国联通信
Global Link

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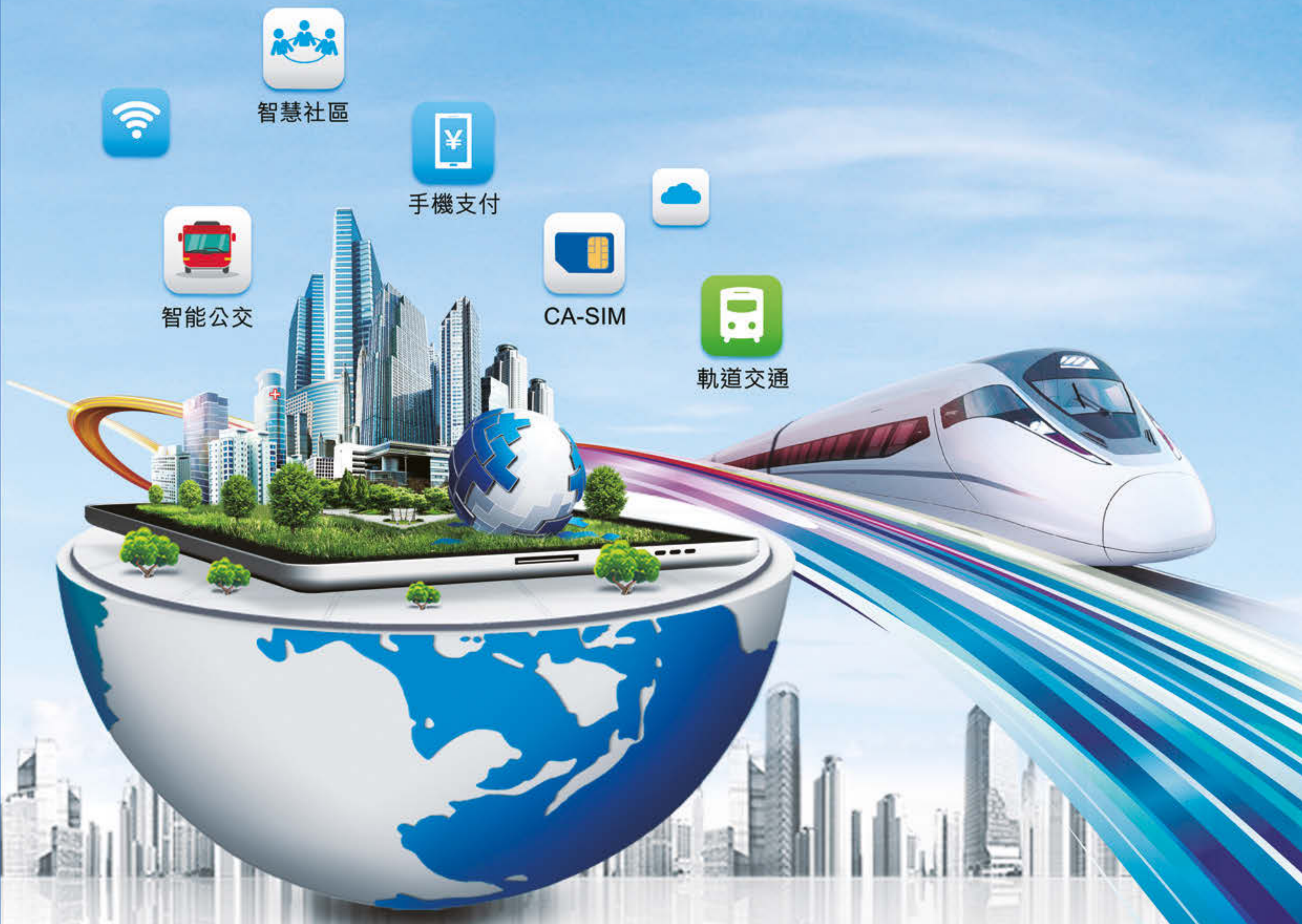

國聯通信控股有限公司

Global Link Communications Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

年報 2018/19 ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Li Kin Shing *(Chairman)*
Mr. Ma Yuanguang *(Chief Executive Officer)*
Mr. Wong Kin Wa

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Kwok Keung
Mr. Cheung Sai Ming
Mr. Liu Chun Bao

AUTHORIZED REPRESENTATIVES

Mr. Li Kin Shing
Mr. Wong Kin Wa

COMPLIANCE OFFICER

Mr. Wong Kin Wa

COMPANY SECRETARY

Ms. Chan Wai Ching

AUDIT COMMITTEE

Mr. Cheung Sai Ming *(Chairman)*
Mr. Leung Kwok Keung
Mr. Liu Chun Bao

REMUNERATION COMMITTEE

Mr. Cheung Sai Ming *(Chairman)*
Mr. Wong Kin Wa
Mr. Liu Chun Bao

NOMINATION COMMITTEE

Mr. Cheung Sai Ming *(Chairman)*
Mr. Li Kin Shing
Mr. Liu Chun Bao

REGISTERED OFFICE

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Grand Cayman KY1-1111
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKERS

China Construction Bank
Guangzhou Ruan Jian Yuan Sub-branch
China Merchants Bank Guangzhou Long Kou Branch
Chiyu Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586,
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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong
(Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 11 July 2019))

AUDITORS

Crowe (HK) CPA Limited
9/F, Leighton Centre, 77 Leighton Road,
Causeway Bay, Hong Kong

STOCK CODE

8060

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Global Link Communications Holdings Limited (the "Company"), I would like to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 for shareholders' review.

In March 2019, the Second Session of the 13th National People's Congress of China and the Second Session of the 13th CPPCC were held. The meetings proposed to focus on promotion of high-quality development and deepening of supply-side structural reform, to organize research and investigation on strengthening basic research, promoting major original innovation and supporting healthy development of emerging industries such as artificial intelligence, new energy vehicles and shared economy, to hold symposiums on developing real economy and improving the quality of supply system, and to focus on promoting high-quality development of private economy. The gross domestic product (GDP) of China in 2018 was RMB90,030.9 billion, representing a year-on-year increase of 6.6%. The meetings also put forward the main expected goals for economic and social development in 2019 and GDP growth by 6% – 6.5% in 2019 was one of such goals.

During the year, the Chinese government continued to deepen reform in key areas and accelerate the improvement of market mechanism, in addition to its focus on highlighted contradictions and key links, promotion to deepen relevant reforms, and improvement of the systems and mechanisms suitable for high-quality development, in order to fully release market vitality and social creativity. This year is also the key year for building a well-off society in an all-round way. The new round of deepening reform is starting to sail. The Group was guided by relevant government policies, persisted in its efforts to innovate, and strived to follow the "Internet +" and "mass entrepreneurship and innovation" trend through the unique "CA-SIM" patented technology. Guangzhou Global Link Intelligent Information Technology Co., Ltd. continued to make innovations in cooperation with the smart city construction planning of the government of Panyu District, Guangzhou City through applying the "CA-SIM" patented technology, and focused on areas such as smart transportation, floating population management and health care to carry out corresponding product design, system research and development and business model building. We focused on the development of smart transportation, the development of scenarios such as car owners' internet toll collection and intelligent parking, and mobile population management projects such as SIM cards with eID electronic identity loaded. We also focused on strengthening the construction of application scenarios outside communications, for helping telecom operators make use of the value-added service channels of CA-SIM people's welfare cards to increase operating income.

Guided by the relevant policies of the Chinese government, the rail transit industry is still in a period of stable investment injection. During the 13th Five-Year Plan period, the annual investment in railway fixed assets will stabilize at about RMB800 billion. With the implementation of the approval policies and standards and the increasing demand, the amount of newly signed contracts for urban rail projects will continue to grow rapidly. The mileage of new lines put into operation in major regions of the country has increased rapidly, and the demand for vehicle equipment has steadily increased. It is estimated that 24,000 kilometers of new railway lines will be put into operation from 2018 to 2020, with an average annual production of 8,000 kilometers; and that the railway network will reach 150,000 kilometers by 2020.

CHAIRMAN'S STATEMENT

After more than ten years of construction investment, urban rail transit has gradually formed a network scale in major central cities, its social benefits and the advantages of driving local economy are increasingly apparent, and the construction of urban rail transit has been included by local governments in their important agendas. Guangzhou Global Link Communications Inc. (the "Guangzhou GL") – a subsidiary of the Group, will continue to devote itself to the industry, innovate tirelessly, and actively cooperate with the train and vehicle manufacturers of CRRC to develop new on-board information systems and provide operational support services in accordance with the new needs of the owners of the metro.

With the promotion of the Chinese government's "One Belt, One Road", CRRC Corporation Limited ("CRRC") CRRC has witnessed an increasing delivery of vehicles to overseas market, from which, the Company has also obtained contract orders for a part of supporting products. This has promoted the internationalization of the technical standards of the Company's products, but also tested the engineering service team in terms of adaptability.

By 2020, three city clusters, i.e. Beijing – Tianjin – Hebei, the Yangtze River Delta and the Pearl River Delta will have basically built an inter-city rail transit network, achieving an hour's drive between the core cities and the surrounding node cities. Accordingly, there will be a certain demand for vehicle purchase investment, which will benefit the corresponding equipment suppliers in the industry.

The Group will develop itself in terms of smart transportation in the future and devote more resources for such development. In its announcement dated 4 April 2019, the Group disclosed that it entered into an agreement, pursuant to which the Group agreed to acquire 60% equity interest of Connect Cool Technology Limited which held the entire equity interest of Shanghai Xunshan Information Technology Limited ("Shanghai Xunshan") (a company established in the PRC). The acquisition was completed on 10 May 2019. Shanghai Xunshan is an electronic payment terminals solutions provider, principally engaging in provision of business development solutions, system enhancement and maintenance services, and ancillary services (collectively, the "Relevant Services") for its customers, including telecommunications service providers, transportation service providers and merchants in the PRC. As at the date of this announcement, Shanghai Xunshan entered into cooperation agreements with its customers to provide the Relevant Services in 15 regions in Hainan province, the PRC. The Group will continue to strive for innovation, continue to allocate resources focusing on key technical research and development and markets with new opportunities. The Acquisition, which enables the Group to tap into the transportation payment solutions industry in the PRC, is consistent with the Group's strategy in expanding its passenger information management system business and will create synergy with the Group's existing business.

I hereby would like to take this opportunity to express my sincere gratitude to all members of the Board, the management of the respective enterprises and all of our staff. I am also thankful for the vigorous support to Global Link by our business partners!

Li Kin Shing
Chairman

Hong Kong, 20 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

During this year, the Chinese government has fully implemented the main policy of "high-quality development and achievement before acting block", adhered to the general guidelines of making progress while maintaining stability, and made greater efforts to achieve steady growth, promote reform, adjust structure, benefit people's livelihood and prevent risks. The government has successively introduced various reform policies, especially practical measures such as reducing tax rate for the vast number of enterprises, and reducing tax, fees for employees, so as to make enterprises more vigorous in the period of economic adjustment.

MARKET OVERVIEW

During the year under review, the construction of various application scenarios in Smart City was still the top priority of the Group's strategy. Guangzhou Global Link Intelligent Information Technology Co., Ltd. (the "Global Link Intelligent"), a wholly-owned subsidiary of the Group, continued to focus on the implementation of Smart City construction of Panyu District, Guangzhou. In order to implement the tripartite strategic cooperation with the administration office of government of Panyu District and Guangzhou Xinghai Digital Television Golden Card Co., Ltd. ("Golden Card Company") and the project of issuing mobile phone People's Welfare Cards, the Group actively established links with various telecom operators as to the issuance of and service management of CA-SIM people's welfare cards, technology transfer, as well as optimized its business processes including user package, card issuance process and after-sales service.

The team of Guangzhou Global Link Intelligent will continue to increase investment in manpower, technology and capital in this year. The implementation of the Smart City project was mainly embodied in the following aspects: ① the implementation of smart access control system in community service stations of the government of Panyu District, under which swiping of the mobile phone People's Welfare Cards (CA-SIM) online, face recognition and other digital network functions are available for entry and exit. The Company closely followed the work arrangement of the gradual upgrading of government intelligent service stations. Several new service station projects were completed in the year, and more service stations are expected to be upgraded and transformed in the new year; ② active deployment in the field of intelligent transportation in the "Smart Construction", including the construction of Panyu bus application scenario, in which, people could get bus ride service through swiping their mobile phone People's Welfare Cards, further facilitating the people's travel; and ③ intelligent parking, internet oil refueling fee collection and other business model construction, product design, and research and development of front-end and back-end systems around the owner services. During the process, parties' cooperation, coordination and unified implementation of criteria were needed. As a result, repeated modifications on ancillary systems including various back-end systems and application scenario software development, which has led the implementation of the project behind the schedule. However, the Company still takes an active attitude and makes every effort to promote the project. It is expected that next year, with the gradual issuance of mobile phone People's Welfare Cards, the gradual implementation of intelligent transportation and floating population management projects will be the new engine for the growth of the Group's operating income.

During the year under review, the capital construction of the Chinese government was carried out in accordance with the general plan of the 13th Five-Year Plan. With the promotion of urbanization, the investment in urban rail transit construction in China still maintained a certain scale. By the end of 2018, the length of urban rail transit lines put into operation in mainland China has reached 5,766.6 KM and the new length has reached 734 KM. At present, there have been seven kinds of urban rail transit in China, including subway, light rail, municipal express rail, monorail, modern tram, maglev transportation and APM. Metro lines accounted for 78.23%, and the passenger throughput of urban rail transit was about 21 billion in the year. As an important part of the city, urban rail transit has the characteristics of large investment scale, long investment recovery cycle and high capital and technology intensity. However, due to the needs for urban development, solving urban congestion problems and stimulating economic development, the investment scale of urban rail transit in China has gradually expanded in recent years. According to the relevant data of industry association, the annual compound growth rate of investment in the industry exceeded 20%, and the investment in the year 2018 exceeded RMB450 billion. PPP project mode has become the most important means of diversified financing of urban rail transit.

During this period, Sino-US trade frictions have also become the focus of great concern for a vast number of enterprises. Affected by the international economic environment, the implementation of "One Belt, One Road" project in rail transit has also been affected to some extent. Market expansion, cooperation mode, localization of products and corresponding exchange settlement have raised higher requirements for the enterprises.

BUSINESS REVIEW

In this year, Guangzhou GL was busy in delivery of the signed supply contracts, mainly to vehicle manufacturers of the CRRC, including Guangzhou Metro Lines 14/21, Northern Extension Line of Guangzhou Metro Line 8, Southern Extension Line of Wuhan Metro Line 2, Caidian Line of Wuhan Metro Line and Changsha Metro Line 4, Ankara Line of Turkey, HMU bullet train and ETS bullet train in Malaysia and other system equipment for "One Belt, One Road" projects. At the same time, the Group has invested a lot of engineering services and technical training for local owners in opening new lines of Guangzhou Metro, Wuhan Metro, Changsha Metro, Malaysia Metro, Turkey Metro and other projects. The Group's engineers have been praised by CRRC for their tirelessness, profession and dedication in work. Over the past few years, our Group has successively delivered more and more system contracts and new lines. Accordingly, the maintenance and guarantee workload in contract quality assurance period has been increasing, and the number of technical support, project management and engineering service personnel has also been increasing.

With the development of the industry, there have been many changes in the technical requirements of on-board information system for rail transit from owners. Especially in the major cities in which urban rail transit has already formed a large-scale network, it is generally required vehicles to be driverless, and higher technical standards for system products such as intellectualization, whole life cycle management and so on. The Group used its own accumulated resources to overcome the factors such as the rising comprehensive cost for hiring employees, and made appropriate investment in product innovation in a positive way. At the same time, in order to meet the product requirements of the industry and "One Belt, One Road", the Group had its new products certified by third party professional organizations in several aspects, so that it could adapt to the technical standards and requirements of the industry.

During the year under review, due to the implementation of related measures such as "deleveraging and capacity removal", the approval for investment in urban rail transit projects slowed down for a period of time. Due to the prudent investment and the prevention of debt risk, local governments had fewer tender projects for vehicles for new lines in a certain period of time in this year. Therefore, the number of new contracts signed by the Group in a certain period of time in this year was also lower than that in the same period of previous years. By the end of this year, local governments, in accordance with national policies, have started projects one after another, so bidding and tendering was also starting in all places one after another.

FINANCIAL REVIEW

Turnover

It was the most busy year for the Group in terms of product delivery with passenger information systems according to the delivery plans of signed contracts for the supply of goods over the past year, totaling supply of goods for 11 train routes in domestic and foreign cities. Sales for the year was approximately HK$95,626,000, representing an increase of approximately 2.7% as compared with the corresponding period of last year.

Gross profit and loss attributable to equity shareholders

For the year ended 31 March 2019, the Group recorded gross profit of approximately HK$28,006,000 with gross profit margin of approximately 29%. Loss after tax was approximately HK$10,467,000. Loss attributable to equity shareholders of the Company amounted to approximately HK$10,467,000.

Selling expenses

Selling expenses for the year were approximately HK$19,102,000, representing an increase of approximately 22% as compared with HK$15,614,000 for the corresponding period of last year. The increase was mainly attributable to an increase in export shipping costs and local import tariffs borne by the Group compared to the corresponding period of last year.

Administrative expenses

The administrative expenses for the year amounted to approximately HK$13,985,000, representing an increase of approximately 21% as compared with approximately HK$11,521,000 for the corresponding period of last year, mainly attributable to an increase in provision for doubtful receivables for the year compared to the corresponding period of last year.

Impairment of intangible asset

Impairment of HK$6,446,000 has been made for the intangible asset CA-SIM during the year.

Other operating expenses

Other operating expenses for the year represented the amortisation of intangible asset CA-SIM of approximately HK$3,250,000.

Other revenue and other net gain

Other revenue and other net gain amounted to approximately HK$4,579,000, representing an increase of HK$686,000 as compared with HK$3,893,000 for the corresponding period of last year, mainly attributable to the reversal of provision for product warranties made by the Group for the prior year for train information system products.

TURNOVER BY REGION

During the year under review, Guangzhou Global Link Communications Inc. remained as the major contributor to the Group's operating income, and the solution of train information system for railway transportation was the core product for generating operating income. Train manufacturers under the CRRC, railway transportation contractors and integrated project enterprises, as well as subway operators in places where projects had commenced operation, were among the major customers of the Group. The PRC market was the main market for products and services of the Group, supplemented by overseas markets.

The Group realized turnover of approximately HK$95,626,000 in the PRC, representing 100% of the Group's turnover for the year.

CUSTOMER ANALYSIS

The customers of the Group are mainly train manufacturers under CRRC, which are supplied with our certified and licensed train information system products. The Group also supplies technical support and operation guarantee for train operating services for various urban rail transit operators in the PRC, carries out corresponding technical cooperation and innovation at rail transit operators' requests and provides system software and hardware upgrades, spare parts and accessories at the same time. The Group also supplies system solutions, product support and operating after-sale services for rail transit operators in, among others, Hong Kong, Malaysia, Turkey and Pakistan.

In relation to the Smart City project development, our customers included government service departments and local public facilities, such as libraries, hospitals, gardens, schools, community smart service stations, various types of public transportation, shopping malls, residential housing and interim rental housing.

BUSINESS PARTNERS

In respect of Smart City project development, we also collaborate with local government service departments, security management companies, community property management companies, major telecommunications operators, network operators, data centers, professional customer service companies and educational institutions.

The business partners of the Group are mainly train manufacturers under CRRC, which are supplied with our certified and licensed system products, innovation system components, modules, hardware and software research and development and technical support and cooperation for the trial production of new trains. We have established and maintained long-term good partnership with systems integrators, as well as renowned train manufacturers and local enterprises, project construction companies and rail transit operators in Hong Kong and abroad.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since the last accounting year.

The Group carried out prudent financial policy with surplus cash deposited in bank to finance operation and investments. Management will review financial forecast on a regular basis. As at 31 March 2019, the Group had total cash and bank balances, amounted to approximately HK$71,272,000 (2018: approximately HK$72,153,000).

BUSINESS OUTLOOK

The year 2019 marks the 70th anniversary of the PRC. This year is also the key year for building a well-off society in an all-round way. A new round of deepening reform is sailing, and the macroeconomic is stable and improving. The Group will seize the opportunity of the market and make every effort to promote the development of Panyu project with a positive attitude, so as to put the "CA-SIM" patented technology into use as soon as possible in conjunction with the smart city construction planning of the government of Panyu District, Guangzhou City.

The Group will focus on the development of the field of smart transportation, and has completed the acquisition of Connect Cool Technology Limited on 10 May 2019, which enables the Group to tap into the transportation payment solutions industry in the PRC. It will continue to actively seek business opportunities in the field of smart transportation and promote the growth and development of the Group in this field.

The report on the work of the government in 2019 pointed out that "we face many challenges and demands in this year's work, and we should highlight and grasp the key points". We will continue our work in ten areas, including tax reduction and fee reduction. The Group is located within "Guangdong-Hong Kong-Macao Greater Bay Area" and along "One Belt, One Road". This is favourable for its development. The country is constantly deepening its reform policy to benefit manufacturing industries, technological enterprises and service industries. We are convinced that in the period of continuous improvement of business environment, the Group will make greater achievements in the new year in the spirit of keeping pace with the times, actively innovating and devoting itself to the development of the industry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had net current assets of approximately HK$81,645,000 (2018: approximately HK$86,369,000), of which approximately HK$71,272,000 (2018: approximately HK$72,153,000) were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CHARGE ON THE GROUP'S ASSETS

Save as disclosed in note 19 and 20 to the consolidated financial statements, the Group had no charge on its assets for the year under review.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions, disposals and significant investments during the year under review.

GEARING RATIO

The Group had no outstanding bank loans or other interest-bearing loans as at 31 March 2019 and the gearing ratio (being ratio of total long term borrowings to equity) was therefore inapplicable.

FOREIGN EXCHANGE EXPOSURE

The Group exposes to certain foreign currency risk primarily with respect to United States dollars and Hong Kong dollars. No hedging or other alternatives have been implemented. The Group continues to monitor its exposure closely and will take measures to lower the foreign currency risk when necessary.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our Directors as at the latest practicable date prior to the issue of the annual report, the Group had maintained sufficient public float in accordance with the GEM Listing Rules throughout the year under review.

SEGMENT INFORMATION

Segment information of the Group is set out in note 8 to the consolidated financial statements.

USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 21 APRIL 2016

Honor Crest Holdings Limited, a direct wholly owned subsidiary of International Elite Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1328) completed the subscription of 1,000,000,000 shares of the Company on 21 April 2016. For details, please refer to the announcements of the Company dated 29 February 2016 and 21 April 2016 and the circular published by the Company dated 30 March 2016 (the "Circular").

The gross proceeds from the subscription were HK$80.0 million. The net proceeds of the subscription, after deduction of expenses and professional fees, amounted to approximately HK$79.0 million (the "Subscription Proceeds"), amongst which approximately HK$58.2 million had been utilised as at 31 March 2019. The breakdown of the Company's actual use of the Subscription Proceeds as at 31 March 2019 is as follows:

	Proposed use of the Subscription Proceeds as disclosed in the Circular	**Actual use of the Subscription Proceeds from the date of completion of the Subscription to 31 March 2019**
	HK$ million	HK$ million
The Company's existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC	30.0	30.0
The development of the "Smart City" project by using the Company's existing CA-SIM technology, mainly for staff hiring, development of relevant management system platform and gradual roll out of the mobile apps and value-added services to target users	41.1	20.3
Working capital	7.9	7.9
Total	79.0	58.2

Based on the current market condition, the Board is planning to utilise approximately HK$12.6 million, on development of the "Smart City" projects and relevant research and development in the financial year ending 31 March 2020.

The remaining balance of the un-utilised Subscription Proceeds will be put in banks as deposits.

As at 31 March 2019, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

CONTINGENT LIABILITIES

(a) Performance bond

During the year ended 31 March 2017, the performance bond was given by a bank in favour of a customer of the Group as security for the due performance of the Group's obligations under a sales contract entered into between the Group and its customer. The performance bond was discharged during the ended 31 March 2018.

(b) Litigation

During the year ended 31 March 2017, the Group had litigation in respect of disputes arising on the ordinary course of business. The disputes had settled during the year ended 31 March 2018 and the court ordered to release the freezed bank deposits of HK$853,000 in April 2017.

The Group did not have any other significant contingent liabilities as at 31 March 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

EMPLOYEE AND SALARIES POLICY

As at 31 March 2019, the Group had 182 employees (2018: 225 employees), with 173 employees and 9 employees employed in the PRC and Hong Kong, respectively.

	At 31 March 2019 Number of staff	At 31 March 2018 Number of staff
Management, finance and administration	**33**	33
Research and development	**78**	78
Sales and after-sales maintenance	**71**	114
Total	**182**	225

The total staff costs, including Directors' emoluments, amounted to approximately HK$24,280,000 (2018: approximately HK$23,922,000) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

The Group provides various employee benefits, including Mandatory Provident Fund Scheme, social insurance, medical insurance and accident insurance.

PRINCIPAL RISKS

The Group's financial position, business results and prospects would be affected by a number of risks including operational risk, market risk and financial risk. Our Group engages in research and development of electronic hardware and software which is susceptible to information technology risk. The Group's trading business is subject to credit risk, liquidity risk and foreign currency risk. The Group's financial risk management objectives and policies are shown in note 5(a) to the consolidated financial statements.

Operational risk of the Group are related to our projects, where bidding prices of projects are generally affected by market competition. On the other hand, there are also certain operation risk for the Group to control the costs and implementation of each project. Market risk of the Group refers to the general demand of our products, which is in turn affected by PRC government policy and national and regional economy. Information technology risks refer to the risk of infringement of intellectual property during our research and development process, as well as application of licensed technology in our products.

Facing the risks as mentioned above, the Company adopts internal control systems where critical points in our business process is identified and specific control measures and procedures developed to reduce operational and information technology risks. The Company works closely with day-to-day management in order to identify and control potential risk points, and consult external advisers where necessary.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Kin Shing (李健誠) (formerly known as Li Kwong（李廣）), aged 61, has been appointed as executive Director and the chairman of the Board, a member of the nomination committee, and an authorized representative of the Company with effect from 26 May 2016.

Mr. Li has over 29 years of experience in the telecommunications industry. Mr. Li had been an executive director, the chairman and the chief executive officer of International Elite Ltd. ("IEL")(Stock code: 1328) till 27 December 2018. He was the chief executive officer and the president of ChinaCast Education Corporation, a limited liability company incorporated in the State of Delaware, U.S.A., whose shares are displayed on the Over the Counter Bulletin Board when he resigned from these positions in 2007. Since 2009, he has been a non-executive director and the chairman of Directel Holdings Limited (Stock Code: 8337), a company listed on GEM and controlled by him and his spouse. Mr. Li is also a director of First Asset Securitization Holding Limited, First Asset Securitization Limited, Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) and Global Link Intelligent Parking Investment Company Limited, all being subsidiaries of the Group.

Mr. Ma Yuanguang (馬遠光), aged 64, is the co-founder of the Group and is an executive Director and Chief Executive Officer. Mr. Ma resigned as the chairman of the board of Directors on 26 May 2016. Mr. Ma is responsible for the overall strategic planning of the Group. Mr. Ma has over thirty years' experience in the telecommunications industry. Prior to joining the Group, Mr. Ma had the experience of managing a state-owned telecommunications system production enterprise for eight years. Mr. Ma has cooperated with several multinational hi-tech firms in the United States, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC. Mr. Ma is also a director of GL Limited, Hilltop Holdings Group Limited, Guangzhou Global Link Communications Inc., Global Link Communications (HK) Limited and Tonnex Holdings Limited, all being subsidiaries of the Company.

Mr. Wong Kin Wa (黃建華), aged 51, has been appointed as the executive Director, a member of the remuneration committee, an authorized representative and compliance officer of the Company with effect from 26 May 2016. He obtained a diploma in Auditing from Guangzhou Radio & TV University, the PRC, in 1988.

Mr. Wong has over 20 years of finance and marketing experience, in particular in the telecommunications industry in Hong Kong and Macau. Mr. Wong had been an executive director, the chief financial officer, the compliance officer and authorised representative of IEL till 27 December 2018. Before joining the IEL's group, he was a manager of China-Hong Kong Telelink Company Limited from 1997 to 1999. Mr. Wong joined Denway Motors Limited (駿威汽車有限公司) (previously known as Denway Investment Limited), a company whose shares were formerly listed on the Main Board of The Stock Exchange of Hong Kong Limited, as the vice general manager in 1993. Mr. Wong has been a non-executive director of Directel Holdings Limited (Stock Code: 8337) since 2009. Mr. Wong is also a director of First Asset Securitization Holding Limited, First Asset Securitization Limited, Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) and Global Link Intelligent Parking Investment Company Limited, all being subsidiaries of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Kwok Keung (梁覺強), aged 55, is the financial controller of a listed company on the main board of The Stock Exchange of Hong Kong Limited. Mr. Leung joined the Group in September 2004. He was an independent non-executive director of Lee Kee Holdings Limited (Stock Code: 0637), a company listed on the Main Board of the Stock Exchange, from September 2006 to October 2014. He graduated from the City University of Hong Kong with a Bachelor degree in accountancy and obtained a degree in Bachelor of Laws from Qinghua University. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. He has more than 20 years' experience in finance, accountancy and treasury. Mr. Leung is a member of the audit committee.

Mr. Cheung Sai Ming (張世明), aged 44, has been appointed as an independent non-executive Director of the Company, and the chairman of the audit committee, the remuneration committee and the nomination committee with effect from 26 May 2016.

He obtained a bachelor's degree of arts in accountancy and finance from the Heriot-Watt University, the UK, in 2006. Mr. Cheung is a certified public accountant of Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experiences in auditing and accounting. Since 2007, Mr. Cheung has served as an independent non-executive director of IEL.

Mr. Liu Chun Bao (劉春保), aged 73, has been appointed as an independent non-executive Director, and a member of the audit committee, remuneration committee and nomination commitee with effect from 26 May 2016. He is a senior engineer, graduated from Wuhan College of Posts and Telecommunications, the PRC, in 1969.

Since 2011, Mr. Liu has served as an independent non-executive director of IEL. Mr. Liu served as engineer, deputy section chief and section chief in Guangdong Posts and Telecommunications Administration Bureau and as researcher and the assistant to the director in Guangdong Communication Administration Bureau. Mr. Liu also served as the general secretary of the Guangdong Institute of Communications (廣東省通信學會), Guangdong Communication Industry Association (廣東省通信行業協會), Guangdong Internet Society (廣東省互聯網協會) and a committee member of the China Association of Communications Enterprises (中國通信企業協會).

SENIOR MANAGEMENT

Mr. Xian Bao Wen (冼寶文), aged 44, joined Guangzhou Global Link Communications Inc, in October 2007 and is the finance controller. Mr. Xian graduated from Guangdong University of Finance & Economics with a bachelor degree of Economics. Mr. Xian has worked in a state-owned enterprise which engaged in telecommunication as accountant for almost 7 years. From July 2005 to October 2007 he became an assistant of finance controller in the Superdata Group (used to be GEM's listed company). Mr. Xian is also a director of Guangzhou Global Link Communications Inc., a subsidiary of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Chan Wai Ching (陳惠貞), aged 57, has been appointed as the company secretary of the Company with effect from 26 May 2016. She obtained a master's degree of professional accounting from The Hong Kong Polytechnic University in 2008.

Ms. Chan has over 35 years of experience in accounting, finance, taxation and corporate governance and is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. She has been the company secretary of IEL since 2007 and the company secretary and authorised representative of Directel Holdings Limited (Stock Code: 8337) since 2009. Ms. Chan subsequently resigned as Company secretary and authorised representative of Directel Holdings Limited effective 7 June 2016.

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 16 to the consolidated financial statements.

An analysis of the Group's performance for the year by geographical segments and products and services is set out in note 8 to the consolidated financial statements.

KEY RISK FACTORS

The principal risks faced by the Group are set out in page 13 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosure. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgement or consult professionals before making any investment in the securities of the Company.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 55.

The board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2019.

RESERVES

The movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 57 and note 26 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law 2003 (Revised) of the Cayman Islands and the articles of association of the Company, the share premium of the Company is distributable to the shareholders, subject to a solvency test and the provisions of the Company's articles of association. As at 31 March 2019, the Company's reserves available for distribution amounted to approximately HK$55,018,000 (2018: approximately HK$67,571,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the relevant law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

Financial Highlights

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**95,626**	93,150	55,967	58,210	75,427
Gross profit	**28,006**	24,511	3,979	1,487	1,747
Loss before tax	**(10,467)**	(4,778)	(21,904)	(28,770)	(41,926)
Loss attributable to equity shareholders of the Company	**(10,467)**	(4,777)	(21,904)	(28,788)	(42,462)
Total assets	**151,862**	172,476	152,924	95,089	126,618
Total liabilities	**56,577**	62,529	40,248	38,160	39,464
Non-controlling interests	**–**	(27)	(26)	(26)	(25)
Net assets	**95,285**	109,947	112,676	56,929	87,154

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	16%
– five largest suppliers combined	44%
Sales	
– the largest customer	41%
– five largest customers combined	92%

None of the Directors, any of their close associates or any shareholder (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

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

Executive Directors
Mr. Li Kin Shing
Mr. Ma Yuanguang
Mr. Wong Kin Wa

Independent non-executive Directors
Mr. Leung Kwok Keung
Mr. Cheung Sai Ming
Mr. Liu Chun Bao

In accordance with Article 87(1) of the articles of association of the Company and the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules, the Director retiring by rotation at the AGM is Mr. Ma Yuanguang and Mr. Cheung Sai Ming, being eligible, will offer themselves for re-election at the AGM so that shareholders will be given an opportunity to endorse his appointment.

Each of Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao, being an independent nonexecutive Director of the Company, has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board considers that Mr. Leung, Mr. Cheung and Mr. Liu meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and that they are independent.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's costs charged to the profit or loss for the year are set out in note 28 and note 9(a) to the consolidated financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

Mr. Ma Yuanguang has entered into a service contract with the Company for an initial term of two years commencing from 1 June 2016 and entered into a renewal of service agreement for a term of two years commencing from 1 June 2018. Each of Mr. Li Kin Shing and Mr. Wong Kin Wa has entered into a service agreement with the Company for a term of three years commencing 26 May 2016 and entered into a renewal of service agreement for a term of three years commencing from 26 May 2019. Such service contracts may be terminated by either party thereto giving to the other not less than three months' prior written notice.

Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2018. Each of Mr. Cheung Sai Ming and Mr. Liu Chun Bao has been appointed for a term of three years commencing from 26 May 2016 and entered into a renewal of appointment letter for a term of three years commencing from 26 May 2019. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory obligations.

DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and of individuals with highest emoluments of the Group are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the director is entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he or she may sustain or incur in or about the execution of his or her duties. To the extent provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 14 to 16 of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, so far is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of Director	**Company/name of associated corporation**	**Capacity**	**Number and class of securities**	**Approximate percentage of shareholdings**
Ma Yuanguang	Company	Owner	10,556,000 ordinary shares Long position	0.51%
Li Kin Shing[(1)]	Company	Owner	473,777,143 ordinary shares Long position	22.68%
		Interest of corporation controlled by the director	254,653,200 ordinary shares Long position	12.19%
		Interest of the spouse	387,493,563 ordinary shares Long position	18.55%
Wong Kin Wa	Company	Owner	1,861,500 ordinary shares Long position	0.09%

Note:

(1) Mr. Li Kin Shing ("Mr. Li") is personally interested in 473,777,143 shares. Ms. Kwok King Wa ("Ms. Kwok") is personally interested in 387,493,563 shares. Mr. Li is the spouse of Ms. Kwok. Accordingly, Mr. Li is deemed to be interested in his spouse's shareholding under the SFO. Furthermore, Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively, is interested in 254,653,200 shares. Therefore, Mr. Li is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO.

Save as disclosed above, as at 31 March 2019, so far is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any 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 the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 March 2019, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

Interests in ordinary shares of the Company – long position

Name	**Capacity**	**Class and number of securities**	**Approximate percentage of shareholding**
Kwok King Wa[1]	Beneficial owner	387,493,563	18.55%
	Interest of the spouse	473,777,143	22.68%
	Interest of corporation controlled by her	254,653,200	12.19%
Ever Prosper International Limited[2]	Beneficial owner	254,653,200	12.19%
Jovial Elite Limited[3]	Beneficial owner	111,690,000	5.35%

Notes:

(1) Ms. Kwok King Wa ("Ms. Kwok") is personally interested in 387,493,563 shares. Mr. Li Kin Shing ("Mr. Li") is personally interested in 473,777,143 shares. Mr. Li is the spouse of Ms. Kwok. Accordingly, Ms. Kwok is deemed to be interested in her spouse's shareholding under the SFO. Furthermore, Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively, is interested in 254,653,200 shares. Therefore, Ms. Kwok is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO.

(2) The 254,653,200 shares are held by Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively. Mr. Li is the spouse of Ms. Kwok.

(3) According to the notice filed by Jovial Elite Limited, Jovial Elite Limited is a wholly owned subsidiary of Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008, L.P. is 100% controlled by Hony Capital Fund 2008 GP, L.P.. Hony Capital Fund 2008 GP, L.P. is 100% controlled by Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is 100% controlled by Hony Capital Management Limited. Hony Capital Management Limited is 80% controlled by Hony Managing Partners Limited. Hony Managing Partners Limited is 100% controlled by Exponential Fortune Group Limited. Exponential Fortune Group Limited is 49% controlled by Mr. Zhao John Huan.

Save as disclosed above, as at 31 March 2019, so far is known to the Directors, there was no person (not being a Director or a chief executive of the Company) who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

COMPETING INTERESTS

Save as disclosed in the Prospectus, the Directors are not aware of any business or interest of each Director, initial management shareholder or substantial shareholder of the Company or any of his/her respective associate that competes or may compete with the business of the Group and any other conflicts of interest which such person has or may have with the Group as at 31 March 2019.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the "board practices and procedures" as set out in Appendix 15 of the GEM Listing Rules.

CONNECTED TRANSACTION

The Group conducted certain non-exempt connected transactions during the year. For details, please refer to the related party transactions as set out in note 30 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in note 30 to the consolidated financial statements.

The Company confirms that in relation to the related party transactions for the year ended 31 March 2019, it has complied with the disclosure requirements in accordance with the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules throughout the period under review.

ENVIRONMENTAL POLICIES AND PRACTICE

The Group is committed to the long term sustainability of the environment and communities. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has adopted green initiatives and measures in its business operations such as recycling of used papers, energy saving measures and water saving practices.

During the period under review, to the best of the Directors' knowledge, the Group had not received any complaint from its customers or any other parties in respect of any environmental protection issues, and had not experienced any material environmental incidents arising from its manufacturing activities. During the period under review, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which may had an adverse impact on its operations.

For details please also refer to the Environmental, Social and Governance Report on pages 32 to 47 in this report.

EVENTS AFTER THE REPORTING PERIOD

Save as the acquisition of Connect Cool Technology Limited as disclosed in this annual report, no material events were undertaken by the Group subsequent to 31 March 2019.

AUDITORS

Crowe (HK) CPA Limited acted as auditor of the Company and audited the Group's consolidated financial statements for the financial year ended 31 March 2019.

Crowe (HK) CPA Limited retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (HK) CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ma Yuanguang
Chief Executive Officer

Hong Kong, 20 June 2019

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") in Appendix 15 of the GEM Listing Rules throughout the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer are segregated and are held by Mr. Li Kin Shing and Mr. Ma Yuanguang respectively to ensure their respective independence, accountability and responsibility. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and Chief Executive Officer which provides a balance of power and authority.

BOARD OF DIRECTORS AND BOARD MEETING

During the period under review, the Board, which comprises six Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the "Biographical Details of Directors and Senior Management". All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

For the year ended 31 March 2019, the executive Directors include Mr. Li Kin Shing, Mr. Ma Yuanguang and Mr. Wong Kin Wa. The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. Mr. Cheung Sai Ming, Mr. Leung Kwok Keung and Mr. Liu Chun Bao are the independent non-executive Directors.

Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2018. Mr. Cheung Sai Ming and Mr. Liu Chun Bao have been appointed for a term of three years commencing from 26 May 2016 and entered into a renewal of appointment letter for a term of three years commencing from 26 May 2019. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors are independent under various guidelines set out in Rule 5.09 of the GEM Listing Rules.

The Board held a full board meeting for each quarter.

During the period under review, details of the attendance of the Board are as follows:

Directors	**Attendance**
Executive Directors	
Mr. Li Kin Shing *(Chairman)*	4/4
Mr. Ma Yuanguang *(Chief Executive Officer)*	4/4
Mr. Wong Kin Wa	4/4
Independent non-executive Directors	
Mr. Leung Kwok Keung	4/4
Mr. Cheung Sai Ming	4/4
Mr. Liu Chun Bao	4/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors and senior management are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training. Continuing briefings and professional development to Directors and senior management will be arranged whenever necessary.

Pursuant to the Corporate Governance Code, all directors and senior management should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. During the year and up to the date of this report, all Directors and senior management have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities in compliance to Code A6.5 of the Corporate Governance Code.

REMUNERATION COMMITTEE

The remuneration committee was established in March 2006. During the period under review, the chairman of the committee is Mr. Cheung Sai Ming, an independent non-executive Director, and other members include Mr. Wong Kin Wa and Mr. Liu Chun Bao, the majority of members being independent non-executive Directors.

The role and function of the remuneration committee included the making of recommendations to the Board on the remuneration packages of all Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the group. The committee's authority and duties are set out in written terms of reference and are posted on the websites of the Company and the Stock Exchange.

During the period under review, a meeting of the remuneration committee was held on 29 March 2019. Details of the attendance of the remuneration committee meeting are as follows:

Members	**Attendance**
Mr. Cheung Sai Ming *(Chairman)*	1/1
Mr. Wong Kin Wa	1/1
Mr. Liu Chun Bao	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and senior management and appointment letters of the non-executive Directors and independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and senior management and appointment letters of the non-executive Directors and independent non-executive Directors are fair and reasonable.

NOMINATION COMMITTEE

The nomination committee was established in March 2012. During the period under review, the nomination committee comprises three members. As at the date of this report, the nomination committee comprises three members, namely, Mr. Li Kin Shing, Mr. Cheung Sai Ming and Mr. Liu Chun Bao. Mr. Cheung Sai Ming is currently the chairman of the Nomination committee. The majority of the members of the nomination committee are independent non-executive Directors.

The role and function of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive. The re-election of each of those independent non-executive Directors who has served on the Board for more than 9 years is subject to (1) a separate resolution to be approved by shareholders of the Company at the relevant annual general meeting; and (2) further information being given to shareholders of the Company together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected. The committee's authority and duties are set out in written terms of reference and are posted on the websites of the Company and the Stock Exchange.

A meeting of the nomination committee was held on 20 June 2019. Details of the attendance of the nomination committee meeting are as follows:

Members	**Attendance**
Mr. Cheung Sai Ming *(Chairman)*	1/1
Mr. Li Kin Shing	1/1
Mr. Liu Chun Bao	1/1

The nomination committee has considered and resolved that, in accordance with the Company's articles of association and subject to the proposed resolutions being passed at the forthcoming annual general meeting, Mr. Ma Yuanguang and Mr. Cheung Sai Ming will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The nomination committee has assessed the independence of the independent non-executive Directors and considered the independent non-executive Directors to be independent under Rule 5.09 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

The Board had adopted a board diversity policy for maintaining a balance of skills, experience and diversity of perspectives on the Board, which are appropriate to the requirements of the Company's business.

The following is a summary of the board diversity policy:

– reviewing and assessing the composition of the Board to maintain an appropriate range and balance of talents, skills, experience and background on the Board;

– recommending candidates for appointment to the Board by considering merit against objective criteria and with due regard for the benefits of diversity on the Board; and

– conducting the annual review of the effectiveness of the Board by considering the balance of talents, skills, experience, independence and knowledge of the Board and the diversity of the Board.

The achievement of these criteria will be measurable on an objective review, which can enhance the diversity of background and experience of individual directors and the effectiveness of the Board in promoting shareholders' interests.

NOMINATION POLICY

The Group adopted a nomination policy (the "Nomination Policy"). The objective of this Nomination Policy is to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. A summary of this policy is disclosed as below:

– The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:–

  ▪ Reputation for integrity
  ▪ Accomplishment and experience
  ▪ Qualifications
  ▪ Compliance with legal and regulatory requirements

- Commitment in respect of available time and relevant interest
- Independence
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

– The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

– The Nomination Committee shall review this Nomination Policy to ensure it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice at least annually and shall make recommendations, should it thinks appropriate, of any amendments to this Nomination Policy to the Board for its consideration.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company has paid an aggregate of approximately HK$678,000 to the external auditors for its audit services and the auditor's remuneration for non-audit services was nil.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial matters to the Board. As at the date of this report, the Audit Committee comprises three members, Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Cheung Sai Ming.

The Group's annual audited results during the year ended 31 March 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

The audit committee held 4 meetings during the year under review to discuss the accounting principles and practices adopted by the Company and discussions with senior management and the independent auditor on matters arising from audits and the effectiveness of the Company's internal control and risk management system. Details of the attendance of the audit committee meetings are as follows:

Members	**Attendance**
Mr. Cheung Sai Ming *(Chairman)*	5/5
Mr. Leung Kwok Keung	5/5
Mr. Liu Chun Bao	5/5

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report in the Company's annual report; and
- such other corporate governance duties and functions set out in the Corporate Governance Code (as amended from time to time) for which the Board are responsible.

During the year under review, the Board has performed the corporate governance duties accordingly.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility to prepare the Group's financial statement for each financial period to give a true and fair view of the state of affairs of the Group and of results and cash flows for that period. In preparing the financial statements for the year under review, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditor's Report on pages 48 to 54 of this report.

INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. The systems are design to reduce, not eliminate, risks associated with our business and can only provide reasonable (i.e. not absolute) assurance against material misstatement or loss. The Board has conducted a review of the system of risk management and internal control of the Group periodically to ensure the effective and adequate risk management and internal control system. The Board convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the view that the existing system of internal control and risk management is effective and adequate to the Group.

The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 March 2019.

SHAREHOLDERS' RIGHTS

I. Convene an extraordinary general meeting

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

II. Send enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 3815, Hong Kong Plaza, 188 Connaught Road West, Hong Kong by post for the attention of the company secretary of the Company. In addition, the Company's website provides fax number and telephone number by which enquiries may be put to the Board.

III. Make proposals at general meetings

Eligible Shareholder who wishes to convene an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder concerned to the principal place of business of the Company in Hong Kong as set out in the paragraph above, for the attention of the company secretary of the Company.

The Requisition must state clearly the name of the Eligible Shareholder concerned, his shareholding, the reason to convene an extraordinary general meeting, the agenda proposed to be included as well as the details of the business proposed to be transacted in the extraordinary general meeting.

DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 27 December 2018. A summary of this policy is disclosed as below:

Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(i) operations and earnings;

(ii) business development;

(iii) capital requirements and surplus;

(iv) market conditions and general financial conditions;

(v) contractual restrictions (if any); and

(vi) any other factors that the Board consider appropriate.

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors periodically. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer to their enquiries.

The attendance of members of the Board to the general meeting held on 2 August 2018 is as follows:

Directors	**Attendance**
Executive Directors	
Mr. Li Kin Shing *(Chairman)*	1/1
Mr. Ma Yuanguang *(Chief Executive Officer)*	1/1
Mr. Wong Kin Wa	1/1
Independent non-executive Directors	
Mr. Cheung Sai Ming	1/1
Mr. Leung Kwok Keung	1/1
Mr. Liu Chun Bao	1/1

During the year under review, there had been no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

Introduction of the Report

This is the third Environmental, Social and Governance ("ESG") report of Global Link Communications Holdings Limited ("the Company" or "Global Link"). This report summarizes the Company's performance in fulfilling its responsibilities in economic, environmental and social dimensions during the financial year from 1 April 2018 to 31 March 2019.

In preparing for the ESG report, the Group has complied with the "Comply or Explain" provisions in accordance with the "ESG Reporting Guide" as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and in accordance with the practical circumstances of the Group.

The board acknowledges its responsibility for ensuring the integrity of the ESG report and to the best of its knowledge, this report addresses all material issues and fairly presents the ESG performance of the Group and its impacts. The Board confirms that it has reviewed and approved the ESG report.

Reporting Scope

The reporting scope of this report includes Global Link Communications Holdings Limited and its subsidiaries (the "Group"). The main operations are located at the Group's headquarter in Hong Kong and its Research and Development (R&D) and Assembly Centre in Guangzhou.

About Global Link

During the reporting period, the Group engaged in providing overall solution for rail transit information systems as its major business. The Group has various out-performing and efficient teams specialized in product development, production, sales, service and operation, making us an outstanding rail transit passenger information system solutions provider and a leader in railway passenger information system technology.

The customers of the Group are mainly train manufacturers under the CRRC Corporation Limited ("CRRC"). We supply mainly certified and licensed train information system products, including railway closed circuit television system, media broadcast system, railway broadcast system and LCD ("Liquid-crystal display") passenger information display system. The Group also strives to provide urban rail transit operators with technical support and operation maintenance services in China, to carry out corresponding technical cooperation and innovation at rail transit operators' requests and in the meantime, to provide system software and hardware upgrades, spare parts and accessories. We also supply system solutions, product supports and operating after-sale services for rail transit operators in countries and regions, among others, Hong Kong, Malaysia and Turkey.

One of the Group's subsidiaries Guangzhou Global Link Intelligent Information Technology Ltd. facilitates a plan for the construction of smart cities and engages in the livelihood application development. The CA-SIM personal mobile terminal with personal identity and security authentication will be used in new intelligence applications such as residential communities, office space, shopping malls, schools, hospitals, public transportation, public entertainment venues, and consumer payment. Its intelligent application based on patented hardware encryption can promotes the effective implementation of public safety and people benefits policies of local governments. Under the support of smart terminals APP, cloud computing, big data and other systems, the general public in communities, enterprises, and venues can use the mobile internet to fully enjoy the new O2O services that are safe, convenient, efficient and cost effective.

2 OUR APPROACH TO ESG

The Group attaches great importance to technological research innovation, efficient and safe production and stringent quality assurance, the Board fully recognizes the significance of being a responsible corporate citizen. The Group is committed to environmental protection through energy conservation, by improving its energy efficiency in the assembly workshops and offices. The Group is committed to complying with local and relevant environment laws and regulations. The Group cares about its employee's development and protect their right and interests. By strict implementation and continued improvement of employment system, the Group provides a safe and healthy work place and fair development platform for its employee. The Group also heavily increases input in product's R&D and innovation. The Group monitors and ensure the implementation of environmental, social and governance measures in our operation processes from time to time.

Focus Areas

1. Ethics and Governance – Being ethical, responsible and transparent in how we do business.

2. Environment and Resource Efficiency – Using resources efficiently and minimizing environmental impact across our supply chain.

3. Better Workplace – We are committed to creating a workplace where our employees can thrive. Our approach focuses on living up our values, and provide a safe and comfortable workplace.

4. Reliability – Using the power of technology to enable commuters and audience to receive updated, accurate and reliable information promptly and to thrive in the digital world.

3 OUR STAKEHOLDERS

Our stakeholders are any group or individual who influences or is impacted by Global Link's business operations or who are interested in how we address our priorities. Engagement with stakeholders is important to confirm we understand their expectations and respond to their various interest and concerns.

Our approach to stakeholder engagement is guided by our Group's values. Our engagement takes many forms, including face to face meeting, exhibition, market research, and surveys. We are active in the railway transport industry groups, working with train manufacturers and technology providers, and have a corporate communication team across the Group that manages relationships with specific stakeholder groups.

Our commitment extends to building trust with our stakeholders by being transparent, responsive and accountable. The following table presents a list of our stakeholders and their interests and how we engage with them.

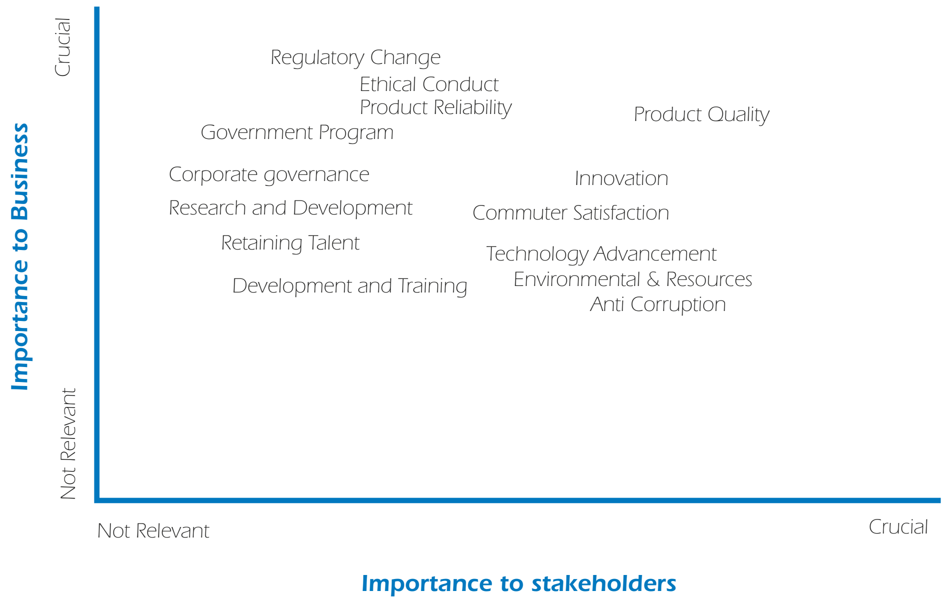
3 OUR STAKEHOLDERS *(continued)*

Stakeholder	Engagement Method	Topics	Action
Shareholders	Investor relations communication and Shareholder meeting	– Financial performance – Governance	We provide information on strategies, policies, and performance through our quarterly report, interim report, annual report and announcement.
Employees	Meeting and Staff interview	– Career – Training – Health and Safety – Workplaces	We provide training, promotion, decent wages, safety and respectful workplace.
Customers	Business relationship/ Feedback	– Product quality – Reliability – Warranty – Innovation – R&D – Price	We provide quality and high standard product. We have dedicated project team to develop the product. We can customize our system according to customer or railway operators requirements.
Commuters	Market Research	– Content Delivery – Satisfaction – Expectation	We regularly engage with commuters to understand their needs and how our information system was performed.
Industry	Forum	– Technology – Industry Standard	We engage with railway operators, as well as sector peers, and telecommunication specific association to understand the latest technology development.
Government	Notice	– One Belt One Road Initiative – National Development Plan – Transportation Plan – Tax	We engage with government and participate in government initiated programs to promote our product to overseas countries together with the train manufacturers.
Suppliers	Business relationship	– Quality – New Technology	We leverage on the advancement of technology to enable our information system to thrive.

4 MATERIALITY ASSESSMENT

The Group aims to make our business more transparent for stakeholders in respect of our ESG responsibilities and provide them with an opportunity to exchange opinion with us. Our goal is to build relationships with our stakeholders and to listen to their views. We collect feedback from our stakeholders from various platforms in order to enhance collaboration and communication with them. Then we analyze how important different topics are to our stakeholders and map them against their potential impact on our business through materiality process.

Overall, our ESG's material issues show below in the matrix chart remain largely unchanged since last year, with product quality, product reliability, and innovation rising significantly. In addition, our employees also concerned about the training and development, and their career path.



5 ENVIRONMENT

As the business of Global Link mainly involves in software development and hardware assembly without any production plant. The operation of the assembly centre in Guangzhou is mainly focused on railway transit information system product assembly and installation for train and software development. There is no significant hazardous waste, air emissions or wastewater generated directly from our production processes. All the hardware and components used in the system are purchased from vendors.

We are not in the heavily polluting industry. But we believe that as a responsible company we have an important role to play in addressing the environmental impact and we are committed to helping our customers and commuters to reduce energy consumption, emissions and develop a mitigation plan. We are also committed to improving our own operations by implementing a number of initiatives.

5 ENVIRONMENT *(continued)*

During the reporting period, we had complied with all relevant environmental laws and regulations in the PRC and Hong Kong that have a significant impact on the Group's business. There were no significant fines or penalties for non-compliance with the relevant environmental laws and regulations during the year. The Group did not discover any activity conducted by our Group that would cause material pollution and damage to the air, land, water sources and ecological environment in the vicinity.

5.1 Emission

Type of Emissions

The Group's operations generate 3 types of emissions, namely, greenhouse gas emission, non-hazardous waste and hazardous waste.

Greenhouse Gas Emission

The Group's R&D and Assembly Centre in Guangzhou has 4 vehicles. The transport fleets are the second largest contributor to our emissions. During the reporting period, the fleet has used approximately 6,847 liters of petrol. The Group's transport vehicles were bought and used for company affairs, employ transport and cargo all conformed to national emission standards.

Number of Vehicles	4 x < 2.5 tonnes car
Car Petrol consumed	6,847 Liters

During the reporting period, the Group's Greenhouse gas ("GHG") was compiled and organized according to ISO14064 standard and includes Scopes 1 and 2 emissions. The Group's GHG emissions amounted to a total of approximately 185.8943531 tCO2e and the intensity of GHG based on consumption per headcount is 1.02.

Our electricity consumption was the primary source of our GHG emission. The second primary source of emissions was the use of petrol for the company vehicles. We are committed to becoming more efficient in electricity usage at our office.

Scope 1 Direct GHG Emissions	
Petrol	15.19879486 tCO2e
Scope 2 Indirect GHG Emissions	
Electricity Purchased	170.6955582 tCO2e

Total GHG Emissions	185.8943531 tCO2e

5 ENVIRONMENT *(continued)*

5.1 Emission *(continued)*

Waste

As system developers and service providers, we do not directly generate large amounts of waste from the Group's operations. Our non-hazardous waste such as paper, and glass bottle is separated and recycled. The office and domestic waste generated in the office are collected and disposed of by the property management company. For our Guangzhou R&D and Assembly Centre, We will arrange third party recycling company to collect packaging materials such as discarded cartons and plastic foam boxes. For hazardous waste, such as computer motherboards scraps, when accumulating to a certain amount, we will arrange a third-party company to recycle for scrapping. The quantitative data on the total volume of hazardous and non-hazardous waste produced and the intensity were not disclosed due to the data collection mechanism still being developed.

5.2 Use of Resources

Energy

The Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the GHG emission for the Group.

The majority of energy consumed at our Hong Kong office and our Guangzhou R&D and Assembly centre is from electricity. Approximately 190,529 kWh electricity were consumed by the Group during the reporting period. The intensity of electricity based on consumption per headcount is 1,047.

As mentioned in paragraph 5.1, under the heading "GHG Emission", we have used 6,847 litre of petrol during the reporting period. The intensity of petrol based on consumption per headcount is 37.62.

Water Resources

Our water consumption is mainly attributable to employee drinking water and office cleaning water. All our water were supplied by the local Municipal. During the reporting period, our Hong Kong office and Guangzhou R&D and Assembly centre use approximately 1,522.83 tonnes of water and the intensity of water based on consumption per headcount is 8.37. To mitigate water use, we promote water conservation and discuss to employees about our water savings initiatives, include water savings policies and procedures in employee inductions. There was no issue in sourcing water that is fit for our purpose and we have improved our equipment by installing dual flush toilets and sensor taps. As the result, we managed to reduce the water bill.

Energy Used Efficiency

In addition to emission reduction, the Group also makes certain contribution to our environment by vigorously promoting the concept of resources conservation inside the Group and improving the environmental awareness of our staff.

5 ENVIRONMENT *(continued)*

5.2 Use of Resources *(continued)*

Our management responds to the resources conversation initiative in its daily business operations by improving the efficiency of resources consumption through the following measures:

1) The office and the assembly line are using LED lights.

2) Encourage double site printing and reuse of waste paper.

3) Encourage paperless office by converting documents and other paper into digital forms.

4) Keep indoor air-conditioning temperature at 26°c during summer.

5) Require staff to turn off lights and computers when they are away from the office.

6) Admin staff performs a final check on the electricity control at the end of the day.

7) Separate the waste into recyclable waste and non-recyclable waste.

The Guangzhou R&D and Assembly center's air conditioners are maintained by our admin staff. We have reviewed the equipment maintenance so that the systems are working as designed and the temperature set points are suitable for efficient operation and staff comfort.

Since the introduction of the energy used efficiency's initiatives, we managed to reduced the electricity bill.

Product Packaging

Our main product packaging comprises of wooden card box, paper cartons, and plastic foam boxes. During the reporting period, we have used approximately 545 wooden card boxes, approximately 3,360 paper boxes, and approximately 9,726 plastic foam boxes. The installation of a complete railway transit information system for a train will use up to approximately 7 - 12 wooden card boxes, approximately 15 - 30 paper boxes, approximately 50 - 110 plastic foam boxes. All of the packagings is collected and reused in our daily operation, while the remaining were sent to the recycle companies or disposed of accordingly.

5.3 The Environmental and natural resources

The Group is well aware of its own environmental protection obligations, we continually explores opportunities to reduce the environmental impact of our production and operation. We have incorporated and implemented the 3Rs (Reduce, Reuse, and Recycle) principle into our operation, and established energy and resources management system to better utilize the resources in our assembly process, aiming to reduce the energy and water consumption, minimize the waste production and improve the reuse rate of the electronic components and packaging.

6 SOCIAL

6.1 Employment

6.1.1 Employment Practices

Rapid changes in technology, and relevant laws and regulations creates a more challenging market for the Group. Hence, Global Link's operations is changing to adapt as a result of new technologies and business processes.

We believe that our employees are our valuable assets that contribute to our success. We therefore are committed to retaining our employees by creating a comfortable workplace and providing development opportunities where our employees can personally develop and focus on the job. This includes encouraging open conversation between employees and supervisor, and recognizing, promoting and rewarding employees who work hard.

We are also committed to providing equal employment opportunities without regard to sex, age, race, religion, marital status. We had fully complied with the relevant labour laws and regulations in Hong Kong and in the PRC. The Group's employee handbook has set out the policies of recruitment, internal transfer, resignation procedure, compensation, performance appraisal, holiday and leaves to allow the employee to has a clear understanding of company policies and their rights.

In regard to the employee remuneration and benefit, all our employees enjoy fair, impartial and open salary review and promotion system. Performance appraisals are conducted by human resources admin team, and the scope and standard of the performance appraisal are determined based on the job nature of their respective positions in the Company.

In addition to the basic salary, our employees are also entitled to the performance-based bonus, and outstanding staff will receive year-end bonus or promotion or salary increment as an incentive.

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

Employee Profile

We have implemented a set of employment policies to attract and retain the talented people for the sustainable growth of the Group. During the reporting period, our business had a total workforce of 182 employees, 17 of them are from Guangzhou Global Link Intelligent Information Technology Ltd., 156 of them are from Guangzhou Global Link R&D and Assembly centre, and 9 of them are from Hong Kong headquarter. Our main workforce mainly comes from Guangdong province, and we have a very young workforce, of which approximately 78% of our employees are below 34 years old. Below is the composition of our employees by gender, age, employment mode and level, respectively:

	Total
Total Workforce	182
By Gender	
Total Male Employees	144
Total Female Employees	38
By Age	
Below 25 years old	57
25 - 34 years old	85
35 - 44 years old	21
45 - 55 years old	12
Above 55 years old	7
By Employment Mode	
Full time	157
Part-time	25
By Level	
Management	37
Non-management	145

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

Employee Profile (continued)

	Total
By Location	
Jiangxi	6
Hubei	21
Shandong	3
Hunan	13
Fujian	2
Hebei	1
Heilongjiang	1
Jilin	1
Guangdong	111
Guangxi	10
Liaoning	4
Hong Kong	9

Employee Turnover Rate

Employee turnover rates can vary widely across industries. Our employee turnover rate during the reporting period is 64%, which mainly came from the after-sales personnel. The reason for the high turn-over rate is because the maintenance work of the metro depot was mainly night shift, and some of the assembly line employees, are secondary school interns, where they chose to pursue further studies when their internship expired.

We are investing more manpower and material resources to develop training programs to help in retaining employees.

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

Table below show our employee turnover rate by gender, age group and geographical region.

	Total
Employee Turnover Rate	118
Male Employee Turnover Rate	94
Female Employee Turnover Rate	24
By Age	
Below 25 years old	52
25 - 34 years old	50
35 - 44 years old	16
By location	
Hunan	9
Hubei	12
Guangdong	74
Hainan	3
Beijing	4
Shandong	1
Anhui	2
Hefei	1
Jiangxi	1
Zhejiang	3
Henan	2
Sichuan	1
Heilongjiang	1
Guizhou	1
Chongqing	1
Jilin	1
Ningxia	1

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

6.1.2 Health and Safety

At Global Link, health and safety is our primary concern in our business operation. We take appropriate measures to prevent injuries at our workplace, assembly line and the project installation site. We implement a range of programs to prevent accidents, including on-site training, awareness program, fire drill and inspection. The Group works through a hierarchy of risk control measures when managing risk. Our safety code of practice provides guidance on the selection, provision, and use of personal protective equipment and requirements for specific hazards.

We did not discover any material violation of occupational health and safety related laws and regulations during the reporting period.

6.1.3 Development and Training

Learning and development is an important aspect of the training roadmap for all Global Link's Employees. All new employees are required to attend the orientation program which aims to induct and integrate new hires into the organizational culture seamlessly.

We provide skill training that allow our employees to adapt to the new challenges of technology and business expansion. We try to always make training practical and that employees at all levels have chances to participate in the training and the values of training and work experience may be inherited.

During the reporting period, Our Guangzhou Global Link Intelligent Information Technology Ltd., which engaged in the construction, provision of service and operation for the development of Smart City has an average of 48 training hours annually. The training our Guangzhou Global Link Intelligence Information Technology Ltd.'s employees undertook focused on skill upgrade, in order to meet the company's development needs.

For our Guangzhou R&D and Assembly centre, we provide targeted skills training programs based on job roles. The training is in various forms, including training externally, internal centralized training, on-site guidance, and apprentice training. The average training time for our Guangzhou R&D and Assembly centre's employees is approximately 35 hours annually. Every training is serialized to ensure that every employee can master proper skills, knowledge, and skills for their working fulfillment and growth.

6 SOCIAL *(continued)*

6.1 Employment *(continued)*

6.1.4 Labour Standard

Global Link attaches particular importance to the issues of labour exploitation and child labour. It has formulated clear policies to prevent compulsory labour and employment of child labour and has insisted on monitoring the recruitment process frequently relevant labour laws and regulations in Hong Kong and in the PRC to prevent the occurrence of illegal conduct. The Company has complied with the relevant labour laws and regulations in Hong Kong and the PRC.

In particular, the Group will ensure that:

1. Job applicant must be at least 16 years old.

2. Global Link HR will confirm applicant age at the interview.

3. When signing employment contract, the identity card of the candidate will be verified. We will not recruit minors who are under the age of 16. The registration and verified materials for the hired personnel are properly kept.

The Group will not force any employees to work overtime. All overtime work is performed on a voluntary basis, and employees may choose to apply for overtime work, and a daily limit is set on the maximum number of overtime hours. Regulations on overtime work are clearly stated and explained under the relevant labour contract.

During the reporting period, the Group did not discovered any material violation of labour related laws and regulations.

6.2 Supply Chain Management

Supply Chain Management

Global Link Supplier Code of Conduct provides a framework for how we manage our relationship with suppliers and contractors. Critical areas include product quality, warranty, information security, corruption and compliance with local laws and regulation. We always endeavor to improve our supplier management. The Supplier Code of Conduct sets out the procurement policies, processes, selection, and the minimum standards.

We expect suppliers to meet the standards described in our Supplier Code of Conduct and are working with them to achieve goals.

During the reporting period, Global Link maintained relationship with 100 suppliers, of that 64 suppliers are from Guangdong province, 33 from other provinces and 3 from overseas. Our key areas of spending include electronics and network equipment, as well as the procurement of services.

6 SOCIAL *(continued)*

6.3 Product Responsibilities

Technological disruption is fundamentally changing the way the world works. Today business, railway transportation operators, passengers are creating and demanding to shifts that would have seemed unimaginable even more than ten years ago. The transport mode shifted from bicycle to bus and now moves to railway transit. Hence, the technology of Global Link plays its due role in the daily lives of millions of commuters, ensuring that they have a safe and comfortable subway ride, and to receive the latest update information on the arrival station, and to watch programs and advertisement.

Our solution is developed with the aim of monitor the safety of train during operation, provide trigger alarm during emergency, arrival station notification and information system, and entertaining and increasing passenger comfort and satisfaction. Our products also offer advertising feature, so that railway operator can generate more revenue.

Our main products include Train borne Closed Circuit Television System, Railway Transit Passenger Information Display System, onboard public address system and passenger information display system in LED.

Our subsidiary, Guangzhou Global Link Intelligence Information Technology Ltd. engages in developing products and livelihood application for the smart city.

All our products are subject to comprehensive testing to meet stringent customer requirements and relevant country's product standards and regulations. We try to minimize the defects in product quality, we rely on product testing and monitoring process which enables us to manage our product quality proactively. Our Guangzhou R&D and Assembly centre has obtained ISO 9001 certification. We offer after sale services and warranty for our customers. During the reporting period, our Group complied with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to our products.

We continue to review and update our communications to ensure that we provide our customers with the latest information. We take seriously our commitment to keep our customers and railway transportation operators informed about products. We do not want the customer to be provided with any false or misleading product information especially on the functionality of products. Our employees are required to maintain transparency in communication and marketing.

6 SOCIAL *(continued)*

6.3 Product Responsibilities *(continued)*

6.3.1 Intellectual Property

Intellectual property is a way to protect the fruit of our R&D efforts and support our business. We take a thorough and persistent approach against any counterfeit goods and intellectual property infringements. We have established clear rules and procedure to archive our R&D patterns, trademark, copyright and right of authorship of our products, especially for the software and hardware we developed.

6.3.2 Customer Data Privacy

Our business in railway transit information system doesn't deal directly with the consumers, but only with commercial customers. However, our subsidiary, Guangzhou Global Link Intelligent Information Technology Ltd., deals with the Smart City application and software development, in which it will deal directly with the resident personal data. Our customers and the community are concerned about who has access to this data and we're committed to protecting customer's data and security access from intrusions and unauthorized access.

The Group Data Security Framework includes customer data privacy, information security, and training for employees on the appropriate processing of the personal data belonging to our customers and employees. Our robust information system applies strict security processes, authorization, and firewall and defines minimum requirement, based on the latest standard for information security management.

All our employees who come on-board are trained and informed about our Group's Data Security Policies.

6.4 Anti-Corruption

Global Link's Employee Code of Conduct establishes standard and rules for all employees on anti-corruption, how to handle bribery and how to make a report by employees on suspected misconduct or illegal acts.

Standards apply to each risk area and cover employee ethical behavior, both personally and professionally. We take a zero-tolerance approach to fraud and corruption. All operating entities are required to perform an annual anti-corruption risk assessment, which is monitored by the head office.

The compliance training of anti-corruption is compulsory for all employees. We further strengthen our anti-corruption and anti-bribery controls by providing yearly training to our front-line employees and purchase department.

During the reporting period, the Group had complied fully with all the relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

6 SOCIAL *(continued)*

6.5 Community Investment

The Group believes that community involvement may facilitate social development in a harmonious and organic manner. In order to operate as a responsible corporate citizen and put its social commitment into practices, the Group plans to further encourage its staff to participate in social charity activities, such as youth education or elderly nursing and caring.

ESG INDEXES

HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX		
Aspect	**Section**	**Remark**
Environmental		
A1. Emission	5.1	page 36
A2. Use of Resources	5.2	page 37
A3. The Environment and Natural Resources	5.3	page 38
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國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Global Link Communications Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 55 to 132, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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 MATTERS *(continued)*

Impairment assessment on intangible assets

Refer to notes 4(a)(i), 4(b)(i) and 14 to the consolidated financial statements and the accounting policy note 2(s)(ii) to the consolidated financial statements.

The key audit matter	**How the matter was addressed in our audit**
As at 31 March 2019, the carrying amounts of intangible assets of the Group amounted to approximately HK$12,241,000. The Group has performed impairment review on these intangible assets in order to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amounts of these intangible assets are the higher of their value-in-use and fair value less costs of disposal. Management determined the value-in-use of these intangible assets based on the future cash flows generated by these assets. An independent external valuer was engaged by the management to perform such valuations. During the year ended 31 March 2019, the Group made impairment loss of HK$6,446,000 for the intangible assets. We identified impairment assessment on intangible assets as a key audit matter because it involves significant management's judgements and estimations on future cash flows, discount rate and growth rate in view of the future business prospect.	Our audit procedures to impairment assessment on intangible assets included, among others, the following: ▪ Evaluating the independent external valuer's competence, capabilities and objectivity; ▪ Appointing our valuation experts and involving them to evaluate the appropriateness of the methodologies used by the independent external valuer in determining the recoverable amounts; involving our valuation experts to review key assumptions used by the management and the independent external valuer; ▪ Evaluating the discount rate used to determine the recoverable amounts; ▪ Checking on a sample basis the accuracy and relevance of the input data used in determining the recoverable amounts; and ▪ Testing the mathematical accuracy of the calculations in determining the recoverable amounts.

KEY AUDIT MATTERS *(continued)*

Provision for product warranties

Refer to notes 4(a)(v) and 24 to the consolidated financial statements and the accounting policies on note 2(q) to the consolidated financial statements.

The key audit matter	**How the matter was addressed in our audit**
At 31 March 2019, the balance of warranties provision of the Group amounted to approximately HK$13,609,000 was recorded in the consolidated financial statements of the Group. Provision for product warranties relates to warranties that are granted by the Group for its product and undertaking to repair or replace items that fail to perform satisfactorily. The amount of provision for product warranties is estimated based on the sales volume and past experience of the level of repairs and returns. We identified provision for product warranties as a key audit matter because of the magnitude of the carrying amount of warranties provision and the significant involvement of management's judgement and assumptions applied in estimation of costs in respect of future warranty claims.	Our audit procedures to provision for product warranties included, among others, the following: ▪ Evaluating the appropriateness of the methodologies used by the management for estimating warranties provision; ▪ Testing the mathematical accuracy of the calculations of the provision; and ▪ Testing the underlying data and evaluated the appropriateness and consistency of the basis management used in estimating the provision for product warranties by comparing past assumptions made by management in prior years with actual events as well as current year's assumptions.

KEY AUDIT MATTERS *(continued)*

Recoverability of trade receivables

Refer to notes 4(a)(ii), 5(b) and 19 to the consolidated financial statements and the accounting policies on note 2(s)(i) to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group has significant trade receivables as at year end. Given the size of the balances and the risk that some of the trade receivables may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk. During the year, the Group has applied HKFRS 9 "Financial Instruments" from 1 April 2018. In accordance with HKFRS 9, trade receivables continue to be measured at amortised cost, and subject to expected credit loss (ECL) assessment. Accordingly, management has constructed a provision matrix to compute the expected loss rate through the summation of each average age bands and applied the expected loss rate to the trade receivable to arrive at the ECL allowance. The expected loss rate generated will depend on the length and amount of historical data used and forward-looking adjustments made. This has resulted in a significant degree of management judgement in the ECL assessment. During the year ended 31 March 2019, the Group made provision for allowance for doubtful debts of HK$1,428,000 for the trade receivables. We have identified recoverability of trade receivables as a key audit matter because the magnitude of the trade receivables and the estimation and judgement involved in determining the expected credit losses allowance of the trade receivables.	Our audit procedures to recoverability of trade receivables included, among others, the following: ▪ understanding and validating the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables; ▪ testing on a sample basis, the accuracy of ageing profile of trade receivables by checking to the underlying sales invoices; ▪ testing on a sample basis, the subsequent settlement of trade receivables against bank receipts; ▪ performing audit procedures including, amongst others, reviewing the reasonableness of significant judgement used by the management in assessing the recoverability of trade receivables and reviewing management's assessment of the recoverability of long outstanding and overdue trade receivables; ▪ testing the reasonableness of management's assumptions and inputs used to develop the provision matrix, through analyses of ageing of trade receivables and historical credit loss experience, reviewing data and information that management has used, including consideration of forward-looking information based on specific economic data, and checking the arithmetic accuracy of management's computation of the ECL.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for other information. The other information comprises all 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism through out the audit, we also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

From the matters communicated with the Audit Committee, we determine those matter 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 Poon Cheuk Ngai.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 June 2019

Poon Cheuk Ngai
Practising Certificate Number: P06711

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	6	**95,626**	93,150
Cost of sales		**(67,620)**	(68,639)
Gross profit		**28,006**	24,511
Other revenue and other net gain	7	**4,579**	3,893
Selling expenses		**(19,102)**	(15,614)
Administrative expenses		**(13,985)**	(11,521)
Impairment loss of intangible asset	14	**(6,446)**	–
Other operating expenses		**(3,250)**	(5,993)
Loss from operation		**(10,198)**	(4,724)
Finance costs	9(c)	**(269)**	(54)
Loss before taxation	9	**(10,467)**	(4,778)
Income tax	10	**–**	–
Loss for the year		**(10,467)**	(4,778)
Other comprehensive (loss)/income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating financial statements of foreign operations		**(1,428)**	2,049
Other comprehensive (loss)/income for the year, net of income tax		**(1,428)**	2,049
Total comprehensive loss for the year		**(11,895)**	(2,729)
Loss attributable to:			
Equity shareholders of the Company		**(10,467)**	(4,777)
Non-controlling interests		**–**	(1)
		(10,467)	(4,778)
Total comprehensive loss attributable to:			
Equity shareholders of the Company		**(11,895)**	(2,728)
Non-controlling interests		**–**	(1)
		(11,895)	(2,729)
Loss per share	11	***HK cents***	*HK cents*
– Basic and diluted		**(0.50)**	(0.23)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,399**	1,641
Intangible assets	14	**12,241**	21,937
		13,640	23,578
Current assets			
Inventories	17	**911**	1,919
Contract assets	18	**781**	–
Trade and other receivables	19	**52,995**	68,678
Deposits and prepayments	21	**9,931**	6,148
Restricted bank deposits	22(a)	**2,332**	–
Cash and cash equivalents	22(b)	**71,272**	72,153
		138,222	148,898
Current liabilities			
Trade and other payables	23	**34,311**	37,666
Contract liabilities	18	**464**	–
Provision	24	**13,609**	17,123
Advances drawn on bills receivables discounted with recourse	25	**1,163**	–
Provision for taxation		**7,030**	7,740
		56,577	62,529
Net current assets		**81,645**	86,369
Total assets less current liabilities		**95,285**	109,947
Net assets		**95,285**	109,947
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital	26	**20,888**	20,888
Reserves	26	**74,397**	89,086
		95,285	109,974
Non-controlling interests		**–**	(27)
Total equity		**95,285**	109,947

Approved and authorised for issue by the board of directors on 20 June 2019 and were signed on its behalf by:

Li Kin Shing
Director

Ma Yuanguang
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Merger reserve	Exchange reserve	Warrant reserve	Accumulated losses	Statutory reserves	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	20,888	158,967	2,135	9,184	186	(89,465)	10,807	112,702	(26)	112,676
Loss for the year	–	–	–	–	–	(4,777)	–	(4,777)	(1)	(4,778)
Exchange differences on translating financial statements of foreign operations	–	–	–	2,049	–	–	–	2,049	–	2,049
Total comprehensive income/(loss) for the year	–	–	–	2,049	–	(4,777)	–	(2,728)	(1)	(2,729)
Lapse of warrants	–	–	–	–	(186)	186	–	–	–	–
Appropriation to statutory reserve	–	–	–	–	–	(2,077)	2,077	–	–	–
At 31 March 2018 and 1 April 2018	20,888	158,967	2,135	11,233	–	(96,133)	12,884	109,974	(27)	109,947
Impact on initial application of										
– HKFRS 9	–	–	–	–	–	(3,685)	–	(3,685)	–	(3,685)
– HKFRS 15	–	–	–	–	–	1,035	–	1,035	–	1,035
Adjusted balances at 1 April 2018	20,888	158,967	2,135	11,233	–	(98,783)	12,884	107,324	(27)	107,297
Loss for the year	–	–	–	–	–	(10,467)	–	(10,467)	–	(10,467)
Exchange differences on translating financial statements of foreign operations	–	–	–	(1,428)	–	–	–	(1,428)	–	(1,428)
Total comprehensive loss for the year	–	–	–	(1,428)	–	(10,467)	–	(11,895)	–	(11,895)
Release upon disposal of a subsidiary (note 32)	–	–	–	(144)	–	–	–	(144)	27	(117)
Appropriation to statutory reserve	–	–	–	–	–	(1,701)	1,701	–	–	–
At 31 March 2019	20,888	158,967	2,135	9,661	–	(110,951)	14,585	95,285	–	95,285

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before taxation		**(10,467)**	(4,778)
Adjustments for:			
Depreciation	9(b)	**808**	617
Amortisation of intangible assets	9(b)	**3,250**	3,250
Impairment losses on intangible assets	9(b)	**6,446**	–
Gain on disposal of a subsidiary	9(b)	**(318)**	–
Provision for/(reversal of) allowance for doubtful debts	9(b)	**1,428**	(3,028)
Provision for impairment of deposits	9(b)	**71**	299
Reversal of provision for long service payments	9(b)	**–**	(27)
Bank interest income	7	**(766)**	(537)
Finance cost	9(c)	**267**	–
Changes in working capital		**719**	(4,204)
Decrease in inventories		**881**	1,923
Increase in trade and other receivables		**(31,103)**	(30,177)
Increase in bills receivables discounted with recourse (note)		**(18,638)**	–
Increase in deposits and prepayments		**(4,241)**	(3,659)
Increase in trade and other payables		**41,518**	16,164
(Decrease)/increase in provision for product warranties		**(2,407)**	959
Decrease in contract assets		**288**	–
Decrease in contract liabilities		**(3,333)**	–
Net cash used in operating activities		**(16,316)**	(18,994)
Investing activities			
Payment for the purchase of property, plant and equipment		**(673)**	(1,285)
Bank interest received		**766**	537
Placement of restricted bank deposits		**(2,332)**	–
Purchase of available-for-sale investments		**–**	(5,874)
Proceeds from disposals of available-for-sale investments		**–**	7,676
Decrease in restricted and pledged bank deposit		**–**	2,095
Net cash outflow from disposal of a subsidiary	32	**(1)**	–
Net cash (used in)/generated from investing activities		**(2,240)**	3,149
Financing activities			
Advances drawn on bills receivables (note)		**18,368**	–
Cash generated from financing activities		**18,368**	–
Net decrease in cash and cash equivalents		**(188)**	(15,845)
Cash and cash equivalents at the beginning of the year		**72,153**	86,600
Effect of foreign exchange rate changes		**(693)**	1,398
Cash and cash equivalents at the end of the year	22(b)	**71,272**	72,153

Note: An increase in bills receivables discounted with recourse of HK$18,638,000 (2018: Nil) and advances drawn on bills receivables of HK$18,368,000 (2018: Nil) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

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

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is No. 401, Building D, Guangdong Software Park, No.11, Caipin Road, Science City of Guangzhou Development Zone, Guangzhou City, Guangdong Province, the People's Republic of China. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investments holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale investments (see note 2(e))

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity shareholders of the Company are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balances. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(s)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 5(f). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 April 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(n)(ii)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Other investments in debt and equity securities *(continued)*

(A) Policy applicable from 1 April 2018 (continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(B) Policy applicable prior to 1 April 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period, the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(s)(i)) – policy applicable prior to 1 April 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period, the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Interest income from debt securities calculated using the effective interest method was recognised in profit or loss in accordance with the policy set out in note 2(n)(ii). Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(s)(i) – policy applicable prior to 1 April 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(f) Property, plant and equipment

All property, plant and equipment are stated in the consolidated statement of financial position at historical cost less any accumulated depreciation and any accumulated impairment losses (see note 2(s)(ii)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment *(continued)*

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 recognised in profit or loss during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

– Furniture and fixtures	5 years
– Office equipment	5 years
– Leasehold improvements	5 years or over the lease term whichever is shorter
– Tools and equipment	5 to 10 years
– Motor vehicles	5 years

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.

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

(g) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, being the fair value at the date of acquisition, less accumulated amortisation and any accumulated impairment losses (see note 2(s)(ii)). Amortisation for intangible assets with finite useful life is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Application rights	10 years

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets (other than goodwill) *(continued)*

(ii) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (see note 2(s)(ii)), on the same basis as intangible assets that are acquired separately.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investments property is classified as an investments property on a property-by-property basis and, if classified as investments property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(n)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(s)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(n)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Contract assets and contract liabilities *(continued)*

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a first-in-first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(i)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(s)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(s)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of merchandises or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a merchandise or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other revenue recognition policies are as follows:

(i) Supply, development and integration of passenger information management system

The supply of passenger information management system and the related development and integration services represent a single combined performance obligation over which control is considered to be transferred point in time, except for certain made-to-order arrangements in which control is considered to be transferred over time. Revenue from the supply, development and integration of passenger information management system are recognised when the merchandise is delivered and the related development and integration services are completed except made-to-order arrangements. For those made-to-order arrangements, the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the Group's performance, the cost-to-cost method provides a faithful depiction of the transfer of merchandise to the customer.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Investment income

Investment income from available-for-sale investments is recognised when the investors right to receive payment have been established.

(iv) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

(iii) Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Related parties

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

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group's or the Group's parent.

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

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Related parties *(continued)*

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

(s) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 April 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits, contract assets and trade and other receivables);

Financial assets measured at fair value, including financial assets at fair value through profit or loss, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2018 (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2018 (continued)

Significant increases in credit risk (continued)

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(n)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2018 (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 April 2018 (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

- For trade and other receivables, impairment loss is determined and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Credit losses and impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(s)(i) and (ii)).

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 9, Financial instruments

– HKFRS 15, Revenue from contracts with customers

– HK(IFRIC) Int-22, Foreign currency transactions and advance consideration

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

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

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

	31 March 2018 as originally presented	Effects of the adoption of HKFRS 9 *(note a)*	Effects of the adoption of HKFRS 15 *(note b)*	1 April 2018
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets				
Trade and other receivables	68,678	(3,685)	(328)	64,665
Contract assets	–	–	1,363	1,363
Current liabilities				
Contract liabilities	–	–	4,068	4,068
Trade and other payables	37,666	–	(4,068)	33,598
Equity				
Accumulated losses	(96,133)	(3,685)	1,035	(98,783)
Non-controlling interests	(27)	–	–	(27)

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

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

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

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

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(i) Classification of financial assets and financial liabilities (continued)

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

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

(ii) Credit losses

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

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets as defined in HKFRS 15 (see note 2(i));

For further details on the Group's accounting policy for accounting for credit losses, see note 2(s)(i).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018.

	HK$'000
Loss allowance at 31 March 2018 under HKAS 39	9,368
Additional credit loss recognised at 1 April 2018 on:	
– Trade receivables	3,685
Loss allowance at 1 April 2018 under HKFRS 9	13,053

There was no material impact on cash and cash equivalents, bills receivables and contract assets for the initial application of the new impairment requirements under HKFRS 9 compared with under HKAS 39.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(iii) Transition

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

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held;

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

(b) HKFRS 15, Revenue from contracts with customers

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

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 15, Revenue from contracts with customers *(continued)*

The following table summaries the impact of transition to HKFRS 15 on accumulated losses at 1 April 2018:

Decrease in accumulated losses	*HK$'000*
Revenue recognition for supply, development and integration of passenger information management system under made-to-order arrangements	1,035

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

(i) *Timing of revenue recognition*

Previously, revenue from the supply, development and integration of passenger information management system was generally recognised at a point in time when the risks and rewards of ownership of the merchandise had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 15, Revenue from contracts with customers *(continued)*

The adoption of HKFRS 15 does not have significant impact on when the Group recognises revenue from the supply, development and integration of passenger information management system (note 2(n)), except as described below:

(i) Revenue from supply, development and integration of passenger information management system under made-to-order arrangements

Some of the Group's contracts with customers are made-to-order arrangements where the Group supplies, develops and integrates the passenger information management system in accordance with the customers' specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed. These contracts therefore satisfy the criteria for category C above for recognising revenue over time during the process, whereas previously the Group did not recognise revenue until the products were delivered to the customers' premises. Accordingly, revenue for these contracts is recognised in profit or loss earlier under HKFRS 15 than under HKAS 18.

As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 April 2018 which decreased accumulated losses by HK$1,035,000 and increased contract assets by HK$1,035,000.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 2(n)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 2(i)).

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 15, Revenue from contracts with customers *(continued)*

(ii) Presentation of contract assets and liabilities (continued)

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

(i) "Retention receivable" amounting to HK$328,000, which were previously included in trade and other receivables (note 19) are now included under contract assets (note 18); and

(ii) "Deposits received from customers" amounting to HK$4,068,000, which were previously included in trade and other payables (note 23) are now included under contract liabilities (note 18).

(iii) As explained in note 3(b)(i) above, adjustments to opening balances have been made to increase contract assets by HK$1,035,000 in respect of the supply, development and integration of passenger information management system.

(iii) Disclosure of estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 15, Revenue from contracts with customers *(continued)*

(iii) Disclosure of estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018 (continued)

	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKSAs 18 and 11	Difference: Estimated impact of adoption of HKFRS 15 on 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 impacted by the adoption of HKFRS 15:			
Revenue	95,626	96,338	(712)
Cost of sales	(67,620)	(67,620)	–
Gross profit	28,006	28,718	(712)
Loss from operations	(10,198)	(9,486)	(712)
Loss before taxation	(10,467)	(9,755)	(712)
Income tax	–	–	–
Loss for the year	(10,467)	(9,755)	(712)
Loss attributable to equity shareholders of the Company	(10,467)	(9,755)	(712)
Loss per share (basic and diluted)	(0.50)	(0.47)	(0.03)
Total comprehensive loss for the year	(11,895)	(11,183)	(712)
Total comprehensive loss attributable to equity shareholders of the Company	(11,895)	(11,183)	(712)
Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the adoption of HKFRS 15:			
Contract assets	781	–	781
Retention receivables, included under "Trade and other receivables"	2,723	3,181	(458)
Total current assets	138,222	137,899	323
Contract liabilities	464	–	464
Deposits received from customers, included under "Trade and other payables"	–	464	(464)
Total current liabilities	56,577	56,577	–

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 15, Revenue from contracts with customers *(continued)*

(iii) Disclosure of estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018 (continued)

	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKSAs 18 and 11	Difference: Estimated impact of adoption of HKFRS 15 on 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*
Net current assets	81,645	81,322	323
Total assets less current liabilities	95,285	94,962	323
Net assets	95,285	94,962	323
Reserves	74,397	74,074	323
Equity attributable to equity shareholders of the Company	95,285	94,962	323
Total equity	95,285	94,962	323
Line items in the reconciliation of loss before taxation to net cash used in operating activities for the year ended 31 March 2019 impacted by the adoption of HKFRS 15			
Loss before taxation	(10,467)	(9,755)	(712)
Decrease in contract assets	288	–	288
Decrease in contract liabilities	(3,333)	–	(3,333)
Decrease in trade and other receivables	(31,103)	(31,527)	424
Increase in trade and other payables	41,518	38,185	3,333

The significant differences arise as a result of the changes in accounting policies described above.

(c) HK(IFRIC) Int-22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) Int-22 does not have any material impact on the financial position and the financial result of the Group.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) Impairment of property, plant and equipment and intangible asset

If circumstances indicate that the carrying amounts of property, plant and equipment and intangible asset may not be recoverable, the asset may be considered "impaired", and an impairment loss is recognised in accordance with the accounting policy for impairment of property, plant and equipment and intangible asset as described in note 2(s)(ii). The carrying amounts of property, plant and equipment and intangible asset are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs of disposals and its value in use.

In assessing value in use, expected cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets, which requires significant judgement relating to level of revenue and the amount of operating costs and discount rates. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amounts of the assets and could result in additional impairment charge or reversal of impairment in future periods. As at 31 March 2019, the carrying amount of property, plant and equipment and intangible assets were approximately HK$1,399,000 (2018: HK$1,641,000) and HK$12,241,000 (2018: HK$21,937,000) respectively.

ii) Measurement of the expected credit loss ("ECL") for trade and bills receivables and contract assets

The measurement of the expected loss allowance for trade *receivables and contract assets* are areas that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Further details are set out in note 5(b) Credit Risk.

At 31 March 2019, the carrying amount of trade and bills receivables and contract assets of the Group are HK$48,693,000 and HK$781,000 respectively (2018: HK$67,408,000 and Nil respectively).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

iii) Useful lives of property, plant and equipment and depreciation

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

iv) Write down of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 2(j). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write down or the related reversals of write down made in prior years and affect the Group's net asset value. As at 31 March 2019, the carrying amount of inventories was approximately HK$911,000 (2018: HK$1,919,000).

v) Provision

A provision is recognised when a present obligation has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Significant estimation is required in determining the amount of certain obligations. Where the final outcomes of these obligations are different from the amounts that were initially recognised, adjustments will be made according to the latest information available.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

i) Impairment of assets

The Group has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying amount of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

ii) Income taxes

Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. As at 31 March 2019, the carrying amount of provision for taxation was approximately HK$7,030,000 (2018: HK$7,740,000).

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets

The Group has classified the following financial assets under the category of "financial assets at amortised cost":

	2019 ***HK$'000***	2018 *HK$'000*
Contract assets	**781**	–
Trade and other receivables	**52,995**	68,678
Restricted bank deposits	**2,332**	–
Cash and cash equivalents	**71,272**	72,153
	127,380	140,831

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities

The Group has classified the following financial liabilities under the category of "financial liabilities at amortised cost":

	2019 **HK$'000**	2018 *HK$'000*
Contract liabilities	**464**	–
Trade and other payables	**31,880**	29,665
Advances drawn on bills receivables discounted with recourse	**1,163**	–
	33,507	29,665

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors periodically reviews the Group's exposure to market risk, including changes in interest rates and currency exchange rates. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

(i) The Group's credit risk is primarily attributable to trade and other receivables and contract assets.

(ii) In respect of trade and other receivables and contract assets, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing. For debtors with balances aged more than 90 days past due, further credit would not be granted until all outstanding balances are settled or have the discretion of the management to further extend the credit.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 11% (2018: 46%) and 56% (2018: 81%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets

Trade receivables, contract assets, bills receivables, other receivables and cash and cash equivalents are subject the expected credit loss model.

Trade receivables and contract assets
Beginning on 1 April 2018, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets related to retention receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced in past years. 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.

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 730 days past due. Trade receivables of HK$4,485,000 has been written off against allowance for doubtful debts during the year.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between the Group's different customer bases. The customer bases consist of the following groups:

Group 1: Long-term business relationship customers
Group 2: Other customers

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

Expected loss rates are based on actual loss experience over the past years and adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following tables presents the balances of gross carrying amounts and loss allowance in respect of the individually assessed trade receivables as at 31 March 2019 and 1 April 2018 (on adoption of HKFRS 9):

Group 1

		Past due					
31 March 2019	**Not yet due**	**Within 90 days**	**91-180 days**	**181-365 days**	**366-730 days**	**Over 730 days**	**Total**
Expected loss rate	**0.05%**	**–**	**0.69%**	**0.94%**	**33.33%**	**–**	**1.15%**
– Trade receivables (HK'000)	**7,018**	**–**	**7,260**	**2,792**	**362**	**–**	**17,432**
Loss allowance (HK$'000)	**(3)**	**–**	**(50)**	**(26)**	**(121)**	**–**	**(200)**
Net carrying amount (HK$'000)	**7,015**	**–**	**7,210**	**2,766**	**241**	**–**	**17,232**

		Past due					
1 April 2018	Not yet due	Within 90 days	91-180 days	181-365 days	366-730 days	Over 730 days	Total
Expected loss rate	0.08%	0.30%	–	1.40%	50%	–	0.61%
– Trade receivables (HK'000)	34,503	10,616	–	1,171	420	–	46,710
Loss allowance (HK$'000)	(27)	(32)	–	(16)	(210)	–	(285)
Net carrying amount (HK$'000)	34,476	10,584	–	1,155	210	–	46,425

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

Group 2

31 March 2019	Not yet due	Past due Within 90 days	Past due 91-180 days	Past due 181-365 days	Past due 366-730 days	Past due Over 730 days	Total
Expected loss rate	**3.16%**	**7.85%**	**12.76%**	**20.86%**	**57.12%**	**100%**	**26.39%**
– Trade receivables (HK$'000)	**6,929**	**9,330**	**8,397**	**1,227**	**3,098**	**4,891**	**33,872**
Loss allowance (HK$'000)	**(219)**	**(732)**	**(1,072)**	**(256)**	**(1,769)**	**(4,891)**	**(8,939)**
Net carrying amount (HK$'000)	**6,710**	**8,598**	**7,325**	**971**	**1,329**	**–**	**24,933**

1 April 2018	Not yet due	Past due Within 90 days	Past due 90-180 days	Past due 181-365 days	Past due 366-730 days	Past due Over 730 days	Total
Expected loss rate	4.74%	9.82%	19.14%	31.35%	85.68%	100%	49.60%
– Trade receivables (HK$'000)	9,131	1,625	204	2,484	6,584	5,716	25,744
Loss allowance (HK$'000)	(433)	(160)	(39)	(779)	(5,641)	(5,716)	(12,768)
Net carrying amount (HK$'000)	8,698	1,465	165	1,705	943	–	12,976

There was no material impairment allowance on contract assets in accordance with HKFRS 9 at the date of initial application of HKFRS 9 and at the end of the reporting period.

The loss allowances for trade receivables as at 31 March 2018 reconcile to the opening loss allowance on 1 April 2018 and 31 March 2019 as follows:

	Trade receivables Total *HK$'000*
At 31 March 2018 – calculated under HKAS 39	9,368
Amounts additional provided through opening accumulated losses on the adoption of HKFRS 9	3,685
Opening loss allowance on 1 April 2018 – HKFRS 9	13,053
Increase in loss allowance recognised in profit or loss during the year	1,428
Written off of trade receivables	(4,485)
Exchange differences	(857)
At 31 March 2019	9,139

Net impairment losses on trade receivables amounted HK$1,428,000 (Note 19) is included in the consolidated statement profit or loss and other comprehensive income. At 31 March 2019, trade receivables of HK$4,485,000 (2018: Nil) has been written off against allowance for doubtful debts during the year.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

Comparative information under HKAS 39

Movements in the allowance for doubtful debts for the year ended 31 March 2018 are as follows:

	31 March 2018 HK$'000
At the beginning of the year	11,600
Reversal of impairment losses recognised	(3,028)
Exchange realignment	796
At the end of the year	9,368

Included in the above impairment losses of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was impairment loss for individually impaired trade receivables amounting to approximately HK$9,368,000. Those individually impaired receivables had been outstanding for over 1 year as at the end of the reporting period or were due from debtors with financial difficulties. Accordingly, specific allowances for impairment losses of trade and bills receivables of approximately HK$9,368,000 were recognised as at 31 March 2018. The Group did not hold any collateral over these balances.

Trade receivables that are not impaired

The ageing analysis of trade receivables as at 31 March 2018 that were neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	31 March 2018 HK$'000
Neither past due nor impaired	43,960
Past due but not impaired:	
Less than 3 months past due	12,226
Over 3 months past due	7,228
	63,414

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Credit risk *(continued)*

(iii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

As at 31 March 2018, receivables that were neither past due nor impaired with an aggregate balance of approximately HK$43,960,000 related to independent customers for whom there was no recent history of default.

As at 31 March 2018, included in the Group's trade receivables balance were debtors with aggregate carrying amount of HK$19,454,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss. Receivables that were past due but not impaired related to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Bill 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 was immaterial.

Restricted bank deposits/Cash and cash equivalents

The credit risk on restricted bank deposits and liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Bills receivables discounted with recourse

At 31 March 2019, the Group had discounted certain bills receivables to banks totaling HK$1,166,000 (2018: Nil). The transferees have recourse right to the Group in case of default. In such cases, the Group would have to repurchase these bills receivables at face value. These bills receivables mature at a period less than 30 days (2018: Nil) from respective dates of issue and the Group's maximum loss in case of default are HK$1,166,000 (2018: Nil), as at 31 March 2019.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient amount of cash to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

For the year ended 31 March 2019

	Within 1 year or on demand *HK$'000*	**More than 1 year** *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Carrying amount at 31 March 2019** *HK$'000*
Trade and other payables	**31,880**	**–**	**31,880**	**31,880**
Contract liabilities	**464**	**–**	**464**	**464**
Advances drawn on bills receivables discounted with recourse	**1,163**	**–**	**1,163**	**1,163**
	33,507	**–**	**33,507**	**33,507**

For the year ended 31 March 2018

	Within 1 year or on demand *HK$'000*	More than 1 year *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount at 31 March 2018 *HK$'000*
Trade and other payables	29,665	–	29,665	29,665

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's advances drawn on bills receivables discounted with recourse carrying at fixed rates for the year ended 31 March 2019. The management of the Group consider that the Group's exposure from these advances drawn on bills receivables discounted with recourse to interest rate risk is not significant.

The Group is also exposed to cash flow interest rate risk in relation to variable rate restricted bank deposits, bank balances and deposits. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

(i) Interest rate profile

The following table details the interest rate profile of the Group's restricted bank deposits, bank balances and deposits at the end of the reporting period:

	2019		2018	
	Effective interest rates		Effective interest rates	
	%	***HK$'000***	%	*HK$'000*
Variable rate restricted bank deposits, bank balances and deposits	**0.01-1.85**	**73,410**	0.01-1.14	71,967

(ii) Sensitivity analysis

At 31 March 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate restricted bank deposits, bank balances and deposits, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$703,000 (2018: HK$704,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2018: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2018.

The management is of the opinion that the sensitivity analysis is unrepresentative of the Group's inherent interest rate risk as exposure at the end of reporting period does not reflect the exposure during the year.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through banking activities which give rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US$") and Hong Kong dollars ("HK$").

The Group does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars ("HK$"), translated using the spot rate at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
Cash and cash equivalents		
US$	**18,406**	4,376
HK$	**3,887**	3,160
Net exposure arising from recognised assets and liabilities	**22,293**	7,536

(ii) Sensitivity analysis

As any reasonable changes in exchange rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for currency risk.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

During the years ended 31 March 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Fair value estimation

The fair value of wealth management products classified as financial instruments in Level 3 is approximately equal to their carrying amount due to short maturity.

The movements during the year ended 31 March 2018 in the balance of these Level 3 fair value measurements are as follows:

	2018 *HK$'000*
Available-for-sale investments	
Balance at the beginning of the year	1,802
Purchases	5,874
Disposals	(7,676)
Balance at the end of the year	–

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(g) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2019 and 2018.

6. REVENUE

Revenue is presented net of value-added tax, trade discounts and returns.

	2019	2018
	HK$'000	*HK$'000*
Revenue from the supply, development and integration of passenger information management system	**95,626**	93,150

7. OTHER REVENUE AND OTHER NET GAIN

	2019	2018
	HK$'000	*HK$'000*
Bank interest income *	**766**	537
Government grants	**815**	–
Other income	**864**	260
Other revenue	**2,445**	797
Investment income	**–**	41
Reversal of allowance for doubtful debt	**–**	3,028
Reversal of provision for long service payments	**–**	27
Reversal of provision for product warranties, net	**1,882**	–
Exchange gain	**252**	–
Other net gain	**2,134**	3,096
	4,579	3,893

* The bank interest income was not on financial assets at fair value through profit or loss.

8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by board of directors of the Company, the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment. The Group's operating segments are organised and structured according to the geographical locations where the Group entities' operate. The geographical locations include the People's Republic of China (the "PRC") (place of domicile of the Group) and Hong Kong.

Both segment revenue of the PRC and Hong Kong comprises the revenue from supply, development and integration of passenger information management system.

No reportable operating segment has been aggregated.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs e.g. directors' salaries, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The revenue, gross profit and results of the Group are allocated based on location of the group entities' operations. Taxation charge is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external customers reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

All assets are allocated to reportable segments. All liabilities are allocated to reportable segments other than current tax liabilities.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2019 and 2018 is set out below:

8. SEGMENT INFORMATION *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	The PRC		Hong Kong		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Disaggregated by timing of revenue recognition						
– Overtime	**–**	–	**–**	363	**–**	363
– Point in time	**95,626**	92,787	**–**	–	**95,626**	92,787
	95,626	92,787	**–**	363	**95,626**	93,150
Reportable segment profit/(loss)	**18,265**	17,260	**96**	(3,033)	**18,361**	14,227
Research and development costs	**(10,983)**	(9,844)	**–**	–	**(10,983)**	(9,844)
Bank interest income	**15**	504	**751**	33	**766**	537
Investment income	**–**	41	**–**	–	**–**	41
Depreciation	**(807)**	(615)	**(1)**	(2)	**(808)**	(617)
Amortisation of intangible assets	**(3,250)**	(3,250)	**–**	–	**(3,250)**	(3,250)
(Provision for)/reversal of allowance for doubtful debts	**(1,428)**	3,028	**–**	–	**(1,428)**	3,028
Reversal of/(provision for) product warranties, net	**1,882**	(2,743)	**–**	–	**1,882**	(2,743)
Provision for impairment of deposits	**(71)**	(299)	**–**	–	**(71)**	(299)
Gain on disposal of a subsidiary	**318**	–	**–**	–	**318**	–
Impairment loss on intangible assets	**(6,446)**	–	**–**	–	**(6,446)**	–
Reportable segment assets	**97,961**	110,602	**57,205**	65,411	**155,166**	176,013
Reportable segment assets includes:						
Additions to non-current assets (other than financial instruments and deferred tax assets)	**672**	1,285	**1**	–	**673**	1,285
Reportable segment liabilities	**49,674**	54,946	**3,177**	3,380	**52,851**	58,326

8. SEGMENT INFORMATION *(continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2019	2018
	HK$'000	*HK$'000*
Revenue:		
Total reportable segments' revenue	**95,626**	93,150
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**95,626**	93,150
Profit/(loss):		
Total reportable segments' profit	**18,361**	14,227
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from Group's external customers	**18,361**	14,227
Bank interest income	**766**	537
Available-for-sale investments: reclassified from other comprehensive income on disposals	**–**	41
Gain on disposal of a subsidiary	**318**	–
Unallocated head office and corporate expenses	**(29,912)**	(19,583)
Consolidated loss before tax expenses	**(10,467)**	(4,778)
Assets		
Total reportable segments' assets	**155,166**	176,013
Elimination of inter-segment receivables	**(3,304)**	(3,537)
Consolidated total assets	**151,862**	172,476
Liabilities		
Total reportable segments' liabilities	**52,851**	58,326
Elimination of inter-segment payables	**(3,304)**	(3,537)
	49,547	54,789
Current tax liabilities	**7,030**	7,740
Consolidated total liabilities	**56,577**	62,529

8. SEGMENT INFORMATION *(continued)*

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2019	2018
	HK$'000	*HK$'000*
Supply, development and integration of passenger information management system	**95,626**	93,150

(d) Other geographical information

	Non-current assets	
	2019	2018
	HK$'000	*HK$'000*
The PRC	**13,634**	23,572
Hong Kong	**6**	6
	13,640	23,578

The Group's non-current assets, which include property, plant and equipment and intangible assets. The geographical location of the Group's non-current assets are based on the physical location of the asset under consideration in case of tangible assets, and the location of the operation to which they are allocated, in the case of intangible assets.

(e) Information about major customers

Revenue from three (2018: two) customers in the PRC operating and reportable segment amounted to approximately HK$39,301,000, HK$23,359,000 and HK$17,438,000 (2018: HK$51,045,000 and HK$19,745,000), which individually represent more than 10% of the Group's total revenue.

Two customers contributed 10% or more to the Group's total revenue for both 2019 and 2018.

9. LOSS BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
(a) Staff costs, including directors' emoluments *(note 12)*		
Salaries and wages	**21,253**	20,027
Contributions to retirement benefit schemes	**2,811**	2,662
Provision for staff welfare benefits	**216**	1,233
	24,280	23,922
(b) Other items		
Auditors' remuneration	**678**	650
Provision for/(reversal of) allowance for doubtful debts	**1,428**	(3,028)
Provision for impairment of deposits	**71**	299
Reversal of provision for long service payments	**–**	(27)
Cost of inventories sold *	**67,620**	68,639
Research and development costs #	**10,983**	9,844
Depreciation	**808**	617
Amortisation of intangible assets (included in other operating expenses) ##	**3,250**	3,250
Gain on disposal of a subsidiary *(note 32)*	**(318)**	–
Impairment losses on intangible assets	**6,446**	–
Investment income	**–**	(41)
(Reversal of)/provision for product warranties, net ## *(note 24)*	**(1,882)**	2,743
Net exchange (gain)/loss	**(252)**	518
Minimum lease payments under operating lease – land and buildings	**1,934**	1,649

* Cost of inventories sold includes approximately HK$10,591,000 (2018: HK$9,331,000) relating to staff costs and depreciation expenses which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

\# Research and development costs incurred for the year amounting to approximately HK$10,983,000 (2018: HK$9,844,000) which was included in cost of sales.

\## (Reversal of)/provision for product warranties, net, and are included in "Other revenue and other net gain" and "Other operating expenses" respectively on the face of the consolidated statement of profit or loss and other comprehensive income.

(c) Finance Cost

	2019	2018
	HK$'000	*HK$'000*
Bank charges	**2**	54
Advances drawn on bills receivables	**267**	–
	269	54

10. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 **HK$'000**	2018 HK$'000
Current year provision:		
PRC enterprise income tax	**–**	–
Deferred taxation		
Origination and reversal of temporary differences	**–**	–
	–	–

No Hong Kong Profits Tax has been provided in the financial statements as the Company and its subsidiaries in Hong Kong did not derive any assessable profits for the year (2018: Nil).

A PRC subsidiary of the Company, Guangzhou Global Link Communications Inc. ("Guangzhou GL"), was qualified as "High and new technology enterprise" and subject to concessionary rate of PRC enterprise income tax (the "PRC EIT") at 15%, which was granted for further three years starting from December 2017. The remaining PRC subsidiaries were qualified as "Small Low-profit Enterprise" in Guangdong and subject to a concessionary PRC EIT rate.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(b) Reconciliation between tax expenses and accounting loss at the applicable tax rates:

	2019 **HK$'000**	2018 HK$'000
Loss before taxation	**(10,467)**	(4,778)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the countries concerned	**(3,617)**	(2,700)
Tax effect of non-taxable income	**(188)**	(83)
Tax effect of non-deductible expenses	**2,270**	1,415
Tax effect of unused tax losses not recognised	**4,791**	1,178
Tax effect of utilisation of tax loss previously not recognised	**(3,206)**	–
Tax effect of temporary differences not recognised	**(50)**	190
Tax expense	**–**	–

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to equity shareholders of the Company of approximately HK$10,467,000 (2018: HK$4,777,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2018: 2,088,808,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The basic and diluted loss per share are the same for the year ended 31 March 2019, as there are no dilutive potential ordinary shares in issue during the year.

The basic and diluted loss per share were the same for the year ended 31 March 2018, as the warrants outstanding during the year were anti-dilutive.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	Year ended 31 March 2019			
	Fees	**Salaries, allowances and benefits-in-kind**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Li Kin Shing *(Chairman)*	80	195	10	285
Mr. Wong Kin Wa	80	195	10	285
Mr. Ma Yuanguang *(Chief Executive Officer)*	80	989	18	1,087
	240	1,379	38	1,657
Independent non-executive directors:				
Mr. Leung Kwok Keung	80	–	–	80
Mr. Cheung Sai Ming	80	–	–	80
Mr. Liu Chun Bao	80	–	–	80
	240	–	–	240
	480	1,379	38	1,897

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Year ended 31 March 2018			
	Fees	Salaries, allowances and benefits-in-kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Li Kin Shing *(Chairman)*	80	195	10	285
Mr. Wong Kin Wa	80	195	10	285
Mr. Ma Yuanguang *(Chief Executive Officer)*	80	989	18	1,087
	240	1,379	38	1,657
Independent non-executive directors:				
Mr. Leung Kwok Keung	80	–	–	80
Mr. Cheung Sai Ming	80	–	–	80
Mr. Liu Chun Bao	80	–	–	80
	240	–	–	240
	480	1,379	38	1,897

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Of the five individuals with the highest emoluments, one (2018: one) is director of the Company whose emoluments are disclosed in note 12. The aggregate of the emoluments of the remaining four (2018: four) individuals are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries and other emoluments	**1,316**	1,427
Contributions to retirement benefit scheme	**55**	56
	1,371	1,483

The number of non-director and non-chief executive, highest paid employee whose remuneration fell within the following bands is as follows:

	2019	2018
Nil to HK$1,000,000	**4**	4

During the year ended 31 March 2019, no emoluments were paid or payable by the Group to the directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2018: Nil).

None of the directors has waived any emoluments during the year ended 31 March 2019 (2018: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Leasehold improvements *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2017	111	877	1,356	665	1,532	4,541
Additions	121	135	1,029	–	–	1,285
Exchange alignment	12	94	146	72	106	430
At 31 March 2018 and 1 April 2018	244	1,106	2,531	737	1,638	6,256
Additions	–	46	76	255	296	673
Disposal of a subsidiary	–	(169)	–	–	(304)	(473)
Exchange alignment	(8)	(61)	(168)	(49)	(53)	(339)
At 31 March 2019	236	922	2,439	943	1,577	6,117
Accumulated depreciation and impairment						
At 1 April 2017	91	697	837	628	1,374	3,627
Charge for the year	24	50	510	9	24	617
Exchange alignment	11	78	121	69	92	371
At 31 March 2018 and 1 April 2018	126	825	1,468	706	1,490	4,615
Charge for the year	26	57	603	58	64	808
Eliminated on disposal of a subsidiary	–	(169)	–	–	(304)	(473)
Exchange alignment	(7)	(42)	(95)	(46)	(42)	(232)
At 31 March 2019	145	671	1,976	718	1,208	4,718
Carrying amount						
At 31 March 2019	91	251	463	225	369	1,399
At 31 March 2018	118	281	1,063	31	148	1,641

14. INTANGIBLE ASSETS

	Application rights
	HK$'000
Cost	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	32,500
Accumulated amortisation and impairment	
At 1 April 2017	7,313
Amortisation for the year	3,250
At 31 March 2018 and 1 April 2018	10,563
Amortisation for the year	3,250
Impairment for the year	6,446
At 31 March 2019	20,259
Carrying amounts	
At 31 March 2019	12,241
At 31 March 2018	21,937

Intangible assets represent sole and exclusive right for certain applications of the Certificate Authority SIM ("CA-SIM") at Panyu Region, Guangdong Province of the PRC held by the Group.

The application rights have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of 10 years.

During the year ended 31 March 2019, amortisation charge of HK$3,250,000 (2018: HK$3,250,000) has been charged to "Other operating expenses" in the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2019, the recoverable amount of intangible assets is HK$12,241,000 (2018: HK$21,937,000).

For the year ended 31 March 2019

The recoverable amount of intangible asset was based on its value in use and was determined with the assistance of LCH (Asia-Pacific) Surveyors Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projection based on financial budgets approved by management covering a five-year period, and at a discount rate of 41%.

14. INTANGIBLE ASSETS *(continued)*

For the year ended 31 March 2019 *(continued)*

Due to the ancillary systems of CA-SIMS is still not yet comprehensive, the relevant scenario application is still needed to be improved for fulfilling the market needs. In addition, the launch time of CA-SIMS is behind schedules and the change of preference of the target customers in the relevant scenario applications have been observed during the year, resulting in lower estimated future revenue than previously forecasted. The estimated recoverable amount of the cash-generating unit was lower than its carrying amount, hence an impairment loss of HK$6,446,000 was recognised in the consolidated financial statement for year ended 31 March 2019.

15. DEFERRED TAXATION

(a) Deferred tax assets not recognised

As at 31 March 2019, the Group had unused tax losses of approximately HK$110,193,000 (2018: HK$161,003,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$8,988,000, HK$22,001,000, HK$12,762,000, HK$18,072,000 and HK$18,265,000 (2018: HK$45,919,000, HK$30,519,000, HK$23,553,000, HK$13,662,000 and HK$18,379,000 that will expire in 2019, 2020, 2021, 2022 and 2023 respectively) that will expire in 2020, 2021, 2022, 2023 and 2024 respectively according to the prevailing tax laws and regulations in the country in which the entity operates. Other losses may be carried forward indefinitely subject to the final assessment of the relevant tax authority.

As at 31 March 2019, the Group had deductible temporary differences of approximately HK$30,105,000 (2018: HK$28,972,000) respectively being not recognised. No deferred tax asset has been recognised due to the unpredictability of future profit streams for the relevant subsidiaries.

(b) Deferred tax liabilities not recognised

Pursuant to the PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investments enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group will be subject to 10% withholding tax on dividend receivable from a PRC subsidiary in respect of its earnings accumulated beginning on 1 January 2008.

At 31 March 2019, temporary differences relating to the undistributed profits of a PRC subsidiary for the period from 1 January 2008 to 31 March 2019 amounted to Nil (2018: HK$7,434,000). Deferred tax liabilities of Nil (2018: HK$743,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of that subsidiary and it has been determined that it is probable that these profits will be reinvested or not be distributed in the foreseeable future.

16. SUBSIDIARIES

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

Name of Company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interests Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
GL Limited *(note (b))*	British Virgin Islands	21,052 Ordinary shares of US$1 each	100%	100%	–	Investment holding
Hilltop Holdings Group Limited *(note (b))*	British Virgin Islands	10,000 Ordinary shares of US$1 each	100%	–	100%	Investment holding and holding of software rights
Tonnex Holdings Limited *(note (b))*	British Virgin Islands	50,000 Ordinary shares of US$1	100%	100%	–	Investment holding
廣州勝億信息科技有限公司 *(note (a))*	PRC	Registered capital RMB5,000,000	100%	–	100%	Development of various community mobile Internet applications and related services
Guangzhou GL (廣州國聯通信有限公司) *(note (a))*	PRC	Registered capital HK$20,000,000	100%	–	100%	Provision of passenger information management systems
Global Link Communications (HK) Limited *(note (b))*	Hong Kong	100 Ordinary shares	100%	–	100%	Provision of passenger information management systems
First Asset Securitization Holding Limited *(note (b))*	British Virgin Islands	1 Ordinary share of US$1 each	100%	100%	–	Investments holding
First Asset Securitization Limited *(note (b))*	Hong Kong	1 Ordinary share	100%	–	100%	Investments holding
廣州國聯智慧信息技術有限公司 *(note (a))*	PRC	Registered capital HK$17,000,000	100%	–	100%	Development of various community mobile Internet applications and related services
Global Link Intelligent Parking Investment Company Limited *(note (b))*	Hong Kong	1 Ordinary Share	100%	–	100%	Dormant

16. SUBSIDIARIES *(continued)*

Notes:

(a) Guangzhou GL, 廣州勝億信息科技有限公司 and 廣州國聯智慧信息技術有限公司 are registered as wholly-foreign-owned enterprises under the PRC law with limited liabilities.

(b) GL Limited, Hilltop Holdings Group Limited, Tonnex Holdings Limited, Global Link Communications (HK) Limited, First Asset Securitization Holding Limited, First Asset Securitization Limited and Global Link Intelligent Parking Investment Company Limited are registered as limited liability companies under the rules and regulations of their respective countries of incorporation.

17. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Spare parts and accessories	**911**	1,919

The analysis of the amount of inventories recognised as expenses is as follows:

	2019	2018
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**67,620**	68,639

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

		31 March	1 April	31 March
		2019	2018	2018
	Notes	***HK$'000***	*HK$'000*	*HK$'000*
			note (i)	*note (i)*
Contract assets				
Arising from performance under passenger information management system	*(ii), (iii)*	**781**	1,363	–

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 April 2018.

(ii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving satisfactory completion of the retention period, were reclassified from "Retention receivables" under "Trade and other receivables" to "Contract assets" (see note 3).

(iii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 April 2018 to recognise revenue arising from certain made-to-order arrangements. This has resulted in an increase in contract assets as at that date (see note 3(b)).

18. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(a) Contract assets *(continued)*

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Made-to-order passenger information management system

The consideration is payable on the earlier of the delivery of the finished merchandises and notice from the customer to cancel the order. If the customer cancels the order, then the Group is immediately entitled to receive payment for work done to date.

(b) Contract liabilities

	Note	**31 March 2019 *HK$'000***	1 April 2018 *HK$'000* *(note i)*	31 March 2018 *HK$'000* *(note i)*
Contract liabilities				
Passenger information management system – Billings in advance of performance	*(ii)*	**464**	4,068	–

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 April 2018.

(ii) Upon the adoption of HKFRS 15, these amounts were reclassified from "Trade and other payables" (note 23) to "Contract liabilities" (see note 3).

18. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities *(continued)*

Movement in contract liabilities

	2019
	HK$'000
At 1 April 2018	**4,068**
Decrease in contract liabilities as a result of recognising revenue during the year that included in the contract liabilities at the beginning of the period	**(3,585)**
Increase in contract liabilities as result of billing in advance	**252**
Exchange alignment	**(271)**
At 31 March 2019	**464**

19. TRADE AND OTHER RECEIVABLES

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**51,304**	72,454	72,782
Bills receivables	**6,528**	3,994	3,994
Trade and bills receivables	**57,832**	76,448	76,776
Less: Allowance for doubtful debts	**(9,139)**	(13,053)	(9,368)
	48,693	63,395	67,408
Other receivables	**3,136**	1,270	1,270
Bills receivables discounted with recourse (note b)	**1,166**	–	–
	52,995	64,665	68,678

At 31 March 2019, included in trade receivables are retention receivable of approximately HK$2,723,000 (2018: HK$4,780,000), which were withheld and would be released upon the expiry of maintenance periods.

All of the trade and other receivables are expected to be recovered within one year, except for retention receivables of approximately HK$1,492,000 (2018: HK$2,007,000) at 31 March 2019 which were expected to be recovered after more than one year.

Certain bills receivables of approximately HK$1,166,000 (2018: Nil) and Nil (2018: HK$2,495,000) were pledged to a bank for securing the advances drawn on bills receivables discounted with recourse; and the bills issued by the bank on behalf of the Group to suppliers of the Group, respectively.

19. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Age analysis

The following is an analysis of trade receivables and bills receivables by age, presented the respective revenue recognition dates and the issuance date of relevant bills respectively:

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Within 90 days	**17,549**	42,820	43,174
Between 91 and 180 days	**8,579**	10,489	12,226
Between 181 and 365 days	**13,980**	903	1,278
Between 1 and 2 years	**5,654**	4,358	5,282
Over 2 years	**208**	406	668
	45,970	58,976	62,628
Retention receivables	**2,723**	4,419	4,780
	48,693	63,395	67,408

Customers are generally granted with credit terms of 90 days. Generally, the Group does not hold any collaterals from customers. Further details on the Group's credit policy and impairment assessment are set out in note 5(b).

(b) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 30 days (2018: Nil). The Group recognises the full amount of the discount proceeds as liabilities as set out in note 20(a).

The aged analysis based on the invoice date is presented as follows:

	2019 HK$'000	2018 HK$'000
Within 90 days	**1,166**	–

20. TRANSFERS OF FINANCIAL ASSETS

(a) Bills receivables discounted with recourses

The following are the Group's financial assets as at 31 March 2019 and 2018 that are transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse:

	2019 ***HK$'000***	2018 *HK$'000*
Carrying amount of transferred assets	**1,166**	–
Carrying amount of associated liabilities	**(1,163)**	–
Net position	**3**	–

(b) Endorsed bills receivable transferred to suppliers

As at 31 March 2019, the Group endorsed certain bills receivable accepted by banks (the "Banks") in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a total carrying amount in aggregate of HK$37,217,000 (2018: Nil). The Derecognised Bills will mature in one to six months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the Banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss arising from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts.

21. DEPOSITS AND PREPAYMENTS

	2019 ***HK$'000***	2018 *HK$'000*
Deposits	**9,562**	5,930
Prepayments	**369**	218
	9,931	6,148

During the year, impairment loss of HK$71,000 (2018: HK$299,000) has been made to deposits paid to suppliers for goods and services, as management considered the amounts are not recoverable.

22. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

The restricted bank deposits represent amounts withheld in a bank for settlement of bills payables.

The interest rate on the restricted bank deposits was 0.30% (2018: Nil) per annum.

(b) Cash and cash equivalents

	2019 **HK$'000**	2018 *HK$'000*
Cash at bank and on hand	**71,272**	72,153
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**71,272**	72,153

(a) The interest rates on the cash at bank ranged from 0.01% to 1.85% (2018: 0.01% to 1.14%) per annum.

(b) Included in the cash and cash equivalents of the Group was approximately HK$12,810,000 (2018: HK$5,876,000) that were bank deposits placed with banks in the PRC and denominated in RMB. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(c) Reconciliation of liabilities arising from financing activities

	Advances drawn on bills receivables discounted with recourse *HK$'000*
At 1 April 2018	–
Changes from financing cash flows:	
Proceeds from advances drawn on bills receivables discounted with recourse	18,368
Interest paid	–
Total changes from financing cash flows	18,368
Other changes:	
Interest expense	267
Net off of bills receivables discounted with recourse (note 37)	(17,472)
At 31 March 2019	1,163

23. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables *(note (b)(i))*	**26,238**	23,963
Other payables	**2,136**	2,261
Bills payable *(note (b)(ii))*	**2,332**	2,495
Accrued wages	**1,174**	946
Payables for value-added tax	**2,431**	3,933
Deposits received from customers	**–**	4,068
	34,311	37,666

(a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(b) Included in trade and other payables are trade payables and bills payables presented based on the purchase recognition date, that is, goods receipt date, with the following ageing analysis as at the end of the reporting period:

		2019 HK$'000	2018 HK$'000
(i)	**Trade payables**		
	Within 90 days	**2,902**	15,869
	Between 91 and 180 days	**3,933**	4,870
	Between 181 and 365 days	**17,504**	2,248
	Between 1 and 2 years	**1,331**	758
	Over 2 years	**568**	218
		26,238	23,963
(ii)	**Bills payables**		
	Within 90 days	**–**	2,495
	Between 91 and 180 days	**2,332**	–
		2,332	2,495

As at 31 March 2019, bills payables of HK$2,332,000 (2018: HK$2,495,000) were secured by restricted bank deposits of HK$2,332,000 (2018: Nil) and bills receivables of Nil (2018: HK$2,495,000).

24. PROVISION

The Group provides warranties for its products and undertakes to repair or replace item that fail to perform satisfactorily. The amount of provision for product warranties is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

	2019
	HK$'000
At beginning of the year	**17,123**
Additional provision	**4,411**
Reversal of provision	**(6,293)**
Amounts utilised during the year	**(525)**
Exchange realignment	**(1,107)**
At end of the year	**13,609**
Portion classified as current liabilities	**(13,609)**
Non-current portion	**–**

25. ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2019	2018
	HK$'000	*HK$'000*
Advances drawn on bills receivables discounted with recourse *(note)*	**1,163**	–

Note: The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse (see note 19(b)).

The advances drawn on bills receivables discounted with recourse carried at fixed rates ranging from 3.55% to 5.20% (2018: Nil) per annum.

26. CAPITAL AND RESERVES

(a) Share capital

	Number of shares	**Amount**
		HK$'000
Authorised ordinary shares		
Ordinary share of HK$0.01 each at 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	5,000,000,000	50,000
Ordinary shares, issued and fully paid		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	2,088,807,500	20,888

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. CAPITAL AND RESERVES *(continued)*

(b) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Warrant reserve	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	186	158,967	(85,690)	73,463
Loss for the year	–	–	(5,892)	(5,892)
Lapse of warrants	(186)	–	186	–
At 31 March 2018 and 1 April 2018	–	158,967	(91,396)	67,571
Loss for the year	–	–	(12,553)	(12,553)
At 31 March 2019	–	158,967	(103,949)	55,018

(c) **Unlisted warrants**

At 31 March 2019 and 2018, the Company had no outstanding warrants after all the remaining warrants expired.

(d) **Dividends**

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

(e) **Nature and purpose of reserves**

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(c).

(iii) Merger reserve

The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from Group reorganisation in 2002.

26. CAPITAL AND RESERVES *(continued)*

(e) Nature and purpose of reserves *(continued)*

(iv) Statutory reserves

Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax after offsetting prior year losses to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to the reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(v) Warrant reserve

Warrant reserve represents the net proceed received from the issue of warrant.

(f) Capital management

The capital structure of the Group consists of restricted bank deposits of approximately HK$2,332,000 (2018: Nil) (note 22(a)), cash and cash equivalents of approximately HK$71,272,000 (2018: HK$72,153,000) (note 22(b)) and advances drawn on bills receivables discounted with recourse of approximately HK$1,163,000 (2018: Nil) (note 25). The Group had no bank borrowings as at 31 March 2018.

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The management reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group's overall strategy remains unchanged from 2018.

Neither the Company nor any of its subsidiaries was subject to externally imposed capital requirements.

27. CONTINGENT LIABILITIES

(a) Performance bond

During the year ended 31 March 2017, the performance bond was given by a bank in favour of a customer of the Group as security for the due performance of the Group's obligations under a sales contract entered into between the Group and its customer. The performance bond was discharged during the ended 31 March 2018.

(b) Litigation

During the year ended 31 March 2017, the Group had litigation in respect of disputes arising on the ordinary course of business. The disputes had settled during the year ended 31 March 2018 and the court ordered to release the freezed bank deposits of HK$853,000 in April 2017.

28. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

29. OPERATING LEASE COMMITMENTS

At 31 March 2019, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payables as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**1,131**	1,816
After 1 year but within 5 years	**326**	1,478
	1,457	3,294

30. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in these financial statements, the Group has the following transactions with related parties during the year.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 12 is as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other short-term employee benefits	**2,135**	2,106
Retirement scheme contributions	**57**	57
	2,192	2,163

(b) Transactions with related parties

Name of parties	**Nature of transactions**	**2019** **HK$'000**	2018 HK$'000
Talent Information Engineering Co., Limited ("Talent") *(note i)*	Rental expense paid to Talent	**420**	914
China-Hong Kong Telecom Limited ("China-Hong Kong") *(note ii)*	Sales to China-Hong Kong	**149**	85
China Elite Infor Co., Ltd. ("China Elite") *(note iii)*	Sales to China Elite	**10**	485

Notes:

(i) Mr. Li Kin Shing ("Mr Li"), a director of the Company, is one of the controlling shareholders of Talent.

(ii) One of the ultimate shareholders of China-Hong Kong is Mr. Li.

(iii) China Elite is a subsidiary of an intermediate company of the Company. The English name of China Elite are direct translation of the Chinese names. The directors consider the transaction was not a related party transaction beginning on 28 December 2018 since the directors of the Company resigned as directors of that intermediate holding company on 28 December 2018.

31. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**362**	362
Amounts due from subsidiaries	**11,190**	–
Intangible assets	**12,241**	21,937
Property, plant and equipment	**5**	7
	23,798	22,306
Current assets		
Other receivables	**150**	96
Amounts due from subsidiaries	**–**	5,952
Deposits and prepayments	**215**	215
Cash and cash equivalents	**52,763**	60,956
	53,128	67,219
Current liabilities		
Other payables	**366**	374
Amount due to a subsidiary	**654**	692
	1,020	1,066
Net current assets	**52,108**	66,153
Net assets	**75,906**	88,459
Capital and reserves		
Capital	**20,888**	20,888
Reserves	**55,018**	67,571
Total equity attributable to owners of the Company	**75,906**	88,459

Approved and authorised for issue by the board of directors on 20 June 2019 and were signed on its behalf by:

Li Kin Shing
Director

Ma Yuanguang
Director

32. DISPOSAL OF A SUBSIDIARY

On 30 July 2018, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group has conditionally agreed to sell and the purchaser has conditionally agreed to purchase the entire interest held by the Group (i.e. 95%) in its subsidiary, 北京國聯偉業通信技術有限公司 for a cash consideration of RMB5. The disposal was completed on 16 October 2018. The net liabilities of the subsidiary at the date of disposal were as follows:

	2019 ***HK$'000***
Net liabilities disposed of:	
Cash and cash equivalent	**1**
Shareholder's loan	**(779)**
Accrual and liabilities	**(202)**
	(980)
Non-controlling interests	**27**
Exchange reserve released upon disposal	**(144)**
Waiver of shareholder's loan	**779**
	(318)
Total consideration	**–**
Net liabilities disposed of	**(318)**
Gain on disposal of a subsidiary	**318**
Satisfied by cash	**–**
Analysis of the outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Cash	**(1)**

33. EVENT AFTER THE REPORTING PERIOD

On 4 April 2019, the Company, the vendor and Connect Cool Technology Limited (the "Target Company"), entered into an agreement, pursuant to which the Company has conditionally agreed to acquire and the vendor has conditionally agreed to sell the sale shares, representing 60% of interests in the Target Company. The Target Company holds 100% equity interest in 上海尋山信息科技有限公司(「上海尋山」). The Target Company and 上海尋山 are collectively referred to as the "Target Group". The acquisition was completed on 10 May 2019.

Pursuant to the agreement, the vendor irrevocably warrants and guarantees that the audited net profit after tax of the Target Group for the 15 months period ending 31 March 2020 shall be not less than HK$6,200,000 (the "Guaranteed Profit"). In the event that the audited net profits after tax of the Target Group fails to meet the Guaranteed Profit, the vendor irrevocably undertakes to indemnify the Company the shortfall (the "Shortfall"). Accordingly, this constitutes a contingent consideration receivable to the Group.

The total consideration of the acquisition is HK$24,000,000. The Group paid HK$12,000,000 in cash to the vendor and settled the remaining consideration of HK$12,000,000 by way of issuing promissory note to the vendor. The promissory note is carried at amortised cost of HK$11,039,000 on the completion date.

After the acquisition, the Group can tap into the transportation payment solutions industry in the PRC. This acquisition is accounted for using purchase price allocation method.

Consideration transferred

	HK$'000
Cash	**12,000**
Promissory note	**11,039**
Less: Contingent consideration receivable	**(470)**
	22,569

Net assets recognised

Provisional fair value of assets and liabilities, based on their carrying amounts recorded in the unaudited financial statements of the Target Group as at 10 May 2019 prepared by the management and subject to an audit, recognised at the date of acquisition, are as follow:

	Provisional fair value ***HK$'000***
Plant and equipment	**3**
Trade and other receivables	**111**
Cash and cash equivalents	**1,227**
Trade and other payables	**(236)**
Identifiable net assets acquired	**1,105**
Less: non-controlling interest	**(442)**
Goodwill (Note)	**21,906**
	22,569

33. EVENT AFTER THE REPORTING PERIOD *(continued)*

Note: The initial accounting for the above acquisition has been determined provisionally. Intangible assets are also to be identified and recognised separately from goodwill awaiting the completion of professional valuation in relation to the respective fair values. The identification and recognition of intangible assets will have consequential effect on non-controlling interest to be recognised on the completion date.

The goodwill arising from the acquisition of the Target Company is attributable to the future growth and profitability in relation to the transportation payment solutions industry in the PRC.

The fair value of the acquired trade and other receivables was HK$111,000 and included trade receivables with a fair value of HK$103,000. No trade and other receivable was expected to be uncollectible.

Acquisition-related costs of HK$527,000 will be recorded in the consolidated financial statements of profit or loss after the year ended 31 March 2019.

The contingent consideration receivable requires the vendor to pay to the Group when the Target Company fails to fulfill the Guaranteed Profit. The fair value of this contingent consideration arrangement is estimated at approximately HK$470,000. This is a level 3 measurement.

The acquired business did not contribute any revenue or net profit to the Group for the year ended 31 March 2019 as the acquisition was completed subsequent to 31 March 2019. If the acquisition had occurred on 1 April 2018, the consolidated revenue and consolidated net loss for the year ended 31 March 2019 would have been, on a pro-forma basis, HK$97,116,000 and HK$9,324,000 respectively.

The initial accounting for the acquisition has been determined provisionally.

34. COMPARATIVE FIGURES

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

35. PARENT AND ULTIMATE HOLDING COMPANY

At 31 March 2019, the directors consider the immediate parent as well as the ultimate holding company of the Group to be Ever Prosper International Limited, which is incorporated in British Virgin Islands. This entity does not produced financial statements available for public use. The directors consider that Mr. Li Kin Shing, the Chairman of the board of directors of the Company, as the ultimate controlling party of the Company.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 16	Leases[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

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

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019 *(continued)*

HKFRS 16, Leases *(continued)*

After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

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

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 29, at 31 March 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$1,457,000 for land and buildings, the majority of which is payable within 1 year after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK$1,253,000 and HK$1,163,000 respectively, after taking account the effects of discounting, as at 1 April 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 1 April 2019 onwards.

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2019, the Group had the following major non-cash transactions:

(i) Bill receivables discounted with recourse of HK$17,472,000 (2018: Nil) has been netted off against advances drawn on bills receivables discounted with recourse when the bills receivables discounted with recourse have been settled; and

(ii) Bills receivables of HK$37,217,000 (2018: Nil) has been netted off against trade payables when the endorsed bills receivables to certain of its suppliers have been settled.