兆邦基地產
Zhaobangji Properties

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Zhaobangji Properties Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020 (the "**Year**") together with comparative figures of the year ended 31 March 2019 (the "**Previous Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	5	**254,568**	219,729
Cost of sales and services		**(152,095)**	(144,177)
Gross profit		**102,473**	75,552
Other gains and losses		**(13,507)**	1,843
Selling expenses		**(3,334)**	(4,872)
Administrative expenses		**(31,699)**	(30,683)
Impairment losses on trade receivables		**(1,709)**	–
Profit from operations		**52,224**	41,840
Finance income		**897**	250
Finance costs		**(2,747)**	(2,369)
Finance costs, net		**(1,850)**	(2,119)
Profit before tax		**50,374**	39,721
Income tax expense	7	**(13,461)**	(9,119)
Profit for the year		**36,913**	30,602
Other comprehensive income, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,080)**	(2)
Item that will not be reclassified to profit or loss:			
Fair value gain on revaluation of financial asset at fair value through other comprehensive income		**–**	1,822
Total comprehensive income for the year		**34,833**	32,422

	Note	**2020**	2019
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**36,946**	30,604
Non-controlling interests		**(33)**	(2)
		36,913	30,602
Total comprehensive income for the year attributable to:			
Owners of the Company		**34,866**	32,424
Non-controlling interests		**(33)**	(2)
		34,833	32,422
Earnings per share for profit attributable to equity holders of the Company:	10		
		HK cents	*HK cents* (Restated)
Basic		**0.60**	0.49
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**222,194**	255,893
Property usage rights		**–**	54,718
Construction in progress		**37,339**	4,135
Right-of-use assets		**92,233**	–
Goodwill		**61**	61
Financial assets at fair value through other comprehensive income		**755**	–
Finance lease receivables		**2,150**	–
Subleasing receivables		**6,400**	–
Deposits, prepayments and other receivables	11	**418**	185
Deferred tax assets		**1,103**	1,119
		362,653	316,111
Current assets			
Finance lease receivables		**3,411**	–
Subleasing receivables		**5,639**	–
Inventories		**9,827**	7,379
Trade receivables	11	**64,501**	48,885
Deposits, prepayments and other receivables	11	**20,260**	4,234
Current tax assets		**680**	5,048
Restricted cash		**–**	6,428
Bank and cash balances		**75,468**	189,524
		179,786	261,498
Assets classified as held for sale		**18,698**	–
		198,484	261,498

	Note	2020	2019
		HK$'000	*HK$'000*
Current liabilities			
Contract liabilities		**1,243**	2,077
Loans from a shareholder		**18,000**	74,575
Borrowings		**30,109**	46,378
Lease liabilities		**20,495**	–
Finance lease payables		**–**	8,396
Trade and bills payables	12	**21,545**	31,752
Accruals and other payables	12	**27,380**	68,705
Amounts due to related companies		**46,221**	1,221
Current tax liabilities		**4,931**	2,154
		169,924	235,258
Net current assets		**28,560**	26,240
Total assets less current liabilities		**391,213**	342,351
Non-current liabilities			
Lease liabilities		**15,704**	–
Finance lease payables		**–**	2,738
Deferred tax liabilities		**30,241**	29,178
		45,945	31,916
NET ASSETS		**345,268**	310,435
Capital and reserves			
Share capital		**12,390**	12,390
Reserves		**332,910**	298,044
Equity attributable to the owners of the Company		**345,300**	310,434
Non-controlling interests		**(32)**	1
TOTAL EQUITY		**345,268**	310,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Zhaobangji Properties Holdings Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Unit 16–18, 11th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

In the opinion of the directors of the Company as at 31 March 2020, Boardwin Resources Limited, a company incorporated in the British Virgin Islands, is the immediate and ultimate parent and Mr. Xu Chujia is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee and lessor accounting and transitional impact*

As a lessee

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by relevant group entities range from 4.35% to 4.5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

During the term of the sublease, the Group recognises both finance income on the sublease and finance costs on the head lease.

In accordance with the transitional provision in HKFRS 16, except for sublease in which the Group acts as an intermediate lessor, the Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Effective on 1 April 2019, the Group has applied HKFRS 15 Revenue from contracts with Customers to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date.

Impact on the financial statements

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	22,001
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(1,604)
	20,397
Less: total future interest expenses	(1,172)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019	19,225
Add: finance lease liabilities recognised as at 31 March 2019	11,134
Lease liabilities recognised as at 1 April 2019	30,359
Of which are:	
Current lease liabilities	15,313
Non-current lease liabilities	15,046
	30,359

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Effects of adoption of HKFRS 16			
	Carrying amount as at 31 March 2019 *HK$'000*	Re-classification *HK$'000*	Recognition of leases *HK$'000*	Carrying amount as at 1 April 2019 *HK$'000*
Assets				
Right-of-use assets	–	75,628	7,690	83,318
Property, plant and equipment *(note (i))*	255,893	(20,910)	–	234,983
Property usage rights *(note (i))*	54,718	(54,718)	–	–
Subleasing receivables *(note (ii))*	–	–	11,535	11,535
Liabilities				
Lease liabilities	–	11,134	19,225	30,359
Finance lease payables *(note (iii))*	11,134	(11,134)	–	–

Notes:

(i) In relation to assets previously under finance lease, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 April 2019 amounting to HK$75,628,000 to right-of-use assets.

(ii) Subleasing receivables relate to the arrangements entered by the Group to sublease underlying assets to third parties which the Group retains the primary obligation under the original leases. HK$11,535,000 subleasing receivables had been recognised at 1 April 2019.

(iii) The Group reclassified the obligation under finance leases of HK$8,396,000 and HK$2,738,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets, subleasing receivables and lease liabilities as at 1 April 2019, the Group as both lessee and lessor is required to recognise interest expense and finance income accrued on the outstanding balance of the lease liabilities and subleasing receivables, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses and rental income incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16	**Add back/ (deduct): HKFRS 16 depreciation, interest income on the net investments in subleases and interest expenses**	**Add back/ (deduct): Estimated amounts related to operating lease as if under HKAS 17** ***(note (i))***	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Revenue	**254,568**	**(11,640)**	**13,367**	**256,295**	219,729
Cost of sales and services	**(152,095)**	**3,569**	**(6,850)**	**(155,376)**	(144,177)
Profit from operations	**52,224**	**(8,071)**	**6,517**	**50,670**	41,840
Finance costs, net	**(1,850)**	**776**	**–**	**(1,074)**	(2,119)
Profit before tax	**50,374**	**(7,295)**	**6,517**	**49,596**	39,721
Profit for the year	**36,913**	**(7,295)**	**6,517**	**36,135**	30,602

	2020			2019
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** ***(notes (i) & (ii))***	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the consolidated cash flow statement for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**84,203**	**(6,850)**	**77,353**	103,487
Interest element of lease liabilities paid	**(92)**	**92**	**–**	–
Net cash generated from operating activities	**77,112**	**(6,758)**	**70,354**	98,400
Principal elements of lease liabilities paid	**(6,758)**	**6,758**	**–**	–
Net cash (used in)/generated from financing activities	**(37,623)**	**6,758**	**(30,865)**	45,219

Notes:

(i) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there was no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

(ii) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39, and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 16 Covid-19 Related Rent Concessions	1 June 2020
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. financial assets at fair value through other comprehensive income).

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

5. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of machinery and spare parts and provision of related services	**55,815**	66,768
Transportation services	**19,380**	17,903
Property management services	**56,600**	23,662
	131,795	108,333
Revenue from other sources		
Interest income on the net investments in subleases	**11,640**	–
Property leasing and subletting	**4,939**	14,371
	16,579	14,371
Leasing of machinery and provision of related services	**106,194**	97,025
	122,773	111,396
	254,568	219,729

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the year ended 31 March	Sales of machinery and spare parts and provision of related services 2020 HK$'000	2019 HK$'000	Leasing of machinery and provision of related services 2020 HK$'000	2019 HK$'000	Transportation services 2020 HK$'000	2019 HK$'000	Property management services 2020 HK$'000	2019 HK$'000	Property leasing and subletting 2020 HK$'000	2019 HK$'000	Total 2020 HK$'000	2019 HK$'000
Primary geographical markets												
Hong Kong	**55,815**	66,768	**92,293**	95,475	**19,380**	17,903	**–**	–	**–**	–	**167,488**	180,146
The PRC except Hong Kong	**–**	–	**13,901**	1,550	**–**	–	**56,600**	23,662	**16,579**	14,371	**87,080**	39,583
Revenue from external customers	**55,815**	66,768	**106,194**	97,025	**19,380**	17,903	**56,600**	23,662	**16,579**	14,371	**254,568**	219,729
Timing of revenue recognition												
Goods and services transferred at a point in time	**55,815**	66,768	**–**	–	**19,380**	17,903	**–**	–	**–**	–	**75,195**	84,671
Services transferred over time	**–**	–	**106,194**	97,025	**–**	–	**56,600**	23,662	**16,579**	14,371	**179,373**	135,058
Total	**55,815**	66,768	**106,194**	97,025	**19,380**	17,903	**56,600**	23,662	**16,579**	14,371	**254,568**	219,729

6. SEGMENT INFORMATION

The Group has five (2019: five) reportable segments as follows:

(i)	Trading	–	Sales of machinery and spare parts and provision of related services
(ii)	Leasing	–	Leasing of machinery and provision of related services
(iii)	Transportation	–	Provision of transportation services
(iv)	Property management	–	Provision of property management services
(v)	Property leasing and subletting	–	Provision of property leasing and subletting

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include corporate income and expenses, unallocated corporate expenses, certain other income, finance cost and income tax.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(i) Information about reportable segments profit or loss:

	Trading		Leasing		Transportation		Property management		Property leasing and subletting		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 March												
Revenue from external customers	**55,815**	66,768	**106,194**	97,025	**19,380**	17,903	**56,600**	23,662	**16,579**	14,371	**254,568**	219,279
Depreciation and amortisation	–	–	**(37,874)**	(31,541)	**(3,558)**	(3,920)	–	–	**(5,130)**	(1,563)	**(46,562)**	(37,024)
Impairment losses on property, plant and equipment	–	–	**(1,049)**	–	–	–	–	–	–	–	**(1,049)**	–
(Loss)/Gain on disposal of property, plant and equipment	**(140)**	797	**(89)**	814	–	–	–	–	**–**	–	**(229)**	1,611
Impairment losses on assets classified as held for sale	–	–	**(13,256)**	–	–	–	–	–	–	–	**(13,256)**	–
Segment profit before tax	**2,330**	8,333	**28,979**	38,439	**1,268**	844	**25,475**	11,119	**10,345**	2,178	**68,397**	60,913

(ii) Reconciliations of reportable segments revenue and profit or loss:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**254,568**	219,729
Profit or loss		
Total profit or loss of reportable segments	**68,397**	60,913
Unallocated amounts:		
Unallocated corporate income	**1,134**	482
Unallocated corporate expenses	**(19,157)**	(21,674)
Consolidated profit before tax	**50,374**	39,721

(iii) Geographical information:

Revenue

The Group's revenue from external customers by location of operations are detailed below:

	Revenue	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**167,488**	180,146
PRC except Hong Kong	**87,080**	39,583
Consolidated total	**254,568**	219,729

7. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	1,071
Over-provision in prior years	**(424)**	–
	(424)	1,071
Current tax – PRC EIT		
Provision for the year	**12,652**	3,286
Under-provision in prior years	**154**	–
	12,806	3,286
Deferred tax		
Provision for the year	**1,079**	4,762
	13,461	9,119

No provision for Hong Kong Profits Tax has been made in the financial statements for the year ended 31 March 2020 since the Group has sufficient tax losses brought forward to set off against current year's assessable profit (2019: has been provided at a rate of 16.5% on the estimated assessable profit).

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/regions in which the Group's subsidiaries operate, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable rate is as follows:

	2020	2019
	HK$'000	*HK$'000*
Profit before tax	**50,374**	39,721
Tax at applicable tax rates in the jurisdictions concerned	**12,565**	7,687
Tax effect of income that is not taxable	**(203)**	(21)
Tax effect of expenses that are not deductible	**4,556**	1,453
Tax effect of temporary differences and tax losses not recognised	**1,141**	–
Tax losses previously recognised and reversed	**(4,078)**	–
Others	**(520)**	–
Income tax expense	**13,461**	9,119

The weighted average applicable tax rate was 25% (2019: 19%).

8. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2020	2019
	HK$'000	*HK$'000*
Amortisation of property usage rights (included in cost of sales and services)	**–**	1,563
Depreciation of property, plant and equipment	**37,440**	37,249
Depreciation of right-of-use assets	**10,840**	–
Loss/(Gain) on disposals of property, plant and equipment	**229**	(1,611)
Auditor's remuneration	**1,560**	2,365
– Audit service	**1,560**	2,260
– Non audit services	**–**	105
Cost of inventories sold	**47,544**	57,802
Operating leases charges of office premises and storage premises	**–**	4,354
Impairment losses on property, plant and equipment	**1,049**	–
Impairment losses on trade receivables	**1,709**	–
Impairment losses on assets classified as held for sale	**13,256**	–

Note: Cost of sales and services includes amortisation of property usage rights, depreciation of property, plant and equipment, depreciation of right-of-use assets and cost of inventories sold of approximately HK$94,106,000 (2019: HK$94,839,000).

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**36,946**	30,604
Number of shares		(Restated)
Issued ordinary shares at 1 April	**1,239,000,000**	1,239,000,000
Effect of share subdivision	**4,956,000,000**	4,956,000,000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share at 31 March	**6,195,000,000**	6,195,000,000

No diluted earnings per share are presented in 2019 and 2020 as the Company did not have any dilutive potential ordinary shares during the year.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**66,210**	48,885
Allowance for doubtful debts	**(1,709)**	–
	64,501	48,885
Deposits	**2,668**	1,964
Prepayments	**13,469**	1,378
Other receivables	**4,541**	1,077
	20,678	4,419
Less: non-current portion	**(418)**	(185)
	20,260	4,234
	84,761	53,119

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 1 to 90 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors and senior management.

The ageing analysis of the Group's trade receivables, based on the invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**26,214**	31,925
31 to 60 days	**14,941**	5,695
61 to 90 days	**5,549**	3,172
More than 90 days	**19,506**	8,093
	66,210	48,885

The ageing analysis of these trade receivables, based on the due date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Current (not past due)	**28,081**	17,056
1 to 30 days past due	**12,341**	15,149
31 to 60 days past due	**6,481**	5,603
61 to 90 days past due	**4,780**	3,245
More than 90 days past due	**14,527**	7,832
	66,210	48,885

12. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade and bills payables	**21,545**	31,752
Accruals and other payables		
Payable for acquisition of property usage rights	**–**	56,455
Accruals and other payables	**27,380**	12,250
	27,380	68,705
	48,925	100,457

The ageing analysis of the Group's trade and bills payables, based on the date of receipt of goods or service consumed, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**5,317**	14,828
31 to 60 days	**3,523**	3,818
61 to 90 days	**2,674**	9,159
More than 90 days	**10,031**	3,947
	21,545	31,752

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

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

The Year was a challenging time for the Group, especially against the backdrop of social unrest, and the COVID-19 pandemic, thus a weakened global economy. All of our on-going projects and works were immensely affected especially in the fourth quarter of the Year, as general public were urged to stay home during the pandemic. Although governments have launched a series of stimuli and policies to alleviate the impact on dampening economic situations and negative consumer behaviors, the effect of the pandemic has not yet fully reflected on the economy. Nonetheless, the Group relishes challenges ahead in this unprecedented period, continues to utilize its own network, and remains focused on selecting high quality commercial and residential projects in the Greater Bay Area, particular in Shenzhen. The Board considers the Greater Bay Area and Shenzhen will continue to benefit from policies implemented by the Central Government of the PRC, and therefore more business opportunities will arise.

The Group does not have any plan to terminate or dispose of its existing business and/or major operating assets. The Board will remain very vigilant in view of the recent global economic downturn, and it will continue to explore potential business opportunities to bring long term value to the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

Our total revenue increased by approximately HK$34.9 million, or 15.9%, from approximately HK$219.7 million for the Previous Year to approximately HK$254.6 million for the Year. Such increase was mainly attributable to the business expansion in leasing of construction machinery in Shenzhen and increase in revenue from property management services and property leasing and subletting.

Leasing of construction machinery

Our Group's revenue generated from leasing of construction machinery recorded an increase by approximately HK$9.2 million, or approximately 9.5%, from approximately HK$97.0 million for the Previous Year to approximately HK$106.2 million for the Year. Such increase was mainly due to the business expansion in Shenzhen.

Trading of construction machinery

Our Group's revenue generated from trading of construction machinery recorded a decrease by approximately HK$11.0 million, or approximately 16.5%, from approximately HK$66.8 million for the Previous Year to approximately HK$55.8 million for the Year. Such decrease was mainly attributable to the decrease in demand of construction machinery in the industry.

Transportation services

Our Group's revenue generated from transportation services increased by approximately HK$1.5 million, or 8.4%, from approximately HK$17.9 million for the Previous Year to approximately HK$19.4 million for the Year, as demand from customer increased.

Property management services

Our Group's revenue generated from property management services increased by approximately HK$32.9 million, or 138.8%, from approximately HK$23.7 million for the Previous Year to approximately HK$56.6 million for the Year, as our Group began to expand into the property management segment in September 2018 and continued to record revenue for the Year.

Property leasing and subletting services

Our Group's revenue generated from property leasing and subletting increased by approximately HK$2.2 million, or 15.3%, from approximately HK$14.4 million for the Previous Year to approximately HK$16.6 million for the Year, as our Group began to expand into the property leasing and subletting segment in July 2018 and continued to record revenue for the Year.

Cost of Sales and Services

Our Group's cost of sales and services amounted to approximately HK$152.1 million for the Year, representing an increase of approximately 5.5% (2019: approximately HK$144.2 million). Cost of sales and services mainly comprised costs of machinery and equipment and spare parts, staff costs and depreciation.

The increase in cost of sales and services was in-line with the higher revenue generated for the Year.

Gross Profit and Gross Profit Margin

Our Group's gross profit increased by approximately HK$26.9 million, or 35.6%, from approximately HK$75.6 million for the Previous Year to approximately HK$102.5 million for the Year, while our gross profit margin increased from approximately 34.4% for the Previous Year to approximately 40.3% for the Year. The increase in gross profit margin was due to the shrinkage in trading of construction machinery that generates a lower profit margin and the growth of property management services that generates a higher profit margin.

Other Income and Gains

Our Group's other income and gains decreased by approximately HK$15.3 million, or 850%, from approximately HK$1.8 million gain for the Previous Year to approximately HK$13.5 million loss for the Year. The decrease in other income and gains was mainly attributable to the classification of part of the machinery and equipment as "held for sale assets" and recognition of impairment losses for the Year.

Selling Expenses

Our Group's selling expenses decreased by approximately HK$1.6 million, or approximately 32.7%, from approximately HK$4.9 million for the Previous Year to approximately HK$3.3 million for the Year, mainly due to the decrease in trading of construction machinery.

Administrative Expenses

Our Group's administrative expenses increased by approximately HK$1.0 million, or 3.3%, from approximately HK$30.7 million for the Previous Year to approximately HK$31.7 million for the Year.

Finance Income

Our Group's finance income increased by approximately HK$0.6 million or 200%, from approximately HK$0.3 million for the Previous Year to approximately HK$0.9 million for the Year, which was mainly attributable to the increase in bank deposit interest.

Finance Costs

Our Group's finance costs increased by approximately HK$0.3 million, or 12.5%, from approximately HK$2.4 million for the Previous Year to approximately HK$2.7 million for the Year. The increase in finance costs was mainly attributable to the adoption of HKFRS 16 (Lease Standard) to recognize interest expense on lease liabilities for the Year.

Income Tax Expense and Effective Tax Rate

Our Group's income tax expense increased by approximately HK$4.4 million, or approximately 48.4%, from approximately HK$9.1 million for the Previous Year to approximately HK$13.5 million for the Year.

Our Group's effective tax rate increased from approximately 19.4% for the Previous Year to approximately 24.9% for the Year, which was due to the increase in higher tax rate business in the PRC.

Net Profit and Net Profit Margin

Our Group's net profit increased by approximately HK$6.3 million, from approximately HK$30.6 million for the Previous Year to approximately HK$36.9 million for the Year, representing a net profit rise of approximately 20.6%.

Our Group's net profit margin were approximately 14.5% for the Year and 13.9% for the Previous Year, where the increase was mainly due to the reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The Group financed its operations through a combination of cash flow from operations, borrowings and lease liabilities (2019: obligations under finance leases). As at 31 March 2020, the Group had cash and bank balance of approximately HK$75.5 million (2019: approximately HK$189.5 million) which were mainly denominated in HK$, and had borrowings of approximately HK$30.1 million (2019: approximately HK$46.4 million) and lease liabilities of approximately HK$36.2 million (2019: obligations under finance leases of approximately HK$11.1 million) respectively that were mainly in HK$ and had loans from a shareholder of approximately HK$18.0 million (2019: approximately HK$74.6 million) which were mainly denominated in HK$.

Gearing ratio is calculated as net debt divided by total equity at the end of the reporting period. Net debt is calculated as total borrowings and total obligations under finance leases less cash and bank balances and restricted cash. As at 31 March 2020, the gearing ratio was 15.61% (2019: not applicable due to the net cash position).

As at 31 March 2020, our Group's total current assets and current liabilities were approximately HK$198.5 million (2019: approximately HK$261.5 million) and approximately HK$169.9 million (2019: approximately HK$235.3 million) respectively. Our Group's current ratio was approximately 1.2 times as at 31 March 2020 (2019: 1.1 times).

PLEDGE OF ASSETS

As at 31 March 2020, our borrowings and lease liabilities of HK$16.8 million (2019: obligations under finance leases) were secured by property, plant and equipment with net carrying amount of approximately HK$83.3 million (2019: approximately HK$99.6 million).

CAPITAL STRUCTURE

As at 31 March 2020, the total issued share capital of the Company was approximately HK$12.4 million representing 6,195,000,000 ordinary shares of HK$0.002 each.

CAPITAL EXPENDITURE

The total capital expenditure incurred for the Year settled by cash was approximately HK$175.1 million (2019: approximately HK$76.2 million) which was mainly used in purchase of property, plant and equipment for our leasing business and property decoration.

CURRENCY RISK

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

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at the end of the reporting period (31 March 2019: Nil).

CAPITAL COMMITMENTS

Our capital commitments consist primarily of purchase of construction machinery for leasing purpose. As at 31 March 2020, there were approximately HK$9.8 million (31 March 2019: HK$37.2 million) capital commitments of machinery and equipment contracted but not provided for.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, our Group had 156 staff members (2019: 212). The total staff costs incurred by our Group for the Year were approximately HK$40.3 million (2019: approximately HK$34.0 million). The increase in staff costs was mainly due to salary increment for the Year.

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

IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL YEAR, SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

(i) On 21 May 2020 (after trading hours), the Company and an independent third party entered into a sale and purchase agreement, pursuant to which, the Company agreed to sell and the independent third party agreed to purchase 100% of the issued shares of Jimaoshun Wealth Management Ltd, previously a direct wholly-owned subsidiary of the Company (the "**Disposal**"). The consideration for the Disposal was RMB70,000,000 and completion of the Disposal (the "**Completion**") took place on 27 May 2020 in accordance with the terms and conditions of the sale and purchase agreement. For details, please refer to the announcements of the Company dated 21 May 2020 in relation to the Disposal and 27 May 2020 in relation to the Completion.

(ii) For the year ended 31 March 2020, the financial performance of the Group has been affected by the COVID-19 outbreak in the early 2020. A series of precautionary and control measures have been and continued to be implemented across Mainland China and Hong Kong.

Following the spread of COVID-19 subsequent to the reporting period to other locations, including but not limited to Asia, management has also taken relevant actions to minimise the unfavourable impact. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position, cash flows and financial performance of the Group.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company have been listed on the Stock Exchange since 10 February 2017 (the "**Listing Date**"). The receipt of proceeds net of listing expenses upon the Listing were approximately HK$109.4 million. As at 31 March 2020, the net proceeds had been utilised as follows:

	Net Proceeds utilised			
	Up to 31 March 2019	**During the Year**	**Up to 31 March 2020**	**Net proceeds remaining unutilised as at 31 March 2020**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Expansion of our leasing fleet	(100.9)	(1.5)	(102.4)	–
Expansion of our transportation fleet	(3.7)	–	(3.7)	–
General working capital	(1.3)	(2.0)	(3.3)	–
Total	(105.9)	(3.5)	(109.4)	–

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

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

OTHER INFORMATION

Corporate Governance Practices

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

Compliance with the Model Code for Securities Transactions

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

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

Scope of work of RSM Hong Kong

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this preliminary announcement.

Review by Audit Committee

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

Dividend

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

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting ("**AGM**") of the Company to be held on Friday, 4 September 2020, the register of members of the Company will be closed from Tuesday, 1 September 2020 to Friday, 4 September 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 31 August 2020.

Publication of the Results Announcement and Annual Report

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

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

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

Hong Kong, 29 June 2020

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