (2019: 10.2 tonnes).

Indirect Greenhouse Gas Emissions from Business Travel by Employees

The Group recognises the environmental impacts from indirect greenhouse gas emissions associated with business travel by employees, and encourages employees to utilise teleconference instead of overseas meetings and adopt rail travel rather than where feasible to reduce the carbon footprint of business travel. During the reporting period, no instances of business air travel was recorded as part of the Group's operations.

Waste Management

Our internal guidance encourages employees to handle generated waste in a proper and environmentally friendly manner.

Hazardous Waste

Hazardous wastes include substances which may pose substantial or potential treats to the public health and environment. Examples of such wastes include chemicals, heavy metals, medical waste and radioactive materials. As per waste disposal regulations in Hong Kong such as Cap.354 Waste Disposal Ordinance, it is required for hazardous wastes to be separated and recorded for collection by authorized hazardous waste collectors. Retirement of fluorescent lamps and electronic equipment such computers, printers and fax machines, which may contain traces on hazardous materials, is performed by recyclers registered under the Environmental Protection Department. The Group participates in official recycling programs for safe disposal of hazardous waste, including Computer Recycling Program, Waste Electrical and Electronic Equipment (WEEE) Recycling Program, Fluorescent Lamp Recycling Program, and Rechargeable Battery Recycling Program.

Due to the nature of the Group's food processing business, no significant quantity of hazardous waste was generated during the reporting period.

Non-hazardous Waste

Non-hazardous waste produced from operation includes food waste, domestic waste and packaging waste from the processing factory, logistics centre, warehouse and offices. The Group promotes waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with an option to be upgraded and with longer life-spans, and to have recyclers for collection of recyclables.

A number of policies are in place at our offices to reduce waste generation during day-to-day operations. For example, we provide our employees with in-house prepared meals, as part of fringe benefits, to reduce the amount of packaging waste, and stationaries (such as paper clips, folders and binders) are reused as much as possible to reduce wastage.

The Group donates vegetables and fruits with minor cosmetic defects or close to the end of their shelf life to local food rescue organizations. This initiative not only reduces unnecessary food waste, but it also provides food support to those in need.

Packaging waste, including plastic and paper waste, is separated for collection and recycled by recycling companies.

In total, the Group generated 22 tonnes of non-hazardous waste during the reporting period (2019: 30 tonnes).

Summary

The consolidated data on key performance indicators (KPIs) regarding emissions and resource consumption by the Group during the reporting period is summarized below:

Environmental KPIs			
Category	**Unit**	**2018-2019**	**2019-2020**
Energy Consumption			
Total Energy Consumption	GJ	5,059	4,948
Petrol Consumption	GJ (L)	98(2,820)	175(5,056)
Diesel Consumption	GJ (L)	2,292(59,244)	1,802(46,580)
Electricity Consumption	GJ (kWh)	2,670(741,708)	2,971(825,390)
Total Consumption Intensity	GJ/t of finished products	0.51	0.60
Greenhouse Gas Emissions			
Total Greenhouse Gas (GHG) Emissions	t CO_2e	808	806
Scope 1 – Direct Emissions	t CO_2e	327	274
Carbon Dioxide (CO2) Emissions	t	147	123
Methane (CH4) Emissions	t	0.005	0.011
Nitrous Oxide (N2O) Emissions	t	0.033	0.057
Refrigerant Emissions	t	170	133
Scope 2 – Energy Indirect Emissions	t CO_2e	467	520
Scope 3 – Other Indirect Emissions	t CO_2e	13.9	12.1
Paper Waste Disposed At Landfills	t CO_2e	10.2	5.8
Fresh Water Processing	t CO_2e	2.5	4.1
Sewage Processing	t CO_2e	1.2	2.1
Total Greenhouse Gas (GHG) Emissions	t CO_2e/t of finished products	0.08	0.10
Air Emissions			
Nitrogen Oxides (NOx) Emissions	kg	544.0	447.7
Sulphur Oxides (SOx) Emissions	kg	1.0	0.8
Particulate Matter Emissions	kg	1.5	1.3

Environmental KPIs			
Category	**Unit**	**2018-2019**	**2019-2020**
Waste Management			
Total Hazardous Waste Produced	t	–	–
Total Non-Hazardous Waste Produced	t	30	22
Total Non-Hazardous Waste Intensity	kg/t of finished products	3.1	2.6
Use of Resources			
Water Consumption	m^3	6,120	10,261
Water Consumption Intensity	m^3/t of finished products	0.62	1.24
Total Packaging Material	t	24	24
Total Packaging Consumption Intensity	kg/t of finished products	2.4	2.9

SOCIAL

The Group strives to fulfil its social responsibilities as a corporate citizen of the communities. We strive to establish harmonious relationship with our employees, customers, suppliers, and communities.

Employment

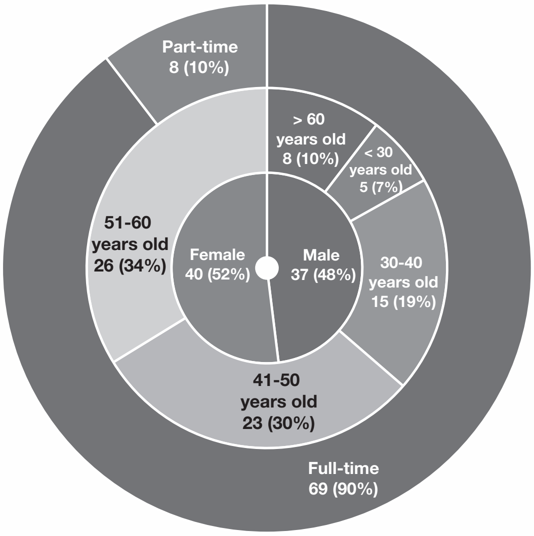
The Group has established thorough employment policies covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other benefits and welfare.

The Group attracts talent through a fair, flexible and transparent recruitment strategy. Promotion of our staff is based on an annual assessment of their performance and suitability for the roles of respective positions.

In case of employee dismissal, it is required for the dismissal process to comply with employment laws and regulations, follow internal policies and procedures. Dismissal based purely on employees' gender, marital status, pregnancy, disability, age or family status is strictly prohibited. For its retrenched employees, the Group provides counselling and assistance to help them locate alternative job opportunities and/or introduce them to public employment services provided by the Employment Services Division of the Labour Department.

As of 31 March 2020, the total number of staff members employed by the Group was 77. Demographic data for our staff, with breakdown by gender, age group and employment type are presented in below figure.

Employee Demographic Data



Remuneration

The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically and benchmarked against industry norms to ensure the consistency against the employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed.

Work-Life Balance and Other Employee Benefits

Employees' working hours, rest periods, benefits and welfare, including mandatory provident fund and employment compensation insurance, are required to be in compliance with employment or labour laws and regulations.

Our committed employees are spending at least one-third of their time at work. As their employer, it is our responsibility to ensure that we foster a culture that can help our employees achieve a work-life balance, such as by improving coordination of work and production plan to enhance work efficiency and minimise the requirements of overtime work. The Group encourages employees to enjoy leisure and sports activities outside of workplace, with the aim of enhancing work-life balance, personal development and sense of belonging among employees.

The Group participates in Mandatory Provident Fund (MPF) Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees employed.

Equal Opportunities, Diversity and Anti-Discrimination

The Group is an equal-opportunity employer and we make every effort to provide a fair workplace for our employees and we follow principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment. We believe that our staff should be provided with equal opportunity, regardless of gender, race, age, or other measures of diversity.

During the Year, the Group complied with all relevant Hong Kong laws and regulations including but not limited to:

- The Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong);
- The Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong);
- The Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong); and
- The Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong).

Occupational Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees and to preventing workplace injuries and illnesses.

The Group requires its entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to the management.

To limit potential hazards arising from our business activities and assure the compliance of laws and regulations, our workplaces are maintained to remain safe and hygienic by regularly monitoring the physical conditions of the processing factory, logistics centre, warehouse, and offices with regards to cleanliness, pest controls, security, first aid supplies and applicable fire safety measures.

While our Group possesses the key responsibility of maintaining a safe workplace for our employees, we believe the provision of safety awareness education is an effective method in reducing the occurrence of accidents. One of our strategies for protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group requires such training to be delivered to employees, especially those who operate equipment and tools.

The Group has established a Health, Safety and Environmental (HSE) Committee whose duties include the advising and management on the formulation, implementation and auditing of HSE policies and associated programs.

Employee Development and Training

The Group is committed to providing adequate training to its employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses, provided internally or externally.

The Group requires employees to attend internal and external training courses, including new employee orientation and employee continuing education, to improve employees' knowledge and skills for their job positions. The costs of qualified training courses are being supported fully or partially by the Group.

Our in-house training programs are tailored to the needs of different job functions to strengthen the skills and abilities of the employees. All of the Group's directors participated in continuous professional development by attending training courses or in-house briefing, or reading materials on the topics related to corporate governance and regulation.

For our Operations team, we provided a number of workshops, covering subjects concerning hygiene & work safety standards, occupational health, and international food preparation standards such as ISO22000.

Members of our accounting team and Directors have attended external training, which covered topics including corporate governance, accounting & financial reporting, as well as latest updates with regards to reporting standards. The Group's directors also attended a training session with regards to connected transactions, to reinforce their understanding on relevant regulations under the Listing Rules set out in Chapter 14A.

We have continued our Mentorship Program for our mid-level staff. In this program, Senior executives serve as mentors to provide guidance and to share their valuable industry experience to enhance the growth and career development of the mentees.

The Group's staff received a total of 562 man-hours of training during the reporting period. A breakdown of the Group's training statistics is presented in the below table:

Training Distribution

By Gender	%
Male	55.4
Female	44.6

By Seniority	%
Directors	39.5
Senior Management	1.2
Middle Management	16.7
Employees	42.6

Labour Standards

The Group prohibits child labour. The human resources and administration department and the user departments work together to identify and prevent the use of child labour in the workforce.

We are committed to protect human rights, to prohibit forced labours, and therefore to create a workplace with respect, fairness and free will for our employees.

The Group complied with all applicable labour standards related Hong Kong laws and regulations, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

Supply Chain Management and Product Quality Control

Supply chain management is a key area of the Group's business and we take great care to managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services that are up-to-standard in terms of quality, health and safety to ensure compliance with environmental laws and regulations as well as labour standards. The contracting for procurement of products and services is required consider an aggregate evaluation based on upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group requires maximisation of competition in the tendering process. It is considered essential to perform impartial selection of suppliers and negotiation of contract terms, at the same time preventing bribery or fraud in the tendering and procurement process in compliance with laws and regulations.

Food safety and quality are the top priorities throughout the supply chain management of the Group. Multiple layers of precautionary measures are undertaken to guarantee the safety and quality of food ingredients throughout the supply chain from the selection, sourcing, storage and delivery processes.

The Group is fully committed to sourcing food ingredients that meet safety and health requirements. Suppliers are selected after careful assessment, including on-site inspection where possible, and assurance of legal entity documentations. Food is procured and received from suppliers and stored under suitable temperature within proper time period. Performance of our suppliers are evaluated regularly and monitored by the management to ensure consistency of supplier quality.

Product Responsibility

Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress in the interest of the public.

It is the Group's obligation to place strong emphasis on quality control, with stringent procedures implemented throughout the food processing operation. The Group has formed a food safety team to monitor the execution of food safety procedures and ensure that they are followed. Responsibilities of the food safety team include:

- Determining the business operations and safety assurance procedures and protocols;
- Formulating and reviewing HACCP plan;
- Monitoring the implementation of HACCP plan;
- Approving documents relating to ISO 22000 which addresses food safety management;
- Developing employees' training program;
- Verifying the operation of ISO 22000;
- Assessing the appropriateness and effectiveness of ISO 22000 regularly; and
- Reporting to the top management on the effectiveness of ISO 22000

The Group is accredited with Hazard Analysis and Critical Control Points ("**HACCP**") certification and ISO 22000 certification for the food processing factory.

Health and Safety

The Group is fully responsible for the products sold to its consumers, with considerations of health and safety relating to the products. We pay close attention to aspects such as product design to ensure health and safety, and selection of food ingredients with health and safety considerations. Also, we employ strict quality control during processing, perform health and safety check for finished products, and provide proper delivery and after-sale services.

Advertising and Labelling of Products

The Group respects the customers' rights and is committed in providing accurate marketing information for customers in connection with their purchase decision or consumption decision. The Group requires careful review of advertising materials to protect the interests of our customers. Similarly, the Group insists that labelling of our products should be accurate, legitimate, clear, and not misleading. This is to affirm that information about our products are accurately understood by our customers to ensure safe consumption.

Methods of Redress

Although the Group assures the quality of the products, at the same time, the Group requires that products with quality, safety, or health issues should be compensated in accordance with terms of sales or service agreements. Our sales and marketing department in responsible for systematically logging and handling of customer feedback and perform internal investigation where required. Recall, return, or compensation of products is required to be offered to all customers who are affected, with consistent treatment and procedures.

Protection of Copyright and Consumers Privacy

The Group is committed to protect consumers data and privacy information and maintain confidentiality of business information. We adhere to the principles of The Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) to protect the privacy of individuals in relation to personal data. Our employees are provided with on-job training in this regard for control and monitoring of consumers data, and proper information system security has been put in place to prevent unauthorized data access.

Anti-Corruption

The Group established anti-corruption policies to prohibit employees from receiving any benefits offered by customers, suppliers, colleagues, or other parties while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. Systematic fraud risk assessment is performed regularly on the Group's activities to identify room for potential improvement. The Group encourages employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, bribery, extortion, fraud and money laundering. Misconducts can be reported through different communication channels depending on the stakeholders to either the supervisors of the employees, human resources and administration department or the audit committee for a detailed and confidential investigation. The audit committee is required to report to the Board at least once a year, disclosing information pertaining to misconduct reports and the respective investigation findings if any.

COMMUNITY

The Group strives to support the communities in which we operate including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest.

During the reporting period, we have made food donations to local food rescue organizations on a regular basis, totalling about 22 tonnes of food surpluses as well as fruits and vegetables. The donations are in support of their contribution to aid the elderly and low-income families. In the future, we will continue to seek opportunities to cooperate with other external organizations therefore to increase our community outreach and contributions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Chi Ching ("Mr. Liu"), aged 54, is the founder of the Group. Mr. Liu is responsible for the overall strategic management and development of the Group's business operations. Mr. Liu was appointed as Director on 6 April 2016 and re-designated as the chairman of the Company (the "**Chairman**") and executive Director on 27 May 2016. He is also a member of the remuneration committee of the Company (the "**Remuneration Committee**") and the chairman of the nomination committee of the Company (the "**Nomination Committee**").

Mr. Liu has over 21 years of experience in the food trading and processing industry. Mr. Liu worked as a chef at various restaurants of well-known clubs and hotels from 1983 to 1993, including The American Club Hong Kong and Hyatt Regency Hong Kong. Prior to the founding of the Group, Mr. Liu has been operating his business under the trade name C.Y. Trading Company since March 1993. He established CY Food Trading Limited in May 1998 and had worked as a director of CY Food Trading Limited from May 1998 to March 2001. Mr. Liu is a director of all subsidiaries of the Group.

Mr. Liu is the spouse of Ms. Wu Shuk Kwan.

Ms. Wu Shuk Kwan ("Ms. Wu"), aged 37, is the chief executive officer of the Company (the "**Chief Executive Officer**") and an executive Director. Ms. Wu is responsible for overseeing the Group's operations, business development, human resources, finance and administration. Ms. Wu was appointed as the Chief Executive Officer and executive Director on 27 May 2016.

Ms. Wu joined the Group as sales and marketing manager in April 2014. Ms. Wu obtained an Associate of Arts from The University of Hong Kong School of Professional and Continuing Education in September 2004. She also completed the Level 2 Book-keeping and Accounting course endorsed by LCCI International in February 2006. Before joining the Group, Ms. Wu worked in Brilliant Training Centre as a teacher from April 2005 to March 2006. From April 2006 to March 2010, she was a director of Tech Rich Trading Limited, a company principally engaged in wholesale of vegetables in Hong Kong, with the main responsibility of managing the business operation, human resources, finance and administration. She worked in Hong Kong Dragon Airlines Limited as a flight attendant from January 2007 to January 2012 and as a flight purser from January 2012 to March 2014.

Ms. Wu is the spouse of Mr. Liu.

NON-EXECUTIVE DIRECTOR

Mr. Wong Chung Yeung ("Mr. Wong"), aged 43, was appointed as the non-executive Director on 27 May 2016. Mr. Wong graduated from the Hong Kong University of Science and Technology in July 1999 with a Bachelor of Business Administration in Accounting and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has rich experience in the finance and accounting profession. Prior to joining the Group, Mr. Wong worked in Ernst & Young from June 2000 to December 2011 with his last position held as senior manager. Mr. Wong is the chief financial officer and company secretary of Tang Palace (China) Holdings Limited (stock code: 1181), a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li On Lei ("Ms. Li"), aged 42, was appointed as the independent non-executive Director, the chairman of the Remuneration Committee and a member of the audit committee of the Company (the "**Audit Committee**") and Nomination Committee on 26 September 2016.

Ms. Li is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group. Ms. Li is currently the financial controller of Gameone Holdings Limited (stock code: 8282) ("**Gameone**"), a company listed on GEM of the Stock Exchange. She is primarily responsible for the handling and overseeing financial reporting, financial planning, and reviewing internal control of Gameone. Prior to joining Gameone, she had worked in the Audit and Assurance Department of an international accounting firm from July 2004 to May 2015, and her last position was senior manager. She has accumulated more than 16 years of experience in auditing, accounting and financial management. Ms. Li is a fellow of the Association of Chartered Certified Accountants. She has been appointed as an independent non-executive director of Fullwealth Construction Holdings Company Limited (stock code: 1034), a company listed on the Main Board of the Stock Exchange, since October 2018.

Mr. Ng Ki Man ("Mr. Ng"), aged 34, was appointed as the independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Ng is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Ng holds a Bachelor of Business Administration (Honours) degree in Information Systems from the City University of Hong Kong. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Ng has more than 11 years of experience in auditing and accounting. He has also been appointed as an independent non-executive Director of Basetrophy Group Holdings Limited (stock code: 8460), a company listed on GEM of the Stock Exchange, since June 2017.

Mr. Lo Siu Kit, MH ("Mr. Lo"), aged 59, was appointed as the independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Lo is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Lo is a fellow member of The Professional Validation Centre of Hong Kong Business Sector. He has been a director of Olympic Management Company Limited since February 1991 and is currently a member of the Labour and Welfare Bureau, Rehabilitation Advisory Committee. Mr. Lo is also the member of Yan Chai Hospital Governing Committee, the revamped Working Group on External Lighting, Council of the Queen Elizabeth Foundation for the Mentally Handicapped, Community Liaison Groups (Tsuen Wan District) and Tsuen Wan Safe and Healthy Community Steering Committee. Meanwhile, Mr. Lo is a vice-chairman of the Tsuen Wan Festival Lightings Organizing Committee and Local Customer Advisory Committee of Tsuen Wan District of Tenure of Office of CLP Power Hong Kong Limited. Mr. Lo is currently the executive vice-president of the Love Family Charity Limited, a secretary-general of the Right Hand Drive Motors Association and a sponsoring body manager of Tsuen Wan Trade Association Primary School.

SENIOR MANAGEMENT

Ms. Wu Hau Kam ("Ms. Wu HK"), aged 56, is the Director of Procurement of the Group. Ms. Wu HK is responsible for procurement of food ingredients and raw materials. Before joining the Group, Ms. Wu HK worked in Dongguan Liaobu Town Liangbian Management Area Knitwear Factory (東莞市寮步鎮良邊管理區毛織廠) as a worker from 1978 to 1985. She then worked as a purchasing officer in Shui Hing Long Fresh Vegetables and Fruits Company (瑞興隆時菜鮮果食品) from 1998 to December 2004. She worked as a purchasing officer in C.Y. Food Trading Company Limited from January 2005 to September 2005. Ms. Wu HK joined the Group as purchasing manager in September 2005 and was promoted to her current position in January 2010.

Mr. Cheng Lam Piu ("Mr. Cheng"), aged 63, is the Director of Quality Control of the Group. Mr. Cheng is responsible for overseeing quality control of the Group including leading the quality control department in conducting food safety analysis, identifying food safety control points, and establishing, performing and evaluating the food safety monitoring procedures for the Group. Mr. Cheng has over 11 years of experience in quality control and is a qualified Food Hygiene Manager recognised by the Food and Environmental Hygiene Department, with extensive food hygiene knowledge including how to identify key areas of risk in various food operations for early remedial actions and ensure compliance with the regulations and codes of practice relating to the food processing and supply industry. Prior to joining the Group, Mr. Cheng worked as a butcher in Ying Wa Company (英華鷄鴨) from 1979 to 1997. He then worked as inventory manager in C.Y. Trading Company and CY Food Trading Limited from December 1997 to May 1998 and from May 1998 to March 2001, respectively. In March 2001, Mr. Cheng rejoined C.Y. Trading Company as inventory manager and left his position in November 2004. He then joined C.Y. Food Trading Company Limited as inventory manager from November 2004 to September 2005. Mr. Cheng joined the Group as inventory manager in September 2005 and was promoted to his current position in October 2005.

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Ms. Yim Sau Ping ("Ms. Yim"), aged 37, graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in 2007 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2010. She has accumulated more than 11 years of experience in accounting, auditing and financial management. Ms. Yim was appointed as company secretary and financial controller on 1 June 2016.

Prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (now known as Boill Healthcare Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for JC Group Holdings Limited (now known as Tonking New Energy Group Holdings Limited) (stock code: 8326), a company listed on GEM of the Stock Exchange, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She is currently the director of Blooming (HK) Business Limited, a company primarily provides corporate advisory and company secretarial services.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Corporate governance is a collective responsibility of the members of the Board. The Board is committed to preserve high standards of corporate governance practices within the Company and devotes considerable effort to identify and enact best practices that align with Company's strategies. We believe good corporate governance is fundamental to the proper management of the Company in the interests of all stakeholders and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Group is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to promote the interests of its shareholders of the Company.

Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company 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 the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard of dealings set out in the Model Code and there was no event of non-compliance throughout the year.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

The Board determines and oversight the Company's strategies and direction as a whole, daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives to which they report periodically to the Board their work and business decisions.

Board Composition

The composition of the Board as at the date of this annual report is set out as follows:

Executive Directors

Mr. Li Chi Ching *(Chairman)*
Ms. Wu Shuk Kwan *(Chief Executive Officer)*

Non-executive Director

Mr. Wong Chung Yeung

Independent non-executive Directors

Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 31 to 33 of this annual report.

The three independent non-executive Directors represent more than one-third of the Board, the proportion of which exceeds the required minimum under Rules 3.10(1) and 3.10A of the Listing Rules, and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. With the various experience of both the executive Directors, the non-executive Director and the independent non-executive Directors and given the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders of the Company are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Director has renewed the service contracts with the Company on 9 October 2019 and signed letters of appointment with each of the independent non-executive Directors. The service contracts with the executive Directors and the letter of appointment with the non-executive Director and each of the independent non-executive Directors are for a term of three years commencing from 13 October 2019. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association and the applicable Listing Rules.

According to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

Further, according to article 112 of the articles of association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this article shall not be taken into account in determining who are to retire by rotation at an annual general meeting.

Mr. Liu Chi Ching and Mr. Wong Chung Yeung will retire from the office as Directors at the forthcoming annual general meeting of the Company to be held on 8 September 2020 and, both being eligible, will offer themselves for re-election at the said meeting.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Liu Chi Ching as executive Director and Mr. Wong Chung Yeung as non-executive Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not performed by the same individual in order to balance the distribution of power. Mr. Liu is the Chairman of the Board and Ms. Wu is the Chief Executive Officer of the Company.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

The term of office of each of the non-executive Directors (including independent non-executive Directors) is three years, subject to re-election.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors attended a formal directors training session conducted by The Hong Kong Institute of Directors during the year ended 31 March 2020. The training covered topic of connected transaction. The Group has also been provided reading materials including the CG Code, the Inside Information Provision (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to all Directors to develop and refresh the Director's knowledge and skills.

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that he/she is aware of his/her responsibilities and obligations as well as to maintain good corporate governance practices.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.cyfood.com.hk. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

Remuneration Committee

The Remuneration Committee was established on 26 September 2016. The chairman of the Remuneration Committee is Ms. Li, the independent non-executive Director, and other members includes Mr. Liu, the Chairman and executive Director, Mr. Ng and Mr. Lo, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2020. No Director nor any of his or her associates is involved in deciding his or her own remuneration.

Nomination Committee

The Nomination Committee was established on 26 September 2016. The chairman of the Nomination Committee is Mr. Liu, the Chairman and executive Director, and other members included Ms. Li, Mr. Ng and Mr. Lo, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

Nomination Policy

The Nomination Committee will reference to the Board nomination policy (the "**Nomination Policy**") adopted by the Group on 28 December 2018 for selecting and recommending candidates for directorships.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies should be limited to reasonable numbers, qualifications including accomplishment and experience in the relevant industries the Company's business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximize shareholders' value.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) By giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) To consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria;

(c) To adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) To make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees.

Audit Committee

The Audit Committee was established on 26 September 2016. The chairman of the Audit Committee is Mr. Ng, the independent non-executive Director, and other members included Ms. Li and Mr. Lo, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year, the Audit Committee held two meetings to review and comment on the Company's 2019 annual results and 2019 interim results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2020 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year, the Chairman held a meeting with the independent non-executive Directors without the executive Director present.

Details of all Directors' attendance at the Board meeting, Board committees' meeting held for the year ended 31 March 2020 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 Annual General Meeting
			Number of meetings Attended/Held		
Executive Directors					
Mr. Liu Chi Ching	4/4		2/2	1/1	1/1
Ms. Wu Shuk Kwan	4/4				1/1
Non-executive Director					
Mr. Wong Chung Yueng	4/4				1/1
Independent non-executive Directors					
Ms. Li On Lei	4/4	2/2	2/2	1/1	1/1
Mr. Ng Ki Man	4/4	2/2	2/2	1/1	1/1
Mr. Lo Siu Kit	4/4	2/2	2/2	1/1	1/1

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy (the "**Diversity Policy**") on 28 December 2018.

In designing the Board's composition, Board diversity is considered from a number of perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review this Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this annual report, the Board comprises six Directors. Two Directors are female and three Directors are independent non-executive Directors, thereby promoting critical review and control of the management process.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Liu, executive Director of the Company is the primary contact person who Ms. Yim contacts.

For the year ended 31 March 2020, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographical details of Ms. Yim are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

INDEPENDENT AUDITORS' REMUNERATION

The Company has engaged PricewaterhouseCoopers as its external auditor for the year ended 31 March 2020 until the conclusion of the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The fee paid and payable to PricewaterhouseCoopers in respect of audit services and non-audit services amounted to HK$960,000 and HK$98,000, respectively for the year ended 31 March 2020.

Non-audit service includes tax compliance services.

SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interests and rights is to separate resolutions proposed at the shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management system. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2020 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 March 2020 as required under code provision C.2.5 of the CG Code. The Audit Committee and Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with its shareholders as follows:

i. corporate communications such as annual reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website "www.hkexnews.hk" and the Company's website at "www.cyfood.com.hk";

ii. periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

iii. corporate information is made available on the Company's website;

iv. annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management;

v. the Hong Kong branch share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

CONSTITUTIONAL DOCUMENTS

In order to reflect the Transfer of Listing of the issued Shares from GEM of the Stock Exchange to the Main Board of the Stock Exchange on 21 March 2019, there was amendment in the memorandum and articles of association to revise the definition of "Listing Rules" to reflect the Transfer of Listing. Such amendment was approved by the Shareholders at the annual general meeting held on 20 August 2019 by way of special resolution.

The memorandum and articles of association is available on the respective websites of the Stock Exchange and the Company.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability in the Cayman Islands. The principal activity of the Company is investment holding. The Group is principally engaged in the sourcing, processing and supply of food ingredients with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. It supplies food ingredients to over 480 customer outlets and offers more than 1,300 types of food ingredients to the customers. Details of the principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:–

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each member of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 and the state of affairs of the Company and of the Group at 31 March 2020 are set out in the consolidated financial statement on pages 62 to 122 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 8 September 2020 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 3 September 2020 to 8 September 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 2 September 2020.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed, "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 3 to the consolidated financial statements. No important event affecting the Group that has occurred since the end of the financial year ended 31 March 2020 and up to the date of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for each of the five financial years is set out on page 56. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 March 2020 amounted to approximately HK$50,000 (31 March 2019: HK$2,000).

SHARE CAPITAL

Details of the Company's share capital is set out in note 21 to the consolidated financial statements.

SHARE OPTION SCHEME

The purpose of the share option scheme of the Company (the "**Share Option Scheme**") is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted the Share Option Scheme on 26 September 2016. Further details of the Share Option Scheme are set in the section headed "Statutory and General Information – D. Share option scheme" in Appendix V to the Prospectus.

The Share Option Scheme is valid and effective for a period of 10 years from 26 September 2016. After which no further options will be granted or offered.

The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted under the Share Option Scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant requires approval of the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each of any eligible persons (including those cancelled, exercised and outstanding options), in any 12 months period up to the date of the latest grant shall not exceed 1% of the Company's shares in issue provided that the number of shares issued and to be issued upon exercise of all options granted and to be granted to each of the independent nonexecutive directors or substantial shareholders of the Company or any of their respective associates in the 12 months period up to the date of such grant in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million must be approved in advance by the Company's independent shareholders. Any further grant of options in excess of such limit requires the approval of the shareholders in general meeting in accordance with the requirements of the Listing Rules.

For the year ended 31 March 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the share option scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2020.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 March 2020 are set out in note 27 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately HK$38.6 million.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for 8.5% (31 March 2019: 9.1%) of the Group's total revenue while the Group's five largest customers in aggregate accounted for 37.1% (31 March 2019: 39.6%) of the Group's total revenue for the year.

The Group's largest supplier accounted for 48.5% (31 March 2019: 41.9%) of the Group's total purchases while the Group's five largest suppliers accounted for 68.5% (31 March 2019: 69.4%) of the Group's total purchases for the year.

None of the Directors of the Company, or any of his/her close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Board during the year and up to the date of this annual report were as follows:

Executive Directors
Mr. Liu Chi Ching *(Chairman)*
Ms. Wu Shuk Kwan *(Chief Executive Officer)*

Non-executive Director
Mr. Wong Chung Yeung

Independent non-executive Directors
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

In accordance with the Company's memorandum and articles of association, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

PERMITTED INDEMNITY PROVISION

Every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him or her as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 31 to 33 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 8 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2020 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	3

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2020 are set out in note 2.19(a) to the consolidated financial statements of this annual report.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 27 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

During the year ended 31 March 2020, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to be recorded in the register referred to therein or as otherwise the Model Code contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying Shares	Approximate percentage of shareholding
Mr. Liu (Note 1)	Interest of a controlled corporation	720,000,000	57.14%
Ms. Wu (Note 2)	Interest of spouse	720,000,000	57.14%

Note:

(i) Mr. Liu beneficially owns the entire issued share capital of Classic Line Holdings Limited ("**Classic Line**"). Therefore, Mr. Liu is deemed, or taken to be, interested in all the Shares held by Classic Line for the purpose of the SFO. Mr. Liu is the sole director of Classic Line.

(ii) Ms. Wu is the spouse of Mr. Liu. Therefore, Ms. Wu is deemed to be, or taken to be, interested in the same number of Shares in which Mr. Liu is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as known to the Directors of the Company, as at 31 March 2020, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Classic Line	Beneficial owner	720,000,000	57.14%

Save as disclosed above, as at 31 March 2020, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Repurchase of Shares

The Company repurchased a total of 20,000,000 Shares on the Stock Exchange during the year ended 31 March 2020 pursuant to the repurchase mandate approved by the shareholders at the annual general meeting held on 20 August 2019. Such repurchased Shares have already been cancelled and the total number of Shares in issue has been reduced accordingly. As at 31 March 2020, the number of issued Shares was 1,260,000,000.

Details of the repurchases are summarised as follows:

Date of repurchase	Number of Shares repurchased	Highest repurchased price per Share (HK$)	Lowest repurchased price per Share (HK$)	Average price per Share (HK$)	Aggregate consideration (HK$)
9 October 2019	8,000,000	0.240	0.240	0.240	1,920,000
10 October 2019	8,000,000	0.240	0.240	0.240	1,920,000
11 October 2019	4,000,000	0.240	0.239	0.239923	959,690
	20,000,000				4,799,690

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

COMPETITION AND CONFLICT OF INTERESTS

During the year ended 31 March 2020, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Liu and Classic Line (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of noncompetition with the Company (for itself and for the benefit of each other member of the Group) on 26 September 2016 (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

During the year, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section on pages 34 to 44 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum public float under the Listing Rules during the year ended 31 March 2020 and up to the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2020 have been audited by PricewaterhouseCoopers. A resolution will be proposed at the forthcoming AGM to reappoint PricewaterhouseCoopers as auditor of the Company. The Company has not changed its external auditor in any of the preceding three years.

ON BEHALF OF THE BOARD
Goal Forward Holdings Limited
Liu Chi Ching
Chairman and Executive Director
Hong Kong, 23 June 2020

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**154,078**	185,939	176,841	166,300	166,230
Gross Profit	**19,225**	43,955	44,590	35,074	25,765
(Loss)/profit before income tax	**(3,572)**	20,353	27,523	6,696	13,709
(Loss)/profit and total comprehensive income for the year	**(4,746)**	16,059	22,861	3,410	11,073
Total assets	**160,503**	150,736	130,688	112,911	72,687
Total liabilities	**58,988**	39,675	35,653	40,737	51,294
Total equity and liabilities	**160,503**	150,736	130,688	112,911	72,687

pwc

羅兵咸永道

To the Shareholders of Goal Forward Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Goal Forward Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 122, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

BASIS FOR OPINION (Continued)

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is the impairment assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to notes 3.1(a)(2), 4(a) and 18 to the consolidated financial statements As at 31 March 2020, the carrying amount of trade receivables of the Group was approximately HK$31,902,000, representing approximately 20% of the total assets. Management performed impairment assessment of trade receivables based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status and on-going trading relationship with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgments and estimates.	Our procedures in relation to management's impairment assessment of trade receivables as at 31 March 2020 focused on the following: • Understanding, evaluating and validating key controls that the Group has implemented to manage and monitor its credit risk, including the grant and revision of credit limit and credit period to the customers based on their risk profile; • Circulating confirmations to the Group's customers, on a sample basis, to obtain third party evidence over the amounts of trade receivables recorded as at the year-end date; • Testing, on a sample basis, the subsequent settlement of trade receivables against corresponding cash receipts; • Assessing the appropriateness of the expected credit loss model applied in determining the loss allowance, and considering the reasonableness of the assumptions underlying the calculations of expected credit losses with reference to the relevant historical and forward-looking information; and

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Where settlement had not been received subsequent to the year end for those receivables beyond the credit period, we inquired management's assessment as to the recoverability of those receivables, corroborating management's explanations with evidence of past repayment history, on-going trading relationship and correspondence with the relevant customers to follow up the outstanding debts. Based on our procedures performed, we found management's assessment on the impairment of trade receivables to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Hang, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
		Year ended 31 March	
Revenue	5	**154,078**	185,939
Cost of sales	7	**(134,853)**	(141,984)
Gross profit		**19,225**	43,955
Other income and gain – net	6	**88**	492
Selling and administrative expenses	7	**(21,456)**	(23,489)
Impairment of trade receivables	7	**(721)**	(95)
Operating (loss)/profit		**(2,864)**	20,863
Finance income	9	**463**	18
Finance costs	9	**(1,025)**	(526)
Finance costs – net	9	**(562)**	(508)
Share of loss of a joint venture	16	**(146)**	(2)
(Loss)/profit before income tax		**(3,572)**	20,353
Income tax expense	10	**(1,174)**	(4,294)
(Loss)/profit and total comprehensive (loss)/income for the year		**(4,746)**	16,059
Total comprehensive (loss)/income for the year is attributable to			
Owners of the Company		**(4,739)**	16,059
Non-controlling interests		**(7)**	–
		(4,746)	16,059
Basic and diluted (loss)/earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	12	**(0.37)**	1.25

The notes on pages 67 to 122 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	As at 31 March 2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**33,622**	83,181
Right-of-use assets	14	**48,759**	–
Deposits and prepayments	18	**5**	27
Interest in a joint venture	16	**719**	865
Total non-current assets		**83,105**	84,073
Current assets			
Inventories	19	**342**	1,260
Trade receivables	18	**31,902**	37,690
Deposits and prepayments	18	**9,275**	3,011
Tax recoverable		**3,120**	–
Cash and cash equivalents	20	**32,759**	24,702
Total current assets		**77,398**	66,663
Total assets		**160,503**	150,736
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	**12,600**	12,800
Share premium	21	**46,971**	51,571
Other reserve		**100**	100
Retained earnings		**41,851**	46,590
		101,522	111,061
Non-controlling interest		**(7)**	–
Total equity		**101,515**	111,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2020

	Note	As at 31 March 2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	15	**2,379**	1,261
Total non-current liabilities		**2,379**	1,261
Current liabilities			
Trade payables	23	**3,425**	6,322
Accruals and other payables	23	**4,540**	5,318
Borrowings	22	**48,536**	26,650
Current income tax liabilities		**105**	124
Lease liabilities	14	**3**	–
Total current liabilities		**56,609**	38,414
Total liabilities		**58,988**	39,675
Total equity and liabilities		**160,503**	150,736

The consolidated financial statements on pages 62 to 122 were approved for issue by the Board of Directors on 23 June 2020 and were signed on its behalf.

Liu Chi Ching
Director

Wu Shuk Kwan
Director

The notes on pages 67 to 122 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to equity holders of the Company						
	Share capital (Note 21)	Share premium (Note 21)	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2018	12,800	51,571	100	30,531	95,002	–	95,002
Total comprehensive income							
Profit for the year	–	–	–	16,059	16,059	–	16,059
Balance at 31 March 2019	**12,800**	**51,571**	**100**	**46,590**	**111,061**	**–**	**111,061**
Balance at 1 April 2019	**12,800**	**51,571**	**100**	**46,590**	**111,061**	**–**	**111,061**
Loss for the year	**–**	**–**	**–**	**(4,739)**	**(4,739)**	**(7)**	**(4,746)**
Total comprehensive loss	**–**	**–**	**–**	**(4,739)**	**(4,739)**	**(7)**	**(4,746)**
Transaction with owners							
Shares repurchased and cancelled (Note 21)	**(200)**	**(4,600)**	**–**	**–**	**(4,800)**	**–**	**(4,800)**
Balance at 31 March 2020	**12,600**	**46,971**	**100**	**41,851**	**101,522**	**(7)**	**101,515**

The notes on pages 67 to 122 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	24(a)	**(1,194)**	16,376
Interest paid		**(1,025)**	(526)
Income tax paid		**(3,195)**	(5,008)
Net cash (used in)/generated from operating activities		**(5,414)**	10,842
Cash flows from investing activities			
Payment for property, plant and equipment		**(3,728)**	(11,125)
Proceeds from disposal of property, plant and equipment	24(b)	**–**	83
Bank interest received		**173**	18
Net cash used in investing activities		**(3,555)**	(11,024)
Cash flows from financing activities			
Proceeds from bank borrowings	24(c)	**25,000**	10,000
Repayments of bank borrowings	24(c)	**(3,021)**	(1,161)
Repayment of finance lease	24(c)	**–**	(88)
Principal elements of lease payments	24(c)	**(153)**	–
Repurchase of shares	21	**(4,800)**	–
Net cash generated from financing activities		**17,026**	8,751
Net increase in cash and cash equivalents		**8,057**	8,569
Cash and cash equivalents at beginning of the year		**24,702**	16,133
Cash and cash equivalents at end of the year	20	**32,759**	24,702

The notes on pages 67 to 122 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION AND SIGNIFICANT EVENTS

1.1 General Information

Goal Forward Holdings Limited ("the Company") was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") is principally engaged in the sourcing, processing and supplying of food ingredients. The ultimate holding company of the Company is Classic Line Holdings Limited, a company incorporated in the British Virgin Islands. Mr. Liu Chi Ching ("Mr. Liu") is regarded as the ultimate controlling party.

The shares of the Company were listed on GEM of the Stock Exchange of Hong Kong Limited starting from 13 October 2016 and were transferred to be listed on the Main Board of the Stock Exchange of Hong Kong Limited starting from 21 March 2019.

The consolidated financial statements is presented in thousands of Hong Kong dollars ("HK$000"), unless otherwise stated.

1.2 Significant events

Since the COVID-19 outbreak in early 2020, the Group is experiencing longer trade receivables turnover and higher amount of trade receivables become delinquent, which led to an increase in the expected credit loss ratios on trade receivables. Up to the date on which this set of financial statements were authorised for issue, the impact of the COVID-19 outbreak on the Group's customers' financial positions and the macro-economic conditions as a whole are still uncertain, the Group is not in a position to quantify the related financial effects. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standards, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 April 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively as disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards and interpretations which are not yet effective

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 March 2020 reporting period and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendment to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendment to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contract	1 January 2021
Amendments to HKAS 28 and HKFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The management of the Company anticipates that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019. The new accounting policies are disclosed in note 2.24.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.5%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	872
Discounted using the lessee's incremental borrowing rate of at the date of initial application	854
Add: finance lease liabilities recognised as at 31 March 2019	93
Less: low-value leases not recognised as a liability	(10)
Less: short-term leases not recognised as a liability	(757)
Lease liabilities recognised as at 1 April 2019	180
Of which are:	
Current lease liabilities	173
Non-current lease liabilities	7
	180

(iii) Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the reclassifications from leasehold land to right-of-use assets arising from the new leasing standards and therefore recognised in the opening consolidated statement of financial position as at 1 April 2019.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 April 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- Right-of-use assets – increase by approximately HK$50,635,000
- Property, plant and equipment – decrease by approximately HK$50,548,000
- Borrowings – decrease by approximately HK$93,000
- Lease liabilities – increase by approximately HK$180,000

There was no impact on retained earnings on 1 April 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

2.3 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Except for business combination under common control, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of comprehensive income.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

2.3 Consolidation (Continued)

(a) *Business combinations (Continued)*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the equity holders of the subsidiary in their capacity as equity holders. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements is presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other income".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Leasehold improvements are depreciated over the shorter of their useful lives or unexpired period of the lease while depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	29 – 35 years
Leasehold improvements	Shorter of lease term or 20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 – 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income and gain" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. Where the Group's share of losses in joint ventures equals or exceeds its interests in the joint ventures including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.8 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies all its financial assets as financial assets at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income and gain" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2.9.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(a) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 3.1(a) for further information about the group's accounting for trade receivables and impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Company as treasury shares until the shares are cancelled or reissued.

2.15 Trade and other payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and a joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for a joint venture. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and the joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Employee benefits

(a) Retirement benefit obligations

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholder after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition

Sales of goods

The Group is principally engaged in sourcing, processing and supplying food ingredients to food service operators in Hong Kong. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales are recorded based on the price specified in the sales contracts.

Receivable is recognised when the goods are delivered at the point in time that the consideration is unconditional, which only the passage of time is required before the payment is due.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

The financing component is recognised within "interest income" in the consolidated statement of comprehensive income.

2.22 Service income

Service income is recognised when services are rendered according to the terms of the respective contracts.

2.23 Interest income

Interest income is recognised using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of comprehensive income on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs, and

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Dividend distribution

Dividend distribution to the equity holders of the subsidiaries now comprising the Group is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the Board of Directors. Finance department of the Group identifies, evaluates and hedge financial risks in close co-operation with the Group's operating units. The board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Credit risk

(1) Risk Management

Credit risk of the Group mainly arises from cash and cash equivalents, trade receivables and deposits. The carrying amount of these balances in the financial statements represents the Group's maximum exposure to credit risk in relation to its financial assets.

In respect of trade receivables, the credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 March 2020, the Group had a concentration of credit risk given that the top five debtors accounted for 65% of the Group's total trade receivables at the year end (2019: 56%). The Group has established long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers. In addition, the management communicates to the customers on the expected repayment terms with significant overdue balances and believes the customers would fulfill the obligation based on the long-term relationship and collection history. The Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. For the trade receivables that are individually proved to be impaired, management has provided sufficient provision on those balances.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 March 2020.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(2) Impairment of financial assets

Trade receivables

The trade receivables of the Group are subject to the expected credit loss model.

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 expected credit losses, the Group categorises its trade receivables based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the year end and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the unemployment rate in Hong Kong to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at the year end were determined as follows for trade receivables.

31 March 2020	Current	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Expected loss rate	0.34%	0.47%	1.72%	1.81%	5.36%	
Gross carrying amount (HK$'000)	14,003	5,740	2,783	2,984	6,940	32,450
Loss allowance (HK$'000)	(47)	(27)	(48)	(54)	(372)	(548)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

Trade receivables (Continued)

31 March 2019	Current	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Expected loss rate	0.021%	0.16%	0.55%	1.53%	4.1%	
Gross carrying amount (HK$'000)	25,978	6,005	2,498	2,571	736	37,788
Loss allowance (HK$'000)	(5)	(10)	(14)	(39)	(30)	(98)

The closing loss allowances for trade receivables as at 31 March 2020 reconcile to the opening loss allowances as follows:

	Trade receivables HK$'000
Loss allowance at 1 April 2018	33
Increase in loss allowance recognised in profit and loss during the year	95
Receivables written off during the year as uncollectible	(30)
Loss allowance at 31 March 2019	98
Increase in loss allowance recognised in profit and loss during the year	721
Receivables written off during the year as uncollectible	(271)
Loss allowance at 31 March 2020	548

For trade receivables relating to accounts in which objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(3) Impairment of financial assets (Continued)

Other financial assets at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

Impairment losses on other financial assets at amortised cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by obtaining additional funding from the loan facilities and monitoring cash flow forecast to maintain its going concern.

Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group can be required to pay, except for long term bank borrowings subject to a repayment on demand clause.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The undiscounted cash flow does not include interest payments computed using contractual rates if the lender does not invoke their unconditional rights. The maturity analysis for bank borrowings is prepared based on the scheduled repayment dates.

	On demand	Within 1 year	Total undiscounted cash outflows
	HK$'000	HK$'000	HK$'000
At 31 March 2020			
Long term bank borrowings subject to a repayment on demand clause	48,536	–	48,536
Trade and other payables	–	6,794	6,794
Lease liabilities	–	3	3
	48,536	6,797	55,333
At 31 March 2019			
Long term bank borrowings subject to a repayment on demand clause	26,557	–	26,557
Other bank borrowings	–	95	95
Trade and other payables	–	10,600	10,600
	26,557	10,695	37,252

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments		
	Within 1 year	**More than 1 year**	**Total**
	HK$'000	HK$'000	HK$'000
At 31 March 2020	**6,430**	**49,671**	**56,101**
At 31 March 2019	2,350	29,259	31,609

(c) Interest rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. As at 31 March 2020, the Group's borrowings at variable rate were denominated in the HK$ (2019: Same).

At 31 March 2020, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$203,000 higher/lower (2019: post-tax profit have been approximately HK$111,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings and lease liabilities. Total capital is calculated as 'equity' as shown in the consolidated financial statements.

The Group's gearing ratios were as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Total debt	**48,539**	26,650
Total equity	**101,515**	111,061
Gearing ratio	**48%**	24%

3.3 Fair value estimation

As at 31 March 2020, the Group did not have any financial assets or financial liabilities that are measured at fair value (2019: same).

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of trade and other receivables

The Group's management determines the loss allowances for financial assets based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(a)(2).

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment, and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset or fair value less cost of disposal; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

5 SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The Group is principally engaged in the sourcing, processing and supplying of food ingredients, which are carried out in Hong Kong.

Total revenue recognised during the year are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Revenue, recognised at a point in time	**154,078**	185,939

The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the consolidated financial statements.

There are no single external customer contributed to more than 10% of the revenue of the Group for the year ended 31 March 2020 (2019: same).

6 OTHER INCOME AND GAIN – NET

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Sundry income	**138**	409
(Loss)/gain on disposal of property, plant and equipment	**(50)**	83
	88	492

7 EXPENSES BY NATURE

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Cost of inventories (Note 19)	**100,139**	105,382
Employee benefit expenses (Note 8)	**21,860**	22,295
Commission	**845**	922
Auditor's remuneration		
– Audit related services	**960**	1,200
– Non-audit services	**98**	39
Depreciation of property, plant and equipment (Note 13)	**2,960**	2,325
Depreciation on right-of-use assets (Note 14)	**1,852**	–
Leases expense (short-term leases and low-value leases)	**583**	1,126
Transportation expenses	**15,599**	17,894
Provision for impairment of trade receivables	**721**	95
Professional and consulting fees	**2,556**	2,170
Professional fees in relation to transfer of listing		
– Paid or payable to auditor	**–**	600
– Paid or payable to other professional parties	**1,243**	3,985
Other expenses	**7,614**	7,535
	157,030	165,568

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the year are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Wages, salaries and allowances	**19,164**	19,538
Retirement benefit costs – defined contribution plans	**1,528**	1,564
Others	**1,168**	1,193
	21,860	22,295

(b) Directors' emoluments

The remuneration of every director during the year are set out below:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Other benefits HK$'000	Total HK$'000
For the year ended 31 March 2020					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	1,200	18	610	1,828
Ms. Wu Shuk Kwan (Chief executive officer)	–	600	18	264	882
Non-executive director					
Mr. Wong Chung Yeung	81	–	–	–	81
Independent non-executive directors					
Ms. Li On Lei	153	–	–	–	153
Mr. Ng Ki Man	153	–	–	–	153
Mr. Lo Siu Kit	153	–	–	–	153
	540	1,800	36	874	3,250

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Other benefits HK$'000	Total HK$'000
For the year ended 31 March 2019					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	1,200	18	610	1,828
Ms. Wu Shuk Kwan (Chief executive officer)	–	600	18	264	882
Non-executive director					
Mr. Wong Chung Yeung	72	–	–	–	72
Independent non-executive directors					
Ms. Li On Lei	144	–	–	–	144
Mr. Ng Ki Man	144	–	–	–	144
Mr. Lo Siu Kit	144	–	–	–	144
	504	1,800	36	874	3,214

For the year ended 31 March 2020, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: same).

(i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the year ended 31 March 2020 (2019: same).

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment for the year ended 31 March 2020 (2019: same).

(iii) Consideration provided to third parties for making available directors' services

No payment was made to any third parties for making available the services of them as a director of the Company for the year ended 31 March 2020 (2019: same).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors for the year ended 31 March 2020 (2019: same).

(v) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in these consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year ended 31 March 2020 (2019: same).

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors for the year ended 31 March 2020 (2019: 2 directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals for the year ended 31 March 2020 (2019: 3 individuals) are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Salaries, bonus and allowances	**1,430**	1,409
Retirement benefit costs-defined contribution plans	**52**	46
	1,482	1,455

The emoluments of above individuals are within the following band:

	Number of individuals Year ended 31 March	
	2020	2019
Emoluments band		
Nil – HK$1,000,000	**3**	3

9 FINANCE COSTS – NET

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Interest expense on bank borrowings	**1,022**	519
Interest expense on finance leases	**–**	7
Interest expense on lease liabilities	**3**	–
Finance costs	**1,025**	526
Interest income	**(463)**	(18)
Finance costs – net	**562**	508

10 INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2020 (2019: 16.5%).

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Current income tax		
– Current year	**77**	3,745
– Over-provision in prior year	**(21)**	–
	56	3,745
Deferred income tax (Note 15)	**1,118**	549
Income tax expense	**1,174**	4,294

10 INCOME TAX EXPENSE (Continued)

The tax on the Group's (loss)/profit before income tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
(Loss)/profit before income tax	**(3,572)**	20,353
Calculated at a tax rate of 16.5% (2019: 16.5%)	**(589)**	3,358
Expenses not deductible for tax purposes	**1,613**	1,138
Non-taxable income	**(29)**	(17)
Over-provision for prior year	**(21)**	–
Tax relief of 8.25% on first HK$2 million assessable profit	**(47)**	(165)
One off tax deduction	**(40)**	(20)
Tax loss not recognised	**287**	–
Income tax expense	**1,174**	4,294

11 DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

12 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR – BASIC AND DILUTED

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
(Loss)/profit attributable to equity holders of the Company	**(4,739)**	16,059
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share (in thousand)	**1,270,481**	1,280,000
(Loss)/earnings per share (expressed in HK cents per share)	**(0.37)**	1.25

The Group does not have any potential dilutive option or other instruments relating to ordinary shares.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2018					
Cost	72,070	737	3,308	2,771	78,886
Accumulated depreciation	(3,329)	(737)	(2,688)	(1,150)	(7,904)
Net book amount	68,741	–	620	1,621	70,982
Year ended 31 March 2019					
Opening net book amount	68,741	–	620	1,621	70,982
Additions	–	9,853	3,950	721	14,524
Depreciation	(1,057)	(123)	(380)	(765)	(2,325)
Disposal	–	–	–	–	–
Closing net book amount	67,684	9,730	4,190	1,577	83,181
At 31 March 2019					
Cost	72,070	10,590	7,258	3,000	92,918
Accumulated depreciation	(4,386)	(860)	(3,068)	(1,423)	(9,737)
Net book amount	67,684	9,730	4,190	1,577	83,181
Year ended 31 March 2020					
Opening net book amount	**67,684**	**9,730**	**4,190**	**1,577**	**83,181**
Adjustment for change in accounting policy (Note 2.2)	**(50,548)**	**–**	**–**	**–**	**(50,548)**
Additions	**1,209**	**2,233**	**557**	**–**	**3,999**
Disposal	**–**	**–**	**(50)**	**–**	**(50)**
Depreciation	**(571)**	**(604)**	**(1,009)**	**(776)**	**(2,960)**
Closing net book amount	**17,774**	**11,359**	**3,688**	**801**	**33,622**
At 31 March 2020					
Cost	**20,513**	**12,823**	**7,615**	**3,000**	**43,951**
Accumulated depreciation	**(2,739)**	**(1,464)**	**(3,927)**	**(2,199)**	**(10,329)**
Net book amount	**17,774**	**11,359**	**3,688**	**801**	**33,622**

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of approximately HK$1,657,000 (2019: approximately HK$1,165,000) and approximately HK$1,033,000 (2019: approximately HK$1,160,000) has been charged to cost of sales and selling and administrative expenses, respectively, for the year ended 31 March 2020.

As at 31 March 2020, bank borrowing of approximately HK$48,536,000 (2019: approximately HK$26,557,000) is secured by certain buildings and right-of-use assets for the value of approximately HK$16,532,000 and approximately HK$43,329,000 respectively (2019: land and buildings of approximately HK$54,441,000).

14 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Right-of-use assets		
Leasehold land	48,756	50,548
Buildings	3	87
	48,759	50,635
Lease liabilities		
Current	3	173
Non-current	–	7
	3	180

The Group obtains right to control the use of various properties for a period of time through lease arrangements. Lease arrangements are negotiated on individually basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 2 years.

As at 31 March 2020, all of the Group's interests in leasehold land are located in Hong Kong with leases between 10 to 50 years (2019: same).

14 LEASES (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

The statement shows the following amounts relating to leases:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Depreciation charge of right-of-use assets		
Leasehold land	**1,792**	–
Buildings	**60**	–
	1,852	–
Interest expense (included in finance cost)	**3**	–
Expense relating to short-term leases (included in cost of sale and selling and administrative expenses)	**436**	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in selling and administrative expenses)	**147**	–

The total cash outflow for leases for the year ended 31 March 2020 was approximately HK$156,000.

15 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(2,379)**	(1,261)

15 DEFERRED INCOME TAX (Continued)

The gross movements in the deferred income tax account are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**(1,261)**	(712)
Charged to consolidated statement of comprehensive income (Note 10)	**(1,118)**	(549)
At end of the year	**(2,379)**	(1,261)

The movements in deferred income tax during the year are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2018	(712)
Recognised in the consolidated statement of comprehensive income	(549)
At 31 March 2019	(1,261)
At 1 April 2019	(1,261)
Recognised in the consolidated statement of comprehensive income	(1,118)
At 31 March 2020	(2,379)

At the end of the reporting period, the Group has unused tax losses of approximately HK$7,457,000 (2019: approximately HK$5,719,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

16 INTEREST IN A JOINT VENTURE

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Investment cost	**1,000**	1,000
Share of post-acquisition loss	**(281)**	(135)
	719	865

Movement in the investment in a joint venture is as follows:

	2020	2019
	HK$'000	HK$'000
At 1 April	**865**	867
Share of loss for the year	**(146)**	(2)
At 31 March	**719**	865

The following are the details of the investment in a joint venture as at 31 March 2020:

Name of company	Place of incorporation and operation	% of ownership interest	Principal activities	Measurement method
China Bright International Investment Limited	Hong Kong	50%	Manufacturing of bakery products	Equity

China Bright International Investment Limited is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investments in a joint venture, and there are no contingent liabilities of the joint venture itself as at 31 March 2019 and 2020.

16 INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information for a joint venture

Set out below are the summarised financial information for China Bright International Investment Limited which is accounted for using the equity method.

Summarised statement of financial position

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**313**	1,126
Other current assets (excluding cash and cash equivalents)	**768**	242
Total current assets	**1,081**	1,368
Other current liabilities	**(9)**	–
Non-current		
Other non-current assets	**365**	361
Net assets	**1,437**	1,729
Interest in the joint venture @50%	**719**	865

Summarised statement of comprehensive income

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Revenue	**588**	953
Loss for the year	**(292)**	(4)
Share of loss in the joint venture @50%	**(146)**	(2)

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Financial assets at amortised cost		
– Trade receivables	**31,902**	37,690
– Other receivables and deposits	**268**	356
– Cash and cash equivalents	**32,759**	24,702
Total	**64,929**	62,748
Financial liabilities		
– Trade payables	**3,425**	6,322
– Other payables (excluding non-financial liabilities)	**3,369**	4,278
– Borrowings	**48,536**	26,557
– Finance lease obligation	**–**	93
– Lease liabilities	**3**	–
Total	**55,333**	37,250

18 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade receivables (Note a)		
– Related parties (Note 27(b))	**45**	64
– Third parties	**31,857**	37,626
	31,902	37,690
Other prepayments	**9,012**	2,682
Other receivables and deposits	**268**	356
	9,280	3,038
Less non-current portion: deposits and prepayments	**(5)**	(27)
Deposits and prepayments included in current assets	**9,275**	3,011

18 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) Trade receivables

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade receivables	**32,450**	37,788
Less: loss allowance	**(548)**	(98)
	31,902	37,690

The carrying amounts of trade receivables approximate their fair values and are denominated in HK$.

The Group normally grants credit terms to its customers ranging from 0 to 120 days (2019: 0 to 120 days). The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
1 to 30 days	**7,787**	15,912
31 to 60 days	**4,598**	8,193
61 to 90 days	**5,300**	3,907
91 to 120 days	**2,876**	3,207
Over 120 days	**11,889**	6,569
Total	**32,450**	37,788

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing. See Note 3.1(a) for further information about expected credit loss provision.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

19 INVENTORIES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Raw materials	**342**	1,260
Less: Provision for obsolete inventories	**–**	–
Inventories, net	**342**	1,260

The cost of inventories included in cost of sales during the year amounted to approximately HK$100,139,000 and approximately HK$105,382,000 for the years ended 31 March 2020 and 2019, respectively.

20 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Cash at bank	**32,759**	24,680
Cash on hand	**–**	22
	32,759	24,702

Notes:

(a) The amounts represent cash and cash equivalents in the consolidated statement of cash flows.

(b) The Group's cash and bank balances are denominated in the following currencies:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
HK$	**32,661**	24,640
United States dollars	**67**	32
Japanese yen	**25**	25
Australian dollars	**6**	5
	32,759	24,702

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary share (in thousand)	Nominal value of ordinary share HK$'000	Share premium HK$'000
Authorised share capital			
Ordinary shares of HK$0.01 each			
As at 31 March 2019, 1 April 2019 and 31 March 2020	2,000,000	20,000	–
Issued and fully paid			
Ordinary shares of HK$0.01 each			
As at 1 April 2018 and 31 March 2019	1,280,000	12,800	51,571
Repurchase of shares	(20,000)	(200)	(4,600)
As at 31 March 2020	1,260,000	12,600	46,971

During the year ended 31 March 2020, the Company repurchased a total of 20,000,000 of its own shares through purchase on The Stock Exchange of Hong Kong Limited. The repurchased shares were subsequently cancelled. The aggregate price of approximately HK$4,800,000 paid was charged against share premium and offset to the share capital.

22 BORROWINGS

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Current, secured		
Bank borrowings due for repayment within 1 year which contain a repayment on demand clause (Note (a))	**4,970**	1,704
Bank borrowings due for repayment after 1 year which contain a repayment on demand clause (Note (a))	**43,566**	24,853
Finance lease obligation (current portion) (Note (b))	**–**	93
Total borrowings	**48,536**	26,650

All borrowings, including the bank loans which contain repayment on demand clause, are carried at amortised cost.

22 BORROWINGS (Continued)

The carrying amounts of the borrowings approximate their fair values and are denominated in HK$. The weighted average interest rates are 2.5% and 3.2% as at 31 March 2019 and 31 March 2020, respectively.

Note (a) Bank borrowings

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Bank borrowings due for repayment within 1 year which contain a repayment on demand clause (Note (i))	**4,970**	1,704
Bank borrowings due for repayment after 1 year which contain a repayment on demand clause (Note (i))	**43,566**	24,853
	48,536	26,557

Note (i):

As at 31 March 2020, bank borrowings of approximately HK$48,536,000 (2019: approximately HK$26,557,000) were secured by certain buildings and right-of-use assets for the value approximately HK$16,532,000 and approximately HK$43,329,000 respectively (2019: Land and buildings of approximately HK$54,441,000) (Note 13) and corporate guaranteed provide by the Company (2019: same).

22 BORROWINGS (Continued)

Note (b) Finance lease obligation

The Group's finance lease was repayable as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Gross minimum lease payments		
No later than 1 year	–	95
Future finance charges on finance lease	–	(2)
Present value of finance lease liabilities	–	93
The present value of finance lease liabilities is as follows:		
No later than 1 year	–	93

Note: The amounts due are based on the scheduled repayment dates set out in the finance lease agreement.

The carrying amounts of the finance lease are denominated in HK$.

The finance lease as at 31 March 2019 was secured/guaranteed by:

(i) a motor vehicle with net book value of nil as at 31 March 2019; and

(ii) a personal guaranteed executed by Mr. Liu Chi Ching, a director of the Company.

The rights to the leased asset are reverted to the lessor in the event of default of the lease liability by the Group.

Finance lease liabilities were included in borrowing until 31 March 2019 but were reclassified to lease liabilities on 1 April 2019 in the process of adopting the new leasing standard. See note 2.2 for further information about the change in accounting policy for leases.

23 TRADE AND OTHER PAYABLES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade payables (Note (a))		
– Related parties (Note 27(b))	**7**	10
– Third parties	**3,418**	6,312
	3,425	6,322
Other payables and accruals		
– Accruals for staff costs	**2,716**	3,370
– Commission payables	**87**	45
– Other accruals and other payables	**1,737**	1,903
	4,540	5,318
	7,965	11,640

(a) Trade payables

As at 31 March 2019 and 31 March 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
0 to 30 days	**2,481**	4,622
31 to 60 days	**635**	1,116
61 to 90 days	**309**	584
	3,425	6,322

The carrying amounts of the Group's trade payables approximate to their fair values.

24 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of cash (used in)/generated from operations

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
(Loss)/profit before income tax	**(3,572)**	20,353
Adjustments for:		
Finance income	**(463)**	(18)
Finance costs	**1,025**	526
Depreciation of property, plant and equipment (Note 13)	**2,960**	2,325
Depreciation on right-of-use assets (Note 14)	**1,852**	–
Loss/(gain) on disposal of property, plant and equipment (Note 24 (b))	**50**	(83)
Net impairment losses on trade receivables	**721**	95
Share of loss of a joint venture	**146**	2
Operating profit before working capital changes	**2,719**	23,200
Changes in working capital		
Decrease/(increase) in inventories	**918**	(597)
Decrease/(increase) in trade receivables	**5,357**	(442)
Increase in deposits and prepayments	**(6,242)**	(1,770)
Decrease in trade payables	**(2,897)**	(4,601)
(Decrease)/increase in accruals and other payables	**(1,049)**	586
Cash (used in)/generated from operations	**(1,194)**	16,376

(b) Net proceeds from disposal of property, plant and equipment comprise:

	2020	2019
	HK$'000	HK$'000
Net book amount of property, plant and equipment (Note 13)	**50**	–
(Loss)/gain on disposal of property, plant and equipment (Note 6, Note 24(a))	**(50)**	83
Net proceeds from disposal of property, plant and equipment	**–**	83

24 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Net debt reconciliation

Liabilities from financing activities:

	Finance lease obligation HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	181	17,718	–	17,899
Cash flows – financing activities, net	(88)	8,839	–	8,751
As at 31 March 2019	93	26,557	–	26,650
Recognised on adoption of HKFRS 16 (see note 2.2)	(93)	–	180	87
At 1 April 2019	–	26,557	180	26,737
Re-measurement of lease liabilities	–	–	(24)	(24)
Cash flows – financing activities, net	–	21,979	(153)	21,826
At 31 March 2020	–	48,536	3	48,539

25 COMMITMENTS

(a) Operating lease commitments – as a lessee

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term lease and low-value leases. The operating lease commitment as at 31 March 2019 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases:

	As at 31 March	
	2020 **HK$'000**	2019 HK$'000
– No later than 1 year	**102**	795
– Later than 1 year and no later than 5 years	**–**	77
	102	872

26 CONTINGENCIES

As at 31 March 2020, there are no material contingent liabilities relating to the Group (2019: same).

27 RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following companies were related parties that had material transactions or balances with the Group during the years ended 31 March 2019 and 2020:

Name of the related party	Relationship with the Group
Winning Tender Limited	The Director, Liu Chi Ching has beneficial interest in the Company
Au Kit Ying	The owners of this partnership business are related persons to Liu Chi Ching, the shareholder and the director of the Company

In addition to the related party information disclosed above, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and balances arising from related party transactions as at year end.

(a) Transactions with related parties

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Continuing related parties' transactions		
Sales of goods to related companies		
– Winning Tender Limited	**707**	763
Purchase of goods from a related party		
– Au Kit Ying	**62**	70

27 RELATED-PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Amount due from Winning Tender Limited	**45**	64
Amount due to Au Kit Ying	**7**	10

The carrying amounts of balances with related parties approximate their fair values and are denominated in HK$.

(c) Key management compensation

Key management includes executive directors of the Group. The compensation paid or payable to key management for employee services is disclosed Note 8(b).

28 PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries at 31 March 2020:

Company name	Country/place of incorporation/ establishment	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent	Proportion of ordinary shares held by the Group
Eminent Ace Group Limited	BVI	US$1	Investment holding/Hong Kong	100%	–
C.Y. Food Trading (HK) Company Limited	Hong Kong	HK$1	Processing and distribution of vegetables and other food/ Hong Kong	–	100%
Lion Metro Limited	BVI	US$100	Investment holding/Hong Kong	–	100%
Healthy Cheer International Limited	Hong Kong	HK$100,000	Property holding and investment/Hong Kong	–	100%
Profit Star Holdings Limited	Seychelles	US$1	Investment holding/Hong Kong	100%	–
Eastway Logistic Company Limited	Hong Kong	HK$1	Logistic services/Hong Kong	–	100%
Better Joy Limited	Samoa	US$100	Investment holding/Hong Kong	100%	–
Jade Royal Limited	Hong Kong	HK$1	Property holding and investment/Hong Kong	–	100%
Wise Sino Limited	Hong Kong	HK$1	Property holding and investment/Hong Kong	–	100%
Wonderful Link Group Limited	BVI	US$100	Investment holding/Hong Kong	71%	
Blissing Wish Limited	Hong Kong	HK$1	Investment holding/Hong Kong	–	71%
Global Pop Limited	BVI	US$1	Investment holding/Hong Kong	100%	–
Oasis Smart Limited	Hong Kong	HK$1	Investment holding/Hong Kong	–	100%

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 March	
		2020	2019
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**16,095**	16,095
Total non-current assets		**16,095**	16,095
Current assets			
Amount due from a subsidiary		**41,390**	48,188
Total current assets		**41,390**	48,188
Total assets		**57,485**	64,283
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**12,600**	12,800
Share premium	29(a)	**46,971**	51,571
Other reserve	29(a)	**6,295**	6,295
Accumulated losses	29(a)	**(8,381)**	(6,383)
Total equity		**57,485**	64,283

The statement of financial position of the Company was approved for issue by the Board of Directors on 23 June 2020 and were signed on its behalf.

Liu Chi Ching	**Wu Shuk Kwan**
Director	Director

29 STATEMENTS OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000
At 1 April 2018	51,571	6,295	(1,144)
Loss for the year	–	–	(5,239)
At 31 March 2019 and 1 April 2019	51,571	6,295	(6,383)
Loss for the year	–	–	(1,998)
Share repurchase	(4,600)	–	–
At 31 March 2020	46,971	6,295	(8,381)