GREATWALLE INC.
長城匯理公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8315

ANNUAL REPORT
2019/20

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CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:
Mr. Song Xiaoming *(Chairman)*
Ms. Pang Xiaoli *(Chief Executive Officer)*
Mr. Hon Hoi Chuen
Ms. Lin Shuxian

Non-executive Director:
Mr. Chung Man Lai

Independent Non-executive Directors:
Ms. Guan Yan
Mr. Zhao Jinsong
Mr. Li Zhongfei

AUDIT COMMITTEE

Mr. Zhao Jinsong *(Chairman)*
Mr. Li Zhongfei
Ms. Guan Yan

REMUNERATION COMMITTEE

Mr. Li Zhongfei *(Chairman)*
Ms. Guan Yan
Mr. Zhao Jinsong

NOMINATION COMMITTEE

Mr. Song Xiaoming *(Chairman)*
Mr. Zhao Jinsong
Mr. Li Zhongfei

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

AUTHORISED REPRESENTATIVES

Ms. Pang Xiaoli
Mr. Hon Hoi Chuen

COMPLIANCE OFFICER

Ms. Pang Xiaoli

INDEPENDENT AUDITOR

BDO Limited

LEGAL ADVISER

As to Hong Kong Laws
Fangda Partners

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2008, 20/F.
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.kingforce.com.hk

STOCK CODE

8315

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Greatwalle Inc. (the "**Company**") and its subsidiaries (collectively known as the "**Group**"), it is my great pleasure to present to the shareholders the annual report for the year ended 31 March 2020 (the "**Reporting Period**").

2019 was a difficult year for both the Hong Kong economy and the economy of the PRC, with social disorder in Hong Kong which was unprecedented in many years, and the impact of deleveraging and trade conflicts suffered by the PRC. Under such difficult situation, the Group has formulated strategies tailored to the Group's medium to long-term development by fully tapping its resource advantages, and has gradually stepped out of the transitional period over the past two years. Since the second half of 2019, the Company's core principal businesses of security guarding and asset management have entered into a new growth phase.

The coronavirus epidemic that began in early 2020 has had a tremendous impact on the global economy, society, and livelihood. This is the most severe natural disaster human have seen in the last hundred years. In the face of disaster, the Group has taken an active role in social responsibility and has invested heavily in human and resources to assist in controlling the epidemic and maintaining social order, and was highly commended by the Government and various sectors of the society.

The global spread of the epidemic has caused tremendous damage to human lives and properties, and posed enormous challenges to all industries and sectors. Behind these great challenges are various development opportunities. The core management of the Group has experienced several macro-economic crises over the past decade in the course of the Group's corporate development, and every time they would always direct the Group to sail through the crisis and turn it into an opportunity, thereby leading the Group into a new development phase. Under the current environment, we remain confident in the future of the Group.

To date, following a series of measures undertaken by the Group since the second half of 2019, the Company's security guarding business has already restored to growing path. The Company has successfully opened up the PRC market and gained a large number of new customers. Members of the Company are taking full advantage of the Group's strengths, and are working to continuously enhance the business scale and scope of service of the Company's security guarding business, which so far has yielded tremendous results.

The Company has been developing its asset management and business advisory business since 2019. To date, the Company has obtained a private equity fund manager licence in the Mainland China ("**PRC**"), and an approval from the Securities and Futures Commission (the "**SFC**") to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). The Group's asset management team is well known in the industry with its high reputation and good track record, and possesses extensive market resources. Following the obtaining of the above-mentioned licences, the Company is generally prepared in terms of having sufficient resources for the asset management business, and will strive to substantially enhance the scale and profitability of the asset management business through continuous efforts.

Currently, the Company has entered into a new path of continuous growth. In the future, through our continuous efforts and effective measures, we will strive to further increase the size of the Company's assets, reduce its gearing ratio, improve the Company's operating profit and continue to develop the security guarding business of the Company while expanding its business scope and building up the Company to become a well-known investment holding company to achieve better returns for the shareholders.

Song Xiaoming
Chairman

Hong Kong, 19 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Reporting Period, the subsidiaries of the Group principally engaged in (i) the provision of security guarding services (the "**Security Guarding Services**"); and (ii) the provision of asset management and business advisory services (the "**Asset Management Services**"). During the Reporting Period, the Company recorded a revenue of approximately HK$41,150,000, in which the security guarding business recorded a revenue of approximately HK$38,851,000, and the asset management business recorded a revenue of HK$2,299,000.

I. Security Guarding Services

For security guarding business, the Group operates in both Hong Kong and Mainland China.

In Hong Kong, the Group is permitted to provide security guarding services under Type I security work in accordance with the Security Company License regime. The Group's services aim at safeguarding the safety of its customers, properties and assets and maintaining order at private events, with personal security guards provided by the Group to perform such services including patrolling, access control at entrance lobbies, registering visitors and preventing unauthorized access, handling and reporting complaints. The Group also provides guarding and private escorting service and crowd management service for events, venues, exhibitions, ceremonies and press conferences. With years of operating experience, the Group has established a strong reputation in the field of personal security guarding services and has been certified for its ability to design and deliver security guarding services with the ISO9001:2008 quality management system standard issued by the Hong Kong Quality Assurance Agency. Leveraged on the Company's advantages in operation, management system and branding, the Group also provides professional services to other similar industries in order to further develop its business. Through a series of operational measures in line with the Company's own characteristics, the Group's security guarding business has returned to a growing path since the third quarter of the current financial year.

The Group has been vigorously expanding into the broader PRC market since 2019. As of the date of this report, the security guarding business in the PRC has experienced rapid growth. The PRC security guarding industry has been growing continuously since the reform and opening up of the country, and by 2018, the business scale of the security industry in the PRC has exceeded RMB170 billion, with an average annual growth rate of over 10%. The Group believes that the future development for the security guarding market in the PRC is huge, because (i) as an emerging market, the PRC has a population of 1.4 billion and its industrialization and urbanization processes still have huge room for development. Construction of infrastructures and real estate development, etc. will further stimulate the development of the security guarding industry, facilitate the expansion of the security guarding service industry; (ii) the provision of security guarding for mainland government still occupies a large proportion of the overall market, and with the advancement of marketization in the future, the outsourcing of security guard will create more space for the industry to develop; and (iii) with the improvement of people's living standards, safety awareness and demand will increase simultaneously, which will generate more demand for security guarding services.

II. Asset Management Services

During the Reporting Period, the asset management services of the Group involved provision of business advisory and asset management services.

Since 2019, the Company has begun to gradually develop its asset management business. In the PRC, the Company has obtained a private equity fund manager licence from the Asset Management Association of China; in Hong Kong, the Company incorporated Greatwalle (International) Asset Management Co., Limited, a wholly-owned subsidiary of the Company, to apply for the license to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO during the Reporting Period, which has been approved by the SFC on 11 June 2020. Since then, the Group is qualified to conduct private equity fund management business in the PRC and asset management business in Hong Kong. The securities advisory business has laid a solid foundation for the Company to expand new profit growth points, thus continuously improving the Company's competitiveness.

The Company has an excellent asset management team, which has actively managing private equity funds amounted to nearly RMB5 billion for the past 6 years, and has achieved remarkable investment results. Our team consists of one of the earliest people working in M&A fund management business in the PRC, and has developed a systematic investment strategy and sound governance system. The assets managed by the Company will be mainly invested in two directions: first would be buyout-type mergers, in which the Company focuses on buying out companies with under-valued capital value, asset value and industrial and commercial value as well as with room for transformation and improvement; second would be medium and long-term investments towards enterprises that have long-term development value and leading position in particular market segments. Following the obtaining of the above licenses, the Company has quickly consolidated each and every resource to drive the asset management business into the high-quality development phase.

During the Reporting Period, the subsidiary held by the Group also had two other operating segments, namely the provision of mobile games to the oversea markets (the "**Mobile Gaming Business**") and the provision of e-Education and security services (the "**e-Education**"). For the year ended 31 March 2020, the Group did not derive any revenue from these segments.

SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 MARCH 2020

Grant of Share Options

On 18 April 2019, the Company granted 25,353,163 share options to individuals under the share option scheme adopted by the Company on 31 July 2014 (the "**Share Option Scheme**"). The share options shall entitle the grantees to subscribe for a total of 25,353,163 new shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$0.0904 per share of the Company (the "**Share**"). For details, please refer to the announcement of the Company dated 18 April 2019.

On 5 September 2019, the Company granted 73,588,691 share options to individuals under the Share Option Scheme. The share options shall entitle the grantees to subscribe for a total of 73,588,691 new shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$0.147 per Share. For details, please refer to the announcement of the Company dated 5 September 2019.

Acquisition of 51% Equity Interest in Zhong Jun Wei Shi

On 26 September 2019, a subsidiary of the Group entered into an agreement to acquire 51% equity interest in 山東七兵堂安保押運有限公司 (Shandong Seven Commandos Security Escort Co., Limited*). The registration of share transfer has been completed on 12 October 2019, and the name of the company has been changed to 山東中軍衛士安保集團有限公司 (Shandong Zhong Jun Wei Shi Security Group Co., Limited*) ("**Zhong Jun Wei Shi**"). The acquisition represents an important step for the Group in entering the PRC market and vigorously expanding the security guarding business. Zhong Jun Wei Shi will serve as a foundation for the Group in the future, enabling it to vigorously expand into the large security guarding market in the PRC and create synergy with overseas markets such as Hong Kong. The said acquisition has been completed on 12 October 2019.

The vendor of the 51% equity interest in Zhong Jun Wei Shi had provided a result guarantee, whereby the vendor had guaranteed that the total income for the three financial years ending 2019, 2020 and 2021 of Zhong Jun Wei Shi (the year-end date being the financial year-end date of the Company) as audited and confirmed by a third party auditing firm in aggregate shall not be less than RMB60 million (the "**Revenue Guarantee**").

If the Revenue Guarantee is achieved, the Group shall pay the remaining amount of the consideration of RMB3,600,000.00 to the vendor. In the event that the Result Guarantee was not achieved, the Group shall be exempted from the obligation to pay the remaining amount of the consideration. For details, please refer to the announcement of the Company dated 26 September 2019.

* *For identification purposes only*

Disposal of Shares by Controlling Shareholder

The Company was informed by Greatwalle Holding Limited, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 28 April 2019, Greatwalle Holding Limited has entered into a share transfer agreement (the "**Share Transfer Agreement**") with 一帶一路數據產業發展有限公司 (B&R Big Data Industry Development Co., Limited) (the "**Purchaser**"), pursuant to which Greatwalle Holding Limited agreed to dispose and the Purchaser agreed to purchase 223,859,278 Shares (the "**Share Disposal**"), representing approximately 18.00% of the total number of issued Shares, at a total consideration of HK$89,543,711.20 (equivalent to the transfer price for the Share Disposal of HK$0.40 per Share).

Pursuant to the undertakings made in the Share Transfer Agreement, the Purchaser has agreed to settle the full amount of the share transfer price to Greatwalle Holding Limited on or before 31 July 2019. The Company expected that upon the completion of the Share Disposal, insofar as there are no other changes to the shareholdings of the Company prior to the completion of the Share Disposal, Greatwalle Holding Limited will hold 467,884,644 Shares, representing approximately 37.62% of the total number of issued Shares, and will remain as the controlling shareholder of the Company, and the Purchaser is expected to hold approximately 18.00% of the total number of issued Shares. For details of the Share Disposal and the Purchaser, please refer to the announcement of the Company dated 28 April 2019.

As announced in the update announcement of the Company dated 1 August 2019, the parties to the Share Transfer Agreement entered into a supplemental agreement to extend the payment settlement period to no later than 31 December 2019 while all other terms remain unchanged (the "**Supplemental Agreement**").

On 31 December 2019, Greatwalle Holding Limited informed the Board that it still has not received the consideration that is receivable from the Purchaser under the Share Transfer Agreement (as amended by the Supplemental Agreement). As the payment deadline under the supplemental agreement was 31 December 2019, and also as Greatwalle Holding Limited and the Purchaser did not enter into an agreement to further extend the payment settlement period, Greatwalle Holding Limited considered that the Share Transfer Agreement has expired and the share transfer will not proceed.

Updates on the Legal Proceedings

On 18 September 2019, the Company was informed that 中山北斗教育科技有限公司 (Zhongshan Beidou Education Technology Limited*) ("**Bei Dou Zhongshan**") has received a notice from the Zhongshan First People's Court, pursuant to which Lin Keliang has applied to the Zhongshan First People's Court for the addition of Bei Dou Internet Education Technology (Shenzhen) Limited ("**Bei Dou Shenzhen**"), the largest shareholder of Bei Dou Zhongshan and another subsidiary of the Company, as a defendant in the civil lawsuit by reason of requesting to verify whether Bei Dou Shenzhen has made capital contribution to Bei Dou Zhongshan, and has applied for the dissolution of Bei Dou Zhongshan by reason of its operational difficulties.

According to the verification report regarding Bei Dou Zhongshan dated 18 July 2016, Bei Dou Shenzhen has made the actual payment for the entire amount of the capital contribution payable by it. The Group is currently seeking legal advice regarding the legal proceedings to look for an appropriate corresponding action that adheres to the principle of protecting the Group's legal right and interest, so as to continue requesting in the civil lawsuit for the fulfilment of the capital contribution obligation by Lin Keliang to Bei Dou Zhongshan and to deal with his request regarding the application for dissolution of Bei Dou Zhongshan.

Saved as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place during the year ended 31 March 2020.

* *For identification purposes only*

Business Outlook

In 2020, the global economy is expected to suffer a certain degree of decline due to the impact of the novel coronavirus epidemic, and economic activity is starting to recover gradually as the epidemic in the PRC is brought under control.

For the security guarding business, the Group will focus on expanding the PRC market and further expand its business by building on its existing operations scale. The Company will focus on identifying the security guarding markets in well-known industrial parks, large developers, property owners, government departments, etc., in order to rapidly expand the scale of the security guarding business, and such work is progressing smoothly. At the same time, the security guarding industry has also gradually shown new development trends in recent years, with the security industry divided into human security services, property security services, electronic security services, special security services, armed escort services, and other integrated security services, etc. Currently, human security services are still a major part of the security guarding, but driven by technological innovation such as 5G, big data, cloud computing, Internet of things, electronic security services and other integrated security services will be able to develop rapidly, and security guarding enterprises are increasingly embodying the characteristics of digitalized integrated security services. The Group strives to focus on the development trend of the security guarding industry, gives full play to its advantages and continuously improve its business model, in order to enhance the competitiveness of the security guarding industry.

With respect to the asset management business, the Group possesses the foundation to drive for rapid development of the asset management business, not only does it have a team with good track record, it also possesses vast resources and project reserves. The Group will promote the development of the asset management businesses of the PRC and Hong Kong simultaneously. Since 2019, there has been a major shift in economic policies in the PRC, with the introduction of a series of policies to promote financial reform and promote the development of capital market, and thus enhance economic activity through the financial reform and capital market reform. We believe that the asset management business of the PRC has huge development potentials which will bring new development opportunities to the Group. At the same time, as an international financial center, Hong Kong's capital market has strong regulatory capabilities, internationally leading financial infrastructure and an interconnection mechanism with the PRC's capital market. Although it has encountered challenges in both internal and external environments, it still possesses strong resilience and vitality. Therefore, the Group will use the asset management licenses obtained in the PRC and Hong Kong respectively as an opportunity to grasp macro-environment opportunities, fully utilise the Group's advantages, continuously expand the scale of the asset management business, improve the level of returns in asset management and turn the asset management business into an important profit growth point for the Company.

FINANCIAL REVIEW

Revenue

For the years ended 31 March 2019 and 2020, the Group's revenue was generated from the provision of Security Guarding Services in Hong Kong and the PRC and provision of business advisory and asset management services. The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2019 and 2020:

	Year ended 31 March			
	2020		2019	
	HK$'000	**Percentage**	HK$'000	Percentage
Security Guarding Services	**38,851**	**94.4%**	36,211	98.1%
Provision of business advisory and asset management services	**2,299**	**5.6%**	691	1.9%
Total	**41,150**	**100%**	36,902	100%

The Group's overall revenue increased by approximately HK$4,248,000 or 11.5% from approximately HK$36,902,000 for the year ended 31 March 2019 to approximately HK$41,150,000 for the year ended 31 March 2020. The increase in revenue was mainly due to (i) the recognition of the service fee income of the provision of business advisory and asset management services of approximately HK$2,299,000; and (ii) the new revenue derived from the Security Guarding Services in the PRC of approximately HK$5,851,000.

Cost of services rendered

For the year ended 31 March 2019 and 2020, the cost of services rendered, which mainly consists of direct guard cost, was approximately HK$38,327,000 and HK$32,051,000, respectively representing approximately 103.9% and 77.9% of the Group's revenue, respectively. Such decrease of the cost of service in the percentage of revenue was primarily attributable to better cost control by the implementation of better staff allocation and planning, as well as the adjustment on business structure based upon the Group's resource advantage during the Reporting Period.

As at 31 March 2020, the Group had a total of 586 employees, of which 556 were full-time and part-time guards providing manned security guarding and related services.

Gross profit/(loss)

The Group's gross profit for the year ended 31 March 2020 was approximately HK$9,099,000, as compared with the gross loss of approximately HK$1,425,000 for the year ended 31 March 2019. The turn around performance was mainly due to the better cost control and income increase by implementing measures such as lowering cost and adjustment of market structure during the year ended 31 March 2020.

Other income and losses, net

The Group's other net other income was approximately HK$601,000, as compared with the net other income of approximately HK$2,365,000 for the same period in 2019. The decrease in the net other income for the year ended 31 March 2020 was mainly attributable to (i) an absence of the recognition of share of an associate's capital reserve approximately HK$586,000; (ii) an absence of the recognition of bad debt recovery of approximately HK$448,000 income; and (iii) an absence of the recognition of interest income from a loan to an associate of approximately HK$258,000 for the year ended 31 March 2020.

Administrative expenses

The Group's administrative expenses increased by approximately HK$6,486,000 or 16.4% from approximately HK$39,653,000 for the year ended 31 March 2019 to approximately HK$46,139,000 for the year ended 31 March 2020. The increase in the Group's administrative expenses was mainly due to (i) the increase in staff cost as a result of the development of the Group's asset management services; (ii) the increase in operating cost for the Company's newly established subsidiaries during the Reporting Period; which was partially offset by (iii) the decrease in legal and professional fees as an absence of the recognition of the legal and professional fees in relation to the mandatory conditional cash offers, which was closed in July 2018 and the decrease in amortisation of intangible assets.

Impairment losses and write-off

For the year ended 31 March 2019, the Group incurred the following one-off impairment loss and write-off (2020: nil), which attributable to:

Impairment loss of goodwill

The Group was of the opinion, based on the impairment assessment of the cash-generating unit of developing and manufacturing of education and security system for protection of the students' safety in the PRC ("**e-Education CGU**"), the goodwill allocated to e-Education segment is fully impaired by approximately HK$5,255,000 for the year ended 31 March 2019 (2020: nil) in respect of the carrying amount of the goodwill which arose from the acquisition of China Bei Dou Communications Technology Group Limited in 2016, it was mainly due to unfavourable changes in the business and operation environment of e-Education CGU and its business plan in which the Group did not carry out this business as previously planned for the year ended 31 March 2019.

Impairment loss on prepayments and receivables/loan

The Group's impairment loss on prepayments and receivables/loan was mainly attributable to (i) the one-off impairment loss on loan to an associate of approximately HK$3,539,000 (2020: nil) and amount due from an associate of approximately HK$150,000 (2020: nil) after reviewing the financial status of the associated company, in which the associate was suffered from a significant market downturn in the gaming industry and uncertain government policies on its gaming business; (ii) the one-off impairment loss on amount due from a non-controlling equity holder of a subsidiary of approximately HK$2,004,000 for the year ended 31 March 2019 (2020: nil) in relation to the equity holder of an indirect subsidiary of the Company of the e-Education segment; and (iii) the recognition of impairment loss on prepayments and other receivables of approximately HK$2,788,000 for the year ended 31 March 2019 (2020: nil).

Write-off of other intangible assets

The Group's write-off of other intangible assets was mainly attributable to (i) the Company wrote-off the carrying amount of certain mobile game licenses in the Mobile Gaming Business of approximately HK$13,237,000 for the year ended 31 March 2019 (2020: nil) mainly due to the suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 has caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players. (ii) the Company wrote-off certain software and platform of e-Education segment with the carrying amount of approximately HK$4,000,000 (2020: nil) because the platform became inaccessible by the Group as the developers of the platform which were also engaged to maintain the platform have closed down for the year ended 31 March 2019.

Impairment loss on interests in associates

A one-off impairment loss on interests in associates of approximately HK$16,450,000 for the year ended 31 March 2019 (2020: nil) had been made due to the suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 had caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players; moreover, the regulatory practices of mobile game industry in the PRC had become more restrictive making the operating environment uncertain, risky and difficult to Magn Investment Limited and its subsidiaries and therefore, the future profitability and hence expected future cash inflows are significantly and negatively impacted.

Finance costs

The Group's finance costs increased by approximately HK$151,000 or 6.6% from approximately HK$2,294,000 for the year ended 31 March 2019 to approximately HK$2,445,000 for the year ended 31 March 2020. The increase in the finance costs was mainly due to the increase in accrued interest on a promissory note for the year ended 31 March 2020.

Loss for the period

Loss attributable to owners of the Company for the year ended 31 March 2020 decreased by approximately HK$46,365,000 from approximately HK$85,171,000 for the year ended 31 December 2019 to approximately HK$38,806,000 for the year ended 31 March 2020. The decrease in the Group's loss for the Reporting Period was mainly due to the reasons and factors as mentioned above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

The management reviews the capital structure regularly. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts. As at 31 March 2020, the share capital and capital deficiency attributable to owners of the Company amounted to approximately HK$12,463,000 and HK$7,203,000, respectively (2019: the share capital and total equity attributable to owners of the Company approximately HK$12,437,000 and HK$27,339,000, respectively). The Group has a promissory note which is payable to a former director of the Company. Please refer to note 23 to the consolidated financial statements.

Cash position

As at 31 March 2020, the cash at banks and in hand of the Group amounted to approximately HK$16,420,000 (2019: approximately HK$44,409,000), representing a decrease of approximately HK$27,989,000 as compared to 31 March 2019.

Charges over assets of the Group

As at 31 March 2019 and 2020, none of the Group's assets had been pledged.

Gearing ratio

As at 31 March 2020, the gearing ratio of the Group was (501.0)% (2019: 94.6%). The gearing ratio is calculated based on the total debt at the end of the relevant period divided by the total equity at the end of the relevant period. Total debt includes the Promissory Note, loan from immediate holding company, loan from a related company and amounts due to a related party. As at 31 March 2020, the Group did not have any bank borrowings, bank overdrafts and obligations under finance leases.

Capital expenditure

The Group acquired property, plant and equipment amounted to approximately HK$6,454,000 from direct purchases amounted to approximately HK$21,000 and acquisition of subsidiaries amounted to approximately HK$6,433,000 for the year ended 31 March 2020 which mainly comprises of addition of right-of-use assets under leaseland and buildings and acquisition of furniture and equipment (for the year ended 31 March 2019: approximately HK$62,000). The Group also acquired goodwill amounted to approximately HK$1,165,000 through acquisition of subsidiaries.

Capital commitments

As at 31 March 2020, the Group had no capital commitments (2019: nil).

Foreign exchange risk

The Group's business operations are primarily conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the year ended 31 March 2020, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2020.

Contingent liabilities

As at 31 March 2019 and 2020, the Group had no material contingent liabilities.

Significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and plans for material investments or capital assets

Save as disclosed in this report, during the year ended 31 March 2020, the Company did not have any significant investment and had no material acquisition or disposal of subsidiaries or affiliated companies. As at 31 March 2020 the Company did not have any plans for material investments or capital assets.

Use of proceeds from rights issue

On 6 March 2019, the Company conducted the rights issue (the "**Rights Issue**") to raise approximately HK$41.5 million before expenses by issuing up to 414,554,218 rights shares at the subscription price of HK$0.10 per rights share on the basis of one (1) rights share for every two (2) shares held by the qualifying shareholders. The Rights Issue was fully subscribed and completed on 29 March 2019 and approximately HK$40.6 million of net proceeds was received by the Company. For detailed breakdown and description of the intended use of proceeds, please refer to the announcements of the Company dated 20 February 2019 and 28 March 2019 and the prospectus of the Company in relation to the Right Issue dated 7 March 2019. As at 31 March 2019, the Company has not utilized any of the proceeds of the Rights Issue and such funds are held as deposits with a licensed bank. During the Reporting Period, the actual use of the net proceeds of the Rights Issue is as follows:

Date of announcements and prospectus	Description	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds as at 31 March 2020
20 February 2019, 7 March 2019 and 28 March 2019	Rights issue on the basis of one rights share for every two shares of the subscription price of HK$0.10 per rights share	Approximately HK$40.6 million	(i) Approximately 40% of the net proceeds for the development of the provision of business advisory and management services	(i) Fully used as intended
			(ii) Approximately 25% of the net proceeds for strengthening the ongoing operations fo the Group's security guarding business and to ensure the quality of the Group's security guarding services	(ii) Fully used as intended
			(iii) Approximately 35% of the net proceeds for the Group's general working capital	(iii) Approximately 27.5% of the net proceeds was used as intended

As at 31 March 2020, the Group planned to use the remaining net proceeds of approximately HK$3,045,000, which were held as deposits with a licensed bank, for the Group's general working capital. The remaining unutilized net proceeds are estimated to be fully utilized in the next six months.

EMPLOYEES AND REMUNERATION POLICY

The Group had 586 employees as at 31 March 2020 (2019: 380 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high -quality staff and to enable smooth operations within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The Group's remuneration policy is revised periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are employed.

On 18 April 2019 and 5 September 2019, the Group granted the share options to the eligible participants including employees within the Group and certain Directors under the share option scheme adopted by the Company on 31 July 2014 (the "**Scheme**") to motivate and compensate their contributions to the Group. Details of the grant of the share options are set out in the Company's announcement dated 18 April 2019 and 5 September 2019. The movements in the share options granted under the Scheme during the year ended 31 March 2020 are set out in the section headed "Share Option Scheme" in this report.

Training and development

Our security services are mainly divided into three parts: security guard services, event security services and VIP escorting services. All of our security staff personnel obtain the Security Patrol Permit to ensure the competence in providing security service for our clients. We value the experience and capability of our staff to elevate our service quality. Our on-the-job patrol monitoring system helps to guide and assist employees to achieve optimal performances. Our goal is to supervise and ensure customers' needs are satisfied. Training plans are established for new and existing employees to connect them to our values and assist them to perform their roles. Our training purpose is also to foster a safe environment for all employees against sexual harassment and promote efficient internal communication between employees and management. We comply with the appropriate local laws and regulations in relation to the restrictions on the employment of child and forced labor. Our employees are properly vetted to ensure they are of proper working age.

DIVIDEND

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

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining corporate governance of high standards and quality procedures. The Company has put in place governance practices with emphasis on the integrity to shareholders and quality of disclosure, transparency and accountability to shareholders for the sake of maximizing returns to shareholders.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2020.

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of chief executive officer (the "**CEO**") until the appointment of Mr. Song Xiaoming as the chairman and the re-designation of Ms. Pang Xiaoli as the CEO on 6 August 2019. Before the re-designation of Ms. Pang Xiaoli as the CEO, the Company has appointed several staff at the subsidiary level for each business segment, who were responsible for the oversight of each business segment's operations.

THE BOARD OF DIRECTORS

The Board is responsible for leading and controlling the Company, overseeing as well as the supervision of its business, approval of strategic plans and monitoring the Company's performance. The Board delegates the day-to-day operations to the executive directors and senior employees who are responsible for the oversight of each business segment's operations, while reserving certain key matters for its approval.

COMPOSITION

During the Reporting Period and up to the date of this report, the Directors have been and are:

Executive Directors

Mr. Song Xiaoming *(Chairman) (appointed on 6 August 2019)*
Ms. Pang Xiaoli *(re-designated from Chairman to Chief Executive Officer on 6 August 2019)*
Mr. Li Mingming *(retired on 6 August 2019)*
Mr. Hon Hoi Chuen
Ms. Lin Shuxian

Non-executive Director

Mr. Chung Man Lai *(appointed on 17 March 2020)*

Independent Non-executive Directors

Ms. Guan Yan
Mr. Zhao Jinsong
Mr. Li Zhongfei

The existing Directors' biographical information is set out in pages 28 to 29 under the section headed "Biographies of Directors". Saved as disclosed in the sections headed "Biographies of Directors", and "Disclosure of Interests" there is no financial, business, family or other material/relevant relationship amongst the Directors.

The Board includes a balanced composition of executive Directors, a non-executive Director and independent non-executive Directors ("**INEDs**") so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interests of the Company and that the current board size is adequate for its present operations. Each Director keeps abreast of his/her responsibility as the Director and of the conduct, business activities and development of the Company.

BOARD MEETINGS

Code provision A.1.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active anticipation of a majority of directors, either in person or through other electronic means of communication.

Members of the Board met on a regular basis and on ad hoc basis to discuss the overall strategy as well as the operation and financial performance of the Group. There were 7 Board meetings held during the year ended 31 March 2020.

Attendance of individual Directors at Board meetings held during the year ended 31 March 2020 is set out in the table below:

	Attendance/Number of Board meetings held
Executive Directors	
Mr. Song Xiaoming *(Chairman) (appointed on 6 August 2019)*	3/3
Ms. Pang Xiaoli *(re-designated from Chairman to Chief Executive Officer on 6 August 2019)*	7/7
Mr. Hon Hoi Chuen	7/7
Ms. Lin Shuxian	7/7
Mr. Li Mingming *(retired on 6 August 2019)*	4/4
Non-Executive Director	
Mr. Chung Man Lai *(appointed on 17 March 2020)*	0/0
Independent Non-Executive Directors	
Ms. Guan Yan	7/7
Mr. Zhao Jinsong	7/7
Mr. Li Zhongfei	7/7

CHAIRMAN

The chairman of the Company (the "**Chairman**") is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda.

Under the CG Code provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of chief executive officer (the "**CEO**") until the appointment of Mr. Song as the chairman and the re-designation of Ms. Pang as the CEO on 6 August 2019. Before the re-designation of Ms. Pang as the CEO, the Company has appointed several staff at the subsidiary level for each business segment, who were responsible for the oversight of each business segment's operations.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied at all times with rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules that at least three INEDs sit in the Board (at least one third of the Board members) and at least one of them has appropriate professional accounting or related financial management expertise.

Each INED has made an annual confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

For the year ended 31 March 2020, all the non-executive Director and INEDs have entered into a service contract with the Company for an initial term of three years, unless terminated by not less than three months' notice in writing served by either party on the other. The CG Code provision A.4.1 has been complied.

CORPORATE GOVERNANCE STRUCTURE

The Board is entrusted with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for setting directions, formulating strategies, monitoring performance and managing the risks of the Group. Under the Board, there are currently three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee and Remuneration Committee perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. The Nomination Committee assists the Board in nominating candidates for directorship, reviewing the size and composition and board diversity of the Board and making recommendation to the Board on appointment of directors. Each of the committees is established with defined written terms of reference which are available on the Company's website and the GEM website.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and determining the specific remuneration packages of Directors and senior management of the Company.

The remuneration policy of the Directors is recommended by the Remuneration Committee, having regard to the market terms, individual experience, duties and responsibilities.

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director for the year ended 31 March 2020 are set out in note 31 to the consolidated financial statements.

During the Reporting Period and up to the date of this report, the members of the Remuneration Committee have been and are:

Mr. Li Zhongfei *(Chairman)*
Ms. Guan Yan
Mr. Zhao Jinsong

The Remuneration Committee is scheduled to meet at least once a year. One meeting was held during the year ended 31 March 2020. The attendance of each member is set out as follows:

	Attendance/ eligible to attend
Mr. Li Zhongfei *(Chairman)*	1/1
Ms. Guan Yan	1/1
Mr. Zhao Jinsong	1/1

Summary of Works

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference, please refer to the Group's website www.kingforce.com.hk):

1. consulting the Chairman and/or chief executive about their remuneration proposals for other executive Directors;

2. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. reviewing the Company's remuneration policy and recommending it for the Board's adoption, and making recommendations to the Board on the remuneration of non-executive Directors;

6. considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

8. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

The Board is of the view that the Remuneration Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

NOMINATION COMMITTEE

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

During the Reporting Period and up to the date of this report, the members of the Nomination Committee have been and are:

Mr. Song Xiaoming *(Chairman) (appointed on 6 August 2019)*
Ms. Pang Xiaoli *(former Chairman) (resigned on 6 August 2019)*
Mr. Li Zhongfei
Mr. Zhao Jinsong

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size, composition and board diversity (including skills, knowledge and experience) of the Board. In addition, the Nomination Committee also meets as it is required to consider nomination related matters. One meeting was held during the year ended 31 March 2020. The attendance of each member is set out as follows:

	Attendance/ eligible to attend
Mr. Song Xiaoming *(Chairman) (appointed on 6 August 2019)*	0/0
Ms. Pang Xiaoli *(former Chairman) (resigned on 6 August 2019)*	1/1
Mr. Zhao Jinsong	1/1
Mr. Li Zhongfei	1/1

Summary of Works

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference please refer to the Group's website www.kingforce.com.hk):

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. assessing the independence of independent non-executive Directors; and

5. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Board is of the view that the Nomination Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

Board Diversity Policy

The Group has adopted policy in relation to the diversity of the members of the Board (the "**Board Diversity Policy**") and the summary of the policy is as follows:

1. selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

2. the Nomination Committee will monitor the implementation of the Board Diversity Policy from time to time to ensure the effectiveness of the Board Diversity Policy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. The Company should comply with the requirements on board composition in the GEM Listing Rules from time to time.

2. The number of independent non-executive Directors should be not less than three and one-third of the Board.

3. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

4. At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

The Board has achieved the measurable objectives under the Board Diversity Policy for the year ended 31 March 2020.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee has reviewed the board diversity policy to ensure its effectiveness and considered that the Group had complied the board diversity policy during the Report Period.

Director's Nomination Policy

The director's nomination policy of the Company (the "**Director's Nomination Policy**") was adopted by the Board and became effective on 1 January 2019 and the Nomination Committee is responsible for execution.

Director Nomination Process

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and headhunters. The Nomination Committee may also put forward director candidates who are not nominated by Board members. In addition, the Nomination Committee will consider director candidates properly submitted by shareholders of the Company through formal procedures set out in the Company's Procedures for Shareholders to Propose a Person for Election as a Director.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing director candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

All director candidates, including incumbents and candidates nominated by shareholders of the Company are evaluated by the Nomination Committee based upon the director's qualifications. While director candidates will be evaluated on the same criteria, the Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, and experiences of the collective Board rather than on the individual candidate.

The Board shall have the final decision on all matters relating to the recommendation of director candidates by the Nomination Committee to stand for election at any general meeting. The Board will take such recommendations under advisement and is responsible for designating the director candidates to be elected at the annual general meeting of the Company and electing directors to fill Board vacancies.

Procedure for Appointment of New Director

Director candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the director candidate, evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship.

If the process yields one or more desirable director candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each director candidate (where applicable).

For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

A director candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

Procedure for Re-appointment of Director at General Meeting

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors including their attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

The Nomination Committee shall also review and determine whether the retiring Directors continue to meet the criteria as set out below.

The Nomination Committee and/or the Board shall then make recommendation to the shareholders of the Company in respect of the proposed re-election of Directors at the general meeting.

Director Selection Criteria

The Nomination Committee considers the following qualifications are at a minimum to be required of a director candidate in recommending to the Board potential new Director, or the continued service of existing Director:

(a) the highest personal and professional ethics and integrity;

(b) proven achievement and competence in the nominee’s field and the ability to exercise sound business judgment;

(c) qualifications including professional qualifications, skills, knowledge and experience that are complementary to those of the existing Board;

(d) the ability to assist and support management and make significant contributions to the Company’s success;

(e) the contribution on diversity of the Board and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(f) an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and

(g) meet the “independence” criteria as required under the GEM Listing Rules and the composition of the Board is in conformity with the provisions of the GEM Listing Rules from time to time (where applicable).

Other than the foregoing, there are no stated minimum criteria for director candidate, although the Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the shareholders of the Company.

AUDIT COMMITTEE

The Audit Committee is responsible to make recommendation to the Board on the appointment and removal of external auditor, to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee reviews the quarterly, interim and annual reports before submission to the Board. At least one member has an appropriate professional qualification or accounting or related financial management expertise. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

Senior representatives of the external auditor, executive Directors and senior executives are invited to attend the meetings, if required. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

During the Reporting Period and up to the date of this report, the members of the Audit Committee have been and are:

Mr. Zhao Jinsong *(Chairman)*
Ms. Guan Yan
Mr. Li Zhongfei

The Audit Committee is scheduled to meet at least four times a year. Four meetings were held during the year ended 31 March 2020. The attendance of each member is set out as follows:

	Attendance/ eligible to attend
Mr. Zhao Jinsong *(Chairman)*	4/4
Ms. Guan Yan	4/4
Mr. Li Zhongfei	4/4

Summary of Works

During the year ended 31 March 2020, the Audit Committee reviewed the audited annual results for the year ended 31 March 2019, the unaudited quarterly results for the three months ended 30 June 2019, six months ended 30 September 2019 and nine months ended 31 December 2019; made recommendations to the Board on the terms of engagement of the external auditors; and reviewed the system of risk management and effectiveness of the internal control and the Group's internal audit function on an ongoing basis, and its other duties in accordance with the Audit Committee's written terms of reference. The Audit Committee had also reviewed audited annual results for the financial year ended 31 March 2020 and this report, and it has agreed with the auditor of the Company on the annual results of the Group for the financial year ended 31 March 2020 and confirmed that this report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Board is of the view that the Audit Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

The terms of reference of the Audit Committee are in line with the CG Code and are posted on the websites of the Company and the Stock Exchange. Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary quarterly results, interim results and annual financial statements and to monitor the integrity of the financial statements of the Group, to review the scope, extent and effectiveness of the Group's internal control system, internal audit and risk management matters and to review the Group's financial and accounting policies.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in the terms of reference equivalent to code provision D.3.1 of the CG Code. During the year ended 31 March 2020, the policies of the corporate governance of the Company were reviewed by the Board.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company and their responsibilities stated on a statement by the auditors in the auditors' report on the financial statements. The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements of the Company is set out in the section "Independent Auditor's Report" of this report. Saved as disclosed in the independent auditor's report under the heading "Material Uncertainty Related to Going Concern", the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern as at 31 March 2020. The Directors wish to make the following statement with regard to the Material Uncertainty Related to Going Concern in the independent auditor's report:

The Group incurred a loss for the year ended 31 March 2020 of HK$38,899,000, and as at 31 March 2020,the Group has net current liabilities of HK$19,272,000 and capital deficiency of HK$6,268,000, among which outstanding borrowings of HK$29,526,000, including promissory note payable of approximately HK$22,550,000 and loans from related parties of approximately HK$6,976,000, are due for repayment within one year from the end of the reporting period. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

For the purpose of the going concern assessment, the directors of the Company have prepared a cash flow forecast with due and careful consideration of the Group's future liquidity and financial performance, and also considered its available sources of financing.

Leveraged on advantages in operation, management system and branding of security guarding business in Hong Kong, the Group provides professional services to other similar industries in order to further develop its business. It is expected that the financial performance of the Group's security guarding business in Hong Kong would continue to improve given the Group has enhanced the business relationship with its major customers since the second half of the current reporting period. It is also expected that the revenue from security guarding business in the PRC and asset management business will continue to grow in the coming year. Further, the Company has adopted or in the process of adopting certain measures in order to strengthen the Group's financial position, liquidity and cash flows. For further details, please refer to note 3 to the consolidated financial statements.

Based on the above, the Directors considered the Group will have sufficient working capital to finance its operations and to meet its financial obligations that will be fall due within next twelve months from 31 March 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

External Auditor's Remuneration

During the year ended 31 March 2020, the fees for the services provided by the Company's auditor are set out as follows:

	HKD
Audit services	**850,000**
Non-audit services	**75,000**
	925,000

The non-audit services mainly consisted of the professional services in relation to the environmental, social and governance report.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguard of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

The Group has engaged an external independent consultant to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covering major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. No major issues on the internal control system have been identified during the year ended 31 March 2020.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged at the expenses of the Company where necessary. During the year under review, each of the Directors has participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility.

During the Reporting Period, the Board held one general meeting, namely, the annual general meeting on 6 August 2019. The attendance record of the Directors who was eligible to attend the general meeting is set out below:

	Attendance/ Number of general meetings
Executive Directors	
Mr. Song Xiaoming *(appointed on 6 August 2019)*	0/0
Ms. Pang Xiaoli	1/1
Mr. Li Mingming *(retired on 6 August 2019)*	1/1
Mr. Hon Hoi Chuen	1/1
Ms. Lin Shuxian	1/1
Non-executive Director	
Mr. Chung Man Lai *(appointed on 17 March 2020)*	0/0
Independent Non-Executive Directors	
Ms. Guan Yan	1/1
Mr. Zhao Jinsong	1/1
Mr. Li Zhongfei	1/1

COMPANY SECRETARY

The company secretary, Ms. Lam Yuen Ling Eva ("**Ms. Lam**"), is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Pang Xiaoli, the executive Director, the Chief Executive Officer and the compliance officer of the Group. Ms. Lam has complied with Rule 5.15 of GEM Listing Rules by taking no less than 15 hours of relevant professional training to update her skills and knowledge during the year ended 31 March 2020. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares of the Company (the "**Code of Conduct**"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

RELATED PARTY TRANSACTIONS POLICY

During the year ended 31 March 2020, the related party transactions, if any, are periodically reviewed and approved by the Audit Committee.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings at which Directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its annual report, interim report and quarterly reports which are sent to shareholders and investors. The Company's announcements, press releases and publications are published and are also available on the GEM website and on the Company's website at www.kingforce.com.hk.

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 64 of the articles of association of the Company (the "**Articles**"), the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgement of the notices required under the Articles will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for Putting Forward Proposals at General Meetings

Shareholders can also send enquiries and proposals to be put forward at general meetings for shareholders' consideration to the Board or company secretary by mail to the head quarter of the Company at Room 2008, 20/F., West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

Significant Changes in Constitutional Documents

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

Dividend Policy

The dividend policy of the Company (the "**Dividend Policy**") was adopted by the Board and became effective on 1 January 2019.

The Dividend Policy is to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Company. The Board endeavors to strike a balance between the shareholders' interests and prudent capital management with a sustainable dividend policy.

The declaration and recommendation of dividends is subject to the decision of the Board after considering the Company's ability to pay dividends, which will depend upon, among other things:

- the Group's financial results;
- the Group's cashflow, liquidity and capital requirements;
- the Group's debt to equity ratios and the debt level;
- the retained earnings and distributable reserves of the Group;
- the Group's shareholders' interests;
- the Group's current and future business operations, conditions, cycle and strategies;
- the general market conditions;
- the shareholders' and the investors' expectation and industry's norm;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- statutory and regulatory restrictions;
- past dividend record; and
- any other factors the Board may deem relevant.

The Board has complete discretion on whether to pay a dividend and the form to pay, subject to any restrictions under the Companies Laws of Cayman Islands and the Articles. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. There is no assurance that dividends will be paid in any particular amount for any given period.

The Company shall review and reassess the Dividend Policy and its effectiveness from time to time. Any revisions to the Dividend Policy shall be considered and approved by the Board.

BIOGRAPHIES OF DIRECTORS

As at the date of this report, the biographies of Directors are set out as below:

EXECUTIVE DIRECTORS

Mr. Song Xiaoming ("**Mr. Song**"), aged 45, was appointed as an executive Director on 6 August 2019. He is also the chairman of the nomination committee of the Company. Mr. Song graduated from Sun Yat-sen University with a bachelor degree in economics in June 1997 and obtained an executive master of business administration degree from Tsinghua University, the PRC, in January 2014. Mr. Song is the founder of Shenzhen Great Walle Capital Management Co. Ltd.* (深圳長城匯理資產管理有限公司), a company incorporated in May 2013 and principally engaged in the provision of asset management service. It has become a wholly-owned subsidiary of Shenzhen Great Walle Investment Corp., Ltd.* (深圳長城匯理投資股份有限公司) in 2015. He has been the chief executive officer of Shenzhen Great Walle Capital Management Co. Ltd. since May 2013 and the president of Shenzhen Great Walle Investment Corp., Ltd. since July 2015.

深圳匯理九號投資諮詢企業(有限合伙)("**Huili Jiu Hao Investment**") is held as to 99.80% by Shenzhen Great Walle Investment Corp., Ltd.* (深圳長城匯理投資股份有限公司) ("**Great Walle Investment**"), which is ultimately controlled by Mr. Song, and as to 0.20% by Ms. Pang Xiaoli.

Ms. Pang Xiaoli ("**Ms. Pang**"), aged 41, was appointed as an executive Director and compliance officer of the Company on 12 July 2018. She is also the chief executive officer of the Company. She is also an executive director, legal representative and general manager of 深圳玖立投資諮詢有限公司 (Shenzhen Jiuli Investment Advisory Co., Ltd.*). Ms. Pang is the executive director and chief financial officer of Great Walle Investment. She joined Great Walle Investment in May 2013. Ms. Pang obtained a bachelor degree in Economics from the Dongbei University of Finance and Economics in PRC in July 2002. Ms. Pang graduated from the EMBA programme of the Cheung Kong Graduate School of Business in September 2018.

Mr. Hon Hoi Chuen ("**Mr. Hon**"), aged 45, was appointed as an executive Director on 12 July 2018. He is the executive director of Great Walle Investment. In 2017, Mr. Hon was the vice president of First Capital Fund Management Company Limited* (首控基金管理有限公司), a wholly-owned subsidiary of China First Capital Group Limited which is listed on the Stock Exchange (stock code: 1269), and from September 2012 to December 2015, he worked for Henan Agri-investment Fund Co., Ltd.* (河南農開投資基金管理有限公司) and his last position was the deputy general manager. From April 1999 to August 2012, he also held positions in various departments of Bank of China Hong Kong, including the Corporate Banking, Financial Institutions and Product Management Department.

Mr. Hon obtained a bachelor degree in International Finance from Sun Yat-sen University in the PRC in June 1997.

Ms. Lin Shuxian ("**Ms. Lin**"), aged 38, was appointed as an executive Director on 12 July 2018. She is also a director of certain subsidiaries of the Company. She is the deputy investment director of the Investment Department at Great Walle Investment. From November 2007 to May 2009, Ms. Lin was the financial analyst at the Business Valuation Department of Shenzhen Branch, Jones Lang LaSalle Sallmanns (Beijing) Consultants Limited* (仲量聯行西門(北京)諮詢有限公司深圳分公司) (currently renamed as Shenzhen Branch, Jones Lang LaSalle (Beijing) Consultants Limited* (仲量聯行(北京)諮詢有限公司深圳分公司). From November 2009 to September 2015, Ms. Lin was the senior manager at the Investment Banking Department of First Shanghai Venture Capital Management (Shenzhen) Co., Ltd. Ms. Lin is also a director of certain subsidiaries of the Company.

Ms. Lin obtained a master of science degree in Financial Decision Analysis from the University of Portsmouth in July 2007.

* *For identification purpose only*

NON-EXECUTIVE DIRECTOR

Mr. Chung Man Lai ("**Mr. Chung**"), aged 43, has over 20 years of experience in auditing and accounting. Prior to joining the Company, he worked in a reputable international accounting firm and was the chief financial officers of CMIC Ocean En-Tech Holding Co., Ltd. (formerly known as TSC Group Holdings Limited (Stock code: 206)) (華商國際海洋能源科技控股有限公司) and IDT International Limited (Stock code: 167) (萬威國際有限公司), both are companies listed on the Main Board of The Stock Exchange. He is also currently the independent non-executive director of Century Group International Holdings Limited (世紀集團國際控股有限公司) (the shares of which are listed on the Main Board of the Stock Exchange, Stock code: 2113), Roma Group Limited (羅馬集團有限公司*) (the shares of which are listed on GEM of the Stock Exchange, Stock Code: 8072) and Aurum Pacific (China) Group Limited (奧栢中國集團有限公司) (the shares of which are listed on GEM of the Stock Exchange, Stock Code: 8148).

Mr. Chung obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 1998 and a master of business administration degree with a major in international business from EU Business School in December 2018. Mr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Guan Yan ("**Ms. Guan**"), aged 39, was appointed as an independent non-executive Director on 12 July 2018. She is also a member of the audit committee and remuneration committee of the Company. She was employed by Peregrine Services Limited, the service company of Herbert Smith Freehills Hong Kong from November 2003 to September 2007 and her last position was legal manager of that company. From January 2008 to March 2018, Ms. Guan held various positions at Shearman & Sterling, Hong Kong Office (including legal assistant, registered foreign lawyer, assistant solicitor and consultant). Ms. Guan is a legal counsel at New World Development Company Limited since April 2019. Ms. Guan obtained a bachelor degree in Laws from the Peking University in July 2002, a master of Laws from University College London in November 2003 and a master of Laws in corporate law degree from the New York University in May 2006.

Mr. Zhao Jinsong ("**Mr. Zhao**"), aged 44, was appointed as an independent non-executive Director on 12 July 2018. He is also the chairman of the audit committee of the Company and a member of the nomination committee and remuneration committee of the Company. He worked in 中華人民共和國審計署駐深圳特派員辦事處 (Shenzhen Branch, National Audit Office of the People's Republic of China*) from July 2000 to June 2017, and his last position was the Commissioner of that office.

Mr. Zhao obtained a bachelor's degree in International Finance from the Sun Yat-sen University in the PRC in June 1997. He further obtained a master of Finance degree from the Sun Yat-sen University in the PRC in June 2000. Mr. Zhao was accredited as a member of The Association of Chartered Certified Accountants in November 2006, a fellow member of The Association of Chartered Certified Accountants in April 2012 and was granted the designation of Financial Risk Manager from the Global Association of Risk Professionals in March 2017.

Mr. Li Zhongfei ("**Mr. Li**"), aged 56, was appointed as an independent non-executive Director on 12 July 2018. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. He is currently a professor of Sun Yat-sen Business School and director of Center for Financial Engineering and Risk Management of Sun Yat-sen University in the PRC.

Mr. Li obtained a bachelor of science from Lanzhou University in the PRC in July 1985, and then a master of science from Inner Mongolia University in the PRC in June 1990. He further obtained a Ph.D. in Management from the Academy of Mathematics and Systems Science of the Chinese Academy of Sciences in the PRC in August 2000.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Company and its subsidiaries are set out in notes 1 and 29 to the consolidated financial statements, respectively.

BUSINESS REVIEW

A review of the business of the Group for the Reporting Period and a discussion on the Group's future business development are provided in the Management Discussion and Analysis on pages 5 to 13. The principal risks and uncertainties facing the Group are disclosed in the section headed "Financial risk management" in note 36 to the consolidated financial statements.

Important events affecting the Group is provided in the Management Discussion and Analysis on pages 5 to 13 and disclosed in the section headed "Events after the reporting date" in note 40 to the consolidated financial statements since the end of the financial year under review.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Years' Financial Summary on page 144. The Group is committed to supporting the environmental sustainability. The Group has complied with laws and regulations regarding environmental protection and adopted effective measures to achieve efficient use of resources and energy saving. Green initiatives and measures have been adopted in the Group's operation. More details will be disclosed in the "Environmental, Social and Governance Report" which will be issued in accordance with the requirements under the GEM Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated, strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group and the state of the Group's and the Company's affairs for the year ended 31 March 2020 are set out in the consolidated financial statements on page 48 to 143.

DIVIDEND

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 March 2020 (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming annual general meeting of the Company (the "**AGM**") will be held on 18 August 2020 (Tuesday), the register of members of the Company will be closed from 13 August 2020 (Thursday) to 18 August 2020 (Tuesday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's Shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 12 August 2020 (Wednesday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The share registrar and transfer office is at:

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years are set out on page 144.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Reporting Period are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 March 2020 was 1,246,317,523 ordinary Shares of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Reporting Period are set out in notes 25 and 26 to the consolidated financial statements, respectively.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "**Share Option Scheme**" of this report, no equity-linked agreement was entered into by the Company during the Reporting Period.

CHARITABLE DONATIONS

During the Reporting Period, there was no charitable and other donations made by the Group (2019: nil).

EMOLUMENT POLICY FOR DIRECTORS

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

RESERVES

Details of movements of reserves of the Group are set out in the consolidated statement of changes in equity on page 51.

As at 31 March 2020, the reserves of the Company available for distribution, as calculated under the provisions of Cayman Islands' legislation, were approximately HK$(19,764,000) (2019: approximately HK$8,029,000).

DIRECTORS

The Directors during the year ended 31 March 2020 and up to the date of this report were:

Executive Directors

Mr. Song Xiaoming *(Chairman) (appointed on 6 August 2019)*
Ms. Pang Xiaoli *(re-designated from Chairman as Chief Executive Officer on 6 August 2019)*
Mr. Li Mingming *(retired on 6 August 2019)*
Mr. Hon Hoi Chuen
Ms. Lin Shuxian

Non-executive Director

Mr. Chung Man Lai *(appointed on 17 March 2020)*

Independent Non-executive Directors

Ms. Guan Yan
Mr. Zhao Jinsong
Mr. Li Zhongfei

The biographical details of existing Directors are set out in the section headed "Biographies of Directors" in this report.

Information regarding Directors' emoluments is set out in note 31 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the independent non-executive Directors.

DIRECTORS' SERVICE CONTRACTS

Each of the existing executive Directors has entered into service contract with the Company for the year ended 31 March 2020. Each of the existing non-executive Director and INEDs has entered into a service contract with the Company for a term of three years unless terminated by not less than three months' notice in writing served by either party on the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. The non-executive Director of the Company was appointed for a fixed period but subject to retirement from office and re-election at the AGM of the Company in accordance with the Articles.

In accordance with Article 112 of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with Article 108 of the Articles, Mr. Hon Hoi Chuen, Ms. Guan Yan and Mr. Zhao Jinsong will retire from office as Directors and being eligible, have offered themselves for re-election as Directors at the AGM.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the Remuneration Committee.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rule 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Long position in the Shares and underlying Shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary shares held/interested	Number of underlying shares held/ interested pursuant to share options	Approximate percentage of the total number of issued shares of the Company
Song Xiaoming ("**Mr. Song**")	Interest in a controlled corporation	691,743,922(L)*(Note 1)*	–	55.50%
Pang Xiaoli ("**Ms. Pang**")	Beneficial owner	14,922,155(L)	–	1.20%
		–	2,015,242(L) *(Note 2)*	0.16%
Hon Hoi Chuen	Beneficial owner	–	12,436,626(L) *(Note 2)*	1.00%
Lin Shuxian ("**Ms. Lin**")	Beneficial owner	–	12,436,626(L) *(Note 2)*	1.00%
Guan Yan	Beneficial owner	–	1,000,000(L) *(Note 2)*	0.08%
Zhao Jinsong	Beneficial owner	–	1,000,000(L) *(Note 2)*	0.08%
Li Zhongfei	Beneficial owner	–	1,000,000(L) *(Note 2)*	0.08%

(L) represents a long position in the Shares

Notes:

1. According to information available to the Company, Greatwalle Holding Limited is wholly-owned by 廣州南沙區匯銘投資業務有限公司 ("**Nansha Huiming**"). Nansha Huiming is held as to approximately 99.9995% by Huili Jiu Hao Investment, and as to 0.0005% by Mr. Song. Huili Jiu Hao Investment is held as to 99.80% by Great Walle Investment. Great Walle Investment is ultimately controlled by Mr. Song (as to approximately 70.9357% directly, and as to approximately 21.9995% indirectly through a wholly-owned company, 深圳弘德商務服務有限公司). As such, Mr. Song is deemed to be interested in the above companies and the Shares and the underlying Shares of the Company under the SFO.

2. These long positions represent the share options granted by the Company under the Share Option Scheme. For details, please refer to the section headed "Share Option Scheme" below.

Long positions in the interest in the associated corporations

Name	Name of the associated corporation	Capacity/nature	Number of shares, underlying shares held/ interested	Approximate percentage of total number of issued shares of the associated corporations
Mr. Song	Greatwalle Holding Limited	Interest in a controlled corporation	1,000,000	100.0000%
	廣州南沙區匯銘投資業務有限公司 (Guangzhou Nansha Huiming Investment Business Company Limited*)	Beneficial owner	1,000	0.0005%
		Interest in a controlled corporation	199,999,000	99.9995%
	深圳匯理九號投資諮詢企業（有限合夥） (Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*)	Interest in a controlled corporation	4,990,000 *(Note 1)*	99.8000%
	深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Beneficial owner	3,941,808	70.9357%
		Interest in a controlled corporation	1,222,486	21.9995%
Ms. Pang	深圳匯理九號投資諮詢企業(有限合夥) (Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*)	Beneficial owner	10,000 *(Note 1)*	0.2000%
	深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Beneficial owner	67,710	1.2185%
		Interest in a controlled corporation	27,509 *(Note 2)*	0.4950%
Ms. Lin	深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Beneficial owner	1,111	0.0200%

* *For identification purpose only*

Notes:

1. The associated corporation is a limited partnership with no share description or shares. The total number of shares represented the amount of capital contributed.

2. These shares are beneficially owned by 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*), a company wholly-owned by Ms. Pang, and therefore Ms. Pang is deemed to be interested in these shares under the SFO.

3. According to information available to the Company, Greatwalle Holding Limited is wholly-owned by Nansha Huiming. Nansha Huiming is held as to approximately 99.9995% by Huili Jiu Hao Investment, and as to 0.0005% by Mr. Song. Huili Jiu Hao Investment is held as to 99.80% by Great Walle Investment. Great Walle Investment is ultimately controlled by Mr. Song (as to approximately 70.9357% directly, and as to approximately 21.9995% indirectly through a wholly-owned company, 深圳弘德商務服務有限公司). As such, Mr. Song is deemed to be interested in the above companies under the SFO.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.47 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS IN SECURITIES OF THE COMPANY

As at 31 March 2020, persons (other than a director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of substantial shareholders	Capacity/nature of interests	Number of shares held/interested	Approximate percentage of the total number of issued shares of the Company
Greatwalle Holding Limited	Beneficial owner	691,743,922(L)	55.50%
廣州南沙區匯銘投資業務有限公司 (Guangzhou Nansha Huiming Investment Business Company Limited*)	Interest of corporation controlled by the substantial shareholder *(Note 1)*	691,743,922(L)	55.50%
深圳匯理九號投資諮詢企業(有限合夥)(Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*)	Interest of corporation controlled by the substantial shareholder *(Note 1)*	691,743,922(L)	55.50%
深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Interest of corporation controlled by the substantial shareholder *(Note 1)*	691,743,922(L)	55.50%

(L) represents a long position in the Shares

Note: According to information available to the Company, 691,743,922 Shares are held by Greatwalle Holding Limited in the capacity of beneficial owner. Greatwalle Holding Limited is wholly-owned by Nansha Huiming. Nansha Huiming is held as to approximately 99.9995% by Huili Jiu Hao Investment, and as to 0.0005% by Mr. Song. Huili Jiu Hao Investment is held as to 99.80% by Great Walle Investment. As such, each of Nansha Huiming, Huili Jiu Hao Investment and Great Walle Investment is deemed to be interested in 691,743,922 Shares held by Greatwalle Holding Limited under the SFO.

Save as disclosed above, as at 31 March 2020, the Company had not been notified of other interests or short positions of any other person (other than the Directors, chief executives and substantial shareholders of the Company) in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 31 July 2014 which will remain in force for a period of 10 years from the effective date of the Share Option Scheme. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards them for their contribution. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group, options to subscribe at a price calculated in accordance with the basis below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the prospectus of the Company dated 13 August 2014. The refreshment of the 10% scheme limit on the number of shares which may be allotted and issued upon the exercise of the options to be granted under the Share Option Scheme was approved by the shareholders in the annual general meeting of the Company held on 6 August 2019. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 186,436,158 Shares, representing approximately 14.96% of the issued Shares of the Company as at the date of this report.

The maximum entitlement of each participant under the Share Option Scheme shall not exceed 1% of the Shares in issue and an offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine, which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

As at 31 March 2020, the share options to subscribe for an aggregate of 135,658,584 shares of the Company granted pursuant to the Share Option Scheme were outstanding. The details of the Share Option Scheme and the movements of the share options under the Share Option Scheme for the year ended 31 March 2020 are set out as follows:

Name or category of grantees	Exercise Price per share *(HK$)*	Date of grant	Exercisable Period *(Note 1)*	Balance as at 1 April 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 31 March 2020
Directors									
Ms. Pang Xiaoli	0.0904	18 April 2019	18 April 2019 to 17 April 2029	–	4,227,632 *(Note 2)*	(2,212,390) *(Note 4)*	–	–	2,015,242
Mr. Hon Hoi Chuen	0.2380	14 December 2018	14 December 2018 to 13 December 2028	9,156,186	–	–	–	–	9,156,186
	0.0904	18 April 2019	18 April 2019 to 17 April 2029	–	3,280,440 *(Note 2)*	–	–	–	3,280,440
Ms. Lin Shuxian	0.2380	14 December 2018	14 December 2018 to 13 December 2028	9,156,186	–	–	–	–	9,156,186
	0.0904	18 April 2019	18 April 2019 to 17 April 2029	–	3,280,440 *(Note 2)*	–	–	–	3,280,440
Ms. Guan Yan	0.2380	14 December 2018	14 December 2018 to 13 December 2028	915,618	–	–	–	–	915,618
	0.0904	18 April 2019	18 April 2019 to 17 April 2029	–	84,382 *(Note 2)*	–	–	–	84,382
Mr. Zhao Jinsong	0.2380	14 December 2018	14 December 2018 to 13 December 2028	915,618	–	–	–	–	915,618
	0.0904	18 April 2019	18 April 2019 to 17 April 2029	–	84,382 *(Note 2)*	–	–	–	84,382
Mr. Li Zhongfei	0.2380	14 December 2018	14 December 2018 to 13 December 2028	915,618	–	–	–	–	915,618
	0.0904	18 April 2019	18 April 2019 to 17 April 2029	–	84,382 *(Note 2)*	–	–	–	84,382
Former Director									
Mr. Li Mingming	0.2380	14 December 2018	14 December 2018 to 13 December 2028	9,156,186	–	–	–	–	9,156,186
Other employees of the Group									
In aggregate	0.2380	14 December 2018	14 December 2018 to 13 December 2028	9,156,186	–	–	–	–	9,156,186
	0.0904	18 April 2019	18 April 2019 to 17 April 2029	–	14,311,505 *(Note 2)*	(442,478) *(Note 5)*	–	–	13,869,027
	0.1470	5 September 2019	5 September 2019 to 4 September 2021	–	73,588,691 *(Note 3)*	–	–	–	73,588,691
Other Participant	0.2380	14 December 2018	14 December 2018 to 13 December 2028	9,156,186	–	–	–	(9,156,186)	–
Total				**48,527,784**	**98,941,854**	**(2,654,868)**	**-**	**(9,156,186)**	**135,658,584**

Notes:

1. All of the share options granted have no vesting period or vesting condition.
2. The closing price of the Company's shares immediately before 18 April 2019, the date on which those options were granted, was HK$0.0900.
3. The closing price of the Company's shares immediately before 5 September 2019, the date on which those options were granted, was HK$0.1360.
4. The weighted average closing price of the Company's shares immediately before the exercise date of the share options exercised by Ms. Pang Xiaoli was HK$0.0980 per share.
5. The weighted average closing price of the Company's shares immediately before the exercise date of the share options exercised by the employees was HK$0.0980 per share.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the year ended 31 March 2020.

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS

The fair value of share options granted is recognised as employee cost with a corresponding increase in share option reserve within equity over the relevant vesting periods.

The Group recognised an expense of approximately HK$3,616,000 for the year ended 31 March 2020 in relation to (i) 25,353,163 share options granted by the Company on 18 April 2019 (fair value of approximately HK$957,000); (ii) 73,588,691 share options granted by the Company on 5 September 2019 (fair value of approximately HK$3,488,000); and (iii) 9,156,186 share options cancelled by the option holder of the Company which was granted on 14 December 2018 (fair value of approximately HK$(829,000)).

The fair value of share options granted on 18 April 2019 was HK$957,000, which was calculated using the binomial option pricing model (the "**Model**") with the following inputs:

Date of Grant:	18 April 2019
Closing price of the Shares on the date of grant:	HK$0.09
Exercise price:	HK$0.0904
Expected volatility *(Note 1)*:	106%
Expected life of option:	10 years
Expected dividend yield *(Note 2)*:	0%
Risk free rate *(Note 3)*:	1.71%

The fair value of share options granted on 5 September 2019 was HK$3,488,000, which was calculated using the Model with the following inputs:

Date of Grant:	5 September 2019
Closing price of the Shares on the date of grant:	HK$0.147
Exercise price:	HK$0.147
Expected volatility *(Note 1)*:	97%
Expected life of option:	2 years
Expected dividend yield *(Note 2)*:	0%
Risk free rate *(Note 3)*:	1.52%

The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

After vesting, when the share options are forfeited before expiry or expire, the amount previously recognised in share options reserve will be transferred to retained profits.

Notes:

1. The expected volatility was determined based on the annualized volatility of the historical share prices of the Company with similar tenor as the life of the options before the valuation date, 18 April 2019 and 5 September 2019 for the share options granted by the Company on 18 April 2019 and 5 September 2019, respectively (the "**Valuation Date**"), or longest available.
2. The expected dividend yield was determined based on the historical dividend payment record of the Company.
3. The risk-free rate was determined with reference to the yields of Hong Kong Monetary Authority exchange fund notes and government bond fixings with similar life as the options quoted around the Valuation Date.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, the Group's five largest customers accounted for approximately 77.6% (2019: approximately 51.7%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 60.4% (2019: approximately 17.5%) of the total revenue.

During the year ended 31 March 2020, the Group's five largest suppliers accounted for approximately 44.6% (2019: approximately 14.1%) and the largest customer of the Group accounted for approximately 43.3% (2019: approximately 5.1%).

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's total number of issued shares) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save for the disclosed under the heading "Related Party/Continuing Connected transactions" below and the related party transactions disclosed in note 34 to the consolidated financial statements, no contract of significance to which the Company, its holding Company or any of its subsidiaries was a party and in which a Director had a material interest directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period and no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholders or any its subsidiaries.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into during the Reporting Period and as at the date of this report.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the section headed "Share Option Scheme" disclosed above, at no time during the year ended 31 March 2020 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

RELATED PARTY/CONTINUING CONNECTED TRANSACTION

Save as disclosed in this report, the Directors consider that those related party transactions disclosed in note 34 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

On 6 November 2018 (after trading hours), 深圳玖立投資諮詢有限公司 (Shenzhen Jiuli Investment Advisory Co., Ltd.*) ("**Shenzhen Jiuli**"), a wholly-owned subsidiary of the Company, entered into an advisory service agreement with 深圳長城匯理資產管理有限公司 (Shenzhen Great Walle Capital Management Co., Ltd.*) ("**Great Walle Capital Management**"), pursuant to which Shenzhen Jiuli shall provide business advisory and management services to Great Walle Capital Management in relation to its private equity fund manager business.

Great Walle Investment is the indirect controlling shareholder of the Company, which held indirectly approximately 56.18% of the number of issued shares of the Company as at the date of the advisory service agreement. Therefore, Great Walle Investment is a connected person of the Company. As Great Walle Capital Management is a wholly-owned subsidiary of Great Walle Investment, Great Walle Capital Management is also a connected person of the Company. As a result, the transactions contemplated under the advisory service agreement constitute continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

Advisory service commenced from 6 November 2018 for a term of three years. Shenzhen Jiuli shall charge a fixed advisory service fee of RMB127,700 from Great Walle Capital Management on a monthly basis, as well as a variable service fee determined upon the possible variable performance fee to be charged by Great Walle Capital Management as the private equity fund manager for 長城匯理戰略併購9號基金 (Great Walle Strategic Merger and Acquisition Fund No. 9*), and such performance fee to be received by Great Walle Capital Management shall be calculated based on the increment of the net value of the fund upon its liquidation as compared to that on the inception date.

The annual caps are as follows:

Period	**Annual caps** *RMB*
Effective date to 31 March 2019	7,100,000 (equivalent to approximately HK$8,040,770)
1 April 2019 to 31 March 2020	8,000,000 (equivalent to approximately HK$9,060,023)
1 April 2020 to 31 March 2021	8,000,000 (equivalent to approximately HK$9,060,023)
1 April 2021 to 5 November 2021	6,600,000 (equivalent to approximately HK$7,474,519)

The management team of the Company is well experienced in fund operation and corporate management, and it is anticipated that their experience in the fund industry shall facilitate the Group's business diversification as well as expanding its business into financial service sector. The provision of the business advisory and management services by the Group shall provide an opportunity to the Group to enter the business advisory and consultation industry, as well as realising its long term development strategy of business diversification and benefit from the rapid growth of the Chinese financial industry, so as to create value for the shareholders.

The Directors (including the independent non-executive Directors) consider that the advisory service fee was determined between the parties after arm's length negotiation, the relevant terms are on normal commercial terms or better, are fair and reasonable and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole, and the annual caps are fair and reasonable.

* *For identification purpose only*

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transaction set out above in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

As the transaction is on normal commercial terms or better, and all of the applicable percentage ratios in respect of each of the annual caps of the transactions are less than 25%, and the aggregate annual advisory service fees to be received is less than HK$10,000,000, such transactions are subject to the reporting, announcement and annual review requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules. Further details of the agreement are set out in the announcements of the Company dated 6 November 2018 and 8 November 2018.

INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2020, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) was considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

PERMITTED INDEMNITY CLAUSE

For the year ended 31 March 2020, pursuant to the Articles, all legal costs, expenses, fees, losses, damages and expenditures incurred during the performance of duties by executive Directors of the Company may be indemnified by the assets and profits of the Company.

AUDITOR

The Company had not changed its external auditor during the three years ended 31 March 2020 and up to the date of this report.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established the Audit Committee with written terms of reference aligned with the provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises Mr. Zhao Jinsong (chairman of the Audit Committee), Mr. Li Zhongfei and Ms. Guan Yan all of which are independent non-executive Directors.

The Audit Committee had reviewed the audited annual result of the Group for the financial year ended 31 March 2020, and was of the opinion that the audited consolidated financial statements had been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 11 June 2020, Greatwalle (International) Asset Management Co., Limited ("**Great-walle Asset Management**"), a wholly-owned subsidiary of the Company, has been licensed by the SFC to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this report.

On behalf of the Board
Song Xiaoming
Chairman

Hong Kong, 19 June 2020

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF GREATWALLE INC.
長城匯理公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Greatwalle Inc. (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 143, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements, which indicates that the Group incurred a loss for the year ended 31 March 2020 of HK$38,899,000, and as at 31 March 2020, the Group has net current liabilities of HK$19,272,000 and capital deficiency of HK$6,268,000, among which outstanding borrowings of HK$29,526,000, including promissory note payable of HK$22,550,000 and loans from related parties of HK$6,976,000, are due to repayment within one year from the end of the reporting period. As stated in note 3 to the consolidated financial statements, these conditions, along with other matters as set forth in note 3, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment on property, plant and equipment and other intangible assets relating to security guarding business in Hong Kong

Refer to notes 14 and 16 to the consolidated financial statements

The property, plant and equipment and other intangible assets with carrying amount of HK$6,892,000 and HK$356,000 respectively of the Group are attributable to the cash-generating unit of security guarding services in Hong Kong ("HK Security Guarding CGU"). The Group's HK Security Guarding CGU has resulted in a loss for the year, which considered by the directors of the Company as an impairment indicator on the property, plant and equipment and other intangible assets of HK Security Guarding CGU as at 31 March 2020. For impairment assessment purpose, the directors of the Company have determined the recoverable amount of HK Security Guarding CGU as at 31 March 2020 based on its value in use.

The impairment assessment involved significant judgements and assumptions as adopted by the directors of the Company underlying the determination of the value in use.

The directors of the Company have engaged an independent professional valuer to assist them to determine the value in use of HK Security Guarding CGU. The determination of the value in use is based on the cash flow forecast prepared by the management of the Group and with assistance of the independent professional valuer as the management's expert. Key assumptions as adopted by the management of the Group in the preparation of the cash flow forecast include the estimation of future cash flows, growth rates and discount rates. The directors of the Company concluded that, based on the impairment assessment, no impairment loss would be recognised on the property, plant and equipment and other intangible assets attributable to HK Security Guarding CGU for the year.

Our response:

Our key procedures in relation to the impairment assessment by the Group's management on property, plant and equipment and other intangible assets of HK Security Guarding CGU included:

i. obtaining and reviewing the valuation report prepared by the independent professional valuer engaged by the Group;

ii. discussing with the independent professional valuer and challenging the key estimates and assumptions adopted in the valuations, including cash flow forecast, and to assess the independence, objectivity, qualifications and expertise of the independent professional valuer;

iii. involving an auditor's valuation expert to assist our work in assessing the valuation methodology adopted by the independent professional valuer and comparing the key estimates and assumptions adopted in the valuation; and

iv. checking input data to supporting evidences, including the budgets as approved by the Group's management being used for the cash flow forecast, and assessing the reasonableness of these budgets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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 made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Lui Chi Kin
Practising Certificate number P06162

Hong Kong, 19 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	7	**41,150**	36,902
Cost of services rendered		**(32,051)**	(38,327)
Gross profit/(loss)		**9,099**	(1,425)
Other income and losses, net	8	**601**	2,365
Administrative expenses		**(46,139)**	(39,653)
Impairment loss on goodwill	15	**–**	(5,255)
Impairment loss on prepayments and receivables/loan		**–**	(8,481)
Write-off of other intangible assets	16	**–**	(17,237)
Impairment loss on interests in associates	17	**–**	(16,450)
Finance costs	9	**(2,445)**	(2,294)
Loss before income tax	10	**(38,884)**	(88,430)
Income tax expense	11	**(15)**	(43)
Loss for the year		**(38,899)**	(88,473)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**(369)**	(524)
Other comprehensive income for the year		**(369)**	(524)
Total comprehensive income for the year		**(39,268)**	(88,997)
Loss for the year attributable to:			
Owners of the Company		**(38,806)**	(85,171)
Non-controlling interests		**(93)**	(3,302)
		(38,899)	(88,473)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(39,226)**	(85,597)
Non-controlling interests		**(42)**	(3,400)
		(39,268)	(88,997)
		HK cents	HK cents
Loss per share for loss attributable to owners of the Company	13		
– Basic and diluted		**(3.12)**	(9.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**13,306**	9,684
Goodwill	15	**1,165**	–
Other intangible assets	16	**356**	934
Amount due from the non-controlling equity holder of a subsidiary	18(a)	**210**	225
		15,037	10,843
Current assets			
Trade receivables	20	**23,166**	2,629
Prepayments, deposits and other receivables	20	**3,379**	2,036
Tax recoverables		**–**	1,590
Cash at banks and in hand		**16,420**	44,409
		42,965	50,664
Current liabilities			
Trade payables	21	**14,828**	693
Accrued expenses and other payables	21	**15,234**	10,813
Loans from related parties	18(b)	**6,976**	2,733
Amounts due to related parties	18(b)	**1,879**	1,286
Amount due to an associate	18(c)	**349**	373
Lease liabilities	22	**421**	–
Promissory note payable	23	**22,550**	20,150
		62,237	36,048
Net current (liabilities)/assets		**(19,272)**	14,616
Total assets less current liabilities		**(4,235)**	25,459
Non-current liabilities			
Contingent consideration payable	24	**2,033**	–
Net (liabilities)/assets		**(6,268)**	25,459

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 HK$'000	2019 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**12,463**	12,437
Reserves	26	**(19,666)**	14,902
		(7,203)	27,339
Non-controlling interests		**935**	(1,880)
(Capital deficiency)/Total equity		**(6,268)**	25,459

These financial statements on pages 48 to 143 were approved and authorised for issue by the board of directors on 19 June 2020 and signed on its behalf by:

Song Xiaoming
Director

Pang Xiaoli
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Equity attributable to owners of the Company									
	Share capital HK$'000	**Share premium*** HK$'000	**Share options reserve*** HK$'000	**Merger reserve*** HK$'000	**Foreign exchange reserve*** HK$'000	**Capital reserve*** HK$'000	**Accumulated losses*** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**(Capital deficiency)/ Total equity** HK$'000
At 1 April 2018	7,870	105,062	2,658	(5,270)	1,257	586	(53,949)	58,214	1,520	59,734
Equity-settled share options expenses *(note 27)*	–	–	5,788	–	–	–	–	5,788	–	5,788
Share options exercised *(note 27)*	421	12,010	(3,472)	–	–	–	–	8,959	–	8,959
Lapse of share options	–	–	(146)	–	–	–	146	–	–	–
Rights issue, net of expenses *(note 25 (iii))*	4,146	36,415	–	–	–	–	–	40,561	–	40,561
Transactions with owners	4,567	48,425	2,170	–	–	–	146	55,308	–	55,308
Share of an associate's capital reserve	–	–	–	–	–	(586)	–	(586)	–	(586)
Loss for the year	–	–	–	–	–	–	(85,171)	(85,171)	(3,302)	(88,473)
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	–	–	–	–	(426)	–	–	(426)	(98)	(524)
Total comprehensive income for the year	–	–	–	–	(426)	–	(85,171)	(85,597)	(3,400)	(88,997)
At 31 March 2019	12,437	153,487	4,828	(5,270)	831	–	(138,974)	27,339	(1,880)	25,459
Equity-settled share options expenses *(note 27)*	–	–	4,445	–	–	–	–	4,445	–	4,445
Share options exercised *(note 27)*	26	318	(105)	–	–	–	–	239	–	239
Lapse of share options	–	–	(829)	–	–	–	829	–	–	–
Arising from acquisition of subsidiaries *(note 30)*	–	–	–	–	–	–	–	–	2,857	2,857
Transactions with owners	26	318	3,511	–	–	–	829	4,684	2,857	7,541
Loss for the year	–	–	–	–	–	–	(38,806)	(38,806)	(93)	(38,899)
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	–	–	–	–	(420)	–	–	(420)	51	(369)
Total comprehensive income for the year	–	–	–	–	(420)	–	(38,806)	(39,226)	(42)	(39,268)
At 31 March 2020	12,463	153,805	8,339	(5,270)	411	–	(176,951)	(7,203)	935	(6,268)

* The total of these accounts represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Cash flows from operating activities			
Loss before income tax		**(38,884)**	(88,430)
Adjustments for:			
Amortisation of other intangible assets		**578**	1,820
Bank interest income		**(35)**	–
Depreciation of property, plant and equipment		**2,440**	2,316
(Gain)/Loss on disposal of property, plant and equipment		**(2)**	187
Imputed interest income on amount due from the non-controlling equity holder of a subsidiary		**–**	(106)
Interest income from loan to an associate		**–**	(258)
Interest income from amount due from a related party		**–**	(26)
Equity-settled share options expenses		**4,445**	5,788
Premium charged on a life insurance policy		**–**	88
Interests charges on loans from related parties	39	**12**	33
Interest charges on promissory note	39	**2,400**	2,261
Interest on lease liabilities	39	**33**	–
Write-off of property, plant and equipment		**1,647**	325
Write-off of other intangible assets		**–**	17,237
Impairment loss on trade receivables		**422**	–
Impairment loss on goodwill		**–**	5,255
Impairment loss on prepayments and receivables/loan		**–**	8,481
Impairment loss on interests in associates		**–**	16,450
Fair value change on contingent consideration payable		**(166)**	–
Operating loss before working capital changes		**(27,110)**	(28,579)
(Increase)/Decrease in trade receivables		**(19,558)**	9,971
Increase in prepayments, deposits and other receivables		**(420)**	(2,043)
Decrease in amount due from a former director		**–**	236
Increase in trade payables		**14,135**	–
Increase/(Decrease) in accrued expenses and other payables		**496**	(1,176)
Decrease in amount due to an associate		**–**	(188)
Decrease in amount due to a director		**–**	(161)
Decrease/(Increase) in amounts due to related parties		**(331)**	86
Cash used in operations		**(32,788)**	(21,854)
Net income tax refund/(paid)		**1,574**	(23)
Interest received		**35**	–
Net cash used in operating activities		**(31,179)**	(21,877)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**2**	177
Purchase of property, plant and equipment		**(21)**	(62)
Net cash outflow arising from acquisition of interests in subsidiaries	30	**(1,797)**	–
Proceeds from withdrawal of investment in a life insurance policy		**–**	1,081
Receipts of amount due from a related party		**–**	4,890
Net cash (used in)/generated from investing activities		**(1,816)**	6,086
Cash flows from financing activities			
Interest paid for promissory note		**–**	(3,468)
Repayments of capital element of lease liabilities	39	**(987)**	–
Repayments of interest element of lease liabilities	39	**(33)**	–
Share options exercised		**239**	8,959
Proceeds from rights issue		**–**	40,561
Proceeds from loans from related parties	39	**8,615**	2,700
Repayments of loans from related parties	39	**(2,733)**	–
Proceeds from amounts due to related parties	39	**1,355**	1,200
Repayments of amounts due to related parties	39	**(1,204)**	–
Net cash generated from financing activities		**5,252**	49,952
Net (decrease)/increase in cash and cash equivalents		**(27,743)**	34,161
Cash and cash equivalents at beginning of year		**44,409**	10,849
Effect of foreign exchange rates change		**(246)**	(601)
Cash and cash equivalents at end of year		**16,420**	44,409
Analysis of balances of cash and cash equivalents			
Cash at banks and in hand		**16,420**	44,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL INFORMATION

Greatwalle Inc. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2014. The Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Room 2008, 20th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 August 2014.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 29 to the consolidated financial statements.

The directors of the Company considered the Company's ultimate holding company as at 31 March 2020 is Shenzhen Great Walle Investment Corp., LTD. ("Shenzhen Great Walle"), a company established in the People's Republic of China and its ultimate controlling party is Mr. Song Xiaoming ("Mr. Song").

The consolidated financial statements for the year ended 31 March 2020 were approved for issue by the board of directors on 19 June 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual year beginning on 1 April 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 – Continued

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, (SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and there are no adjustment to the opening balance of equity at 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 March 2019 to that as at 1 April 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 April 2019	
Property, plant and equipment – right-of-use assets	5,938
Property, plant and equipment – leasehold land and buildings	(4,530)
Lease liabilities (current)	987
Lease liabilities (non-current)	421

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 – Continued

HKFRS 16 – Leases – Continued

(i) Impact of the adoption of HKFRS 16 – Continued

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as at 31 March 2019	1,425
Less: short term leases for which lease terms end within 31 March 2020	(967)
Less: leases of low-value assets	(79)
Add: lease included an extension option which the Group considers reasonably certain to exercise	1,066
Less: future interest expenses	(37)
Total lease liabilities as at 1 April 2019	1,408

The lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 April 2019 is 3.59%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 – Continued

HKFRS 16 – Leases – Continued

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased printing machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 – Continued

HKFRS 16 – Leases – Continued

(iii) Accounting as a lessee – Continued

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and there are no adjustment to the opening balance of equity at 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 – Continued

HKFRS 16 – Leases – Continued

(iv) Transition – Continued

The Group has also applied the following practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (ii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 April 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 – Continued

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[3]

1 Effective for annual periods beginning on or after 1 January 2020.

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

3 Effective for annual periods beginning on or after 1 June 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(b) New/revised HKFRSs that have been issued but are not yet effective – Continued

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 16 – Covid-19-Related Rent Concessions

The amendments provide lessees with an exemption from the requirement to determine whether a Covid-19-related rent concession is a lease modification and require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications. The criteria must be satisfied for a rent concession to qualify for the practical expedient.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The Group incurred a loss for the year ended 31 March 2020 of HK$38,899,000, and as at 31 March 2020, the Group has net current liabilities of HK$19,272,000 and capital deficiency of HK$6,268,000, among which outstanding borrowings of HK$29,526,000, including promissory note payable of approximately HK$22,550,000 (note 23) and loans from related parties of approximately HK$6,976,000 (note 18(b)), are due for repayment within one year from the end of the reporting period. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

For the purpose of the going concern assessment, the directors of the Company have prepared a cash flow forecast with due and careful consideration of the Group's future liquidity and financial performance, and also considered its available sources of financing.

Leveraged on advantages in operation, management system and branding of security guarding business in Hong Kong, the Group provides professional services to other similar industries in order to further develop its business. It is expected that the financial performance of the Group's security guarding business in Hong Kong would continue to improve given the Group has enhanced the business relationship with its major customers since the second half of the current reporting period. During the year, the Group has also expanded its security guarding business to PRC by acquiring Shandong Zhong Jun Wei Shi Security Group Co., Limited. It is expected the revenue from security guarding business in PRC will continue to grow in the coming year.

It is expected the Group would continue to develop its asset management business in the coming year. At the date of authorisation of these financial statements, the Group has obtained a private equity fund manager license from the Asset Management Association of China in the PRC, and licenses to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance in Hong Kong.

In addition to the above the directors of the Company have adopted or in the process of adopting the following measures in order to strengthen the Group's financial position, liquidity and cash flows:

(a) On 5 June 2020, the Company has entered into a loan facility agreement with the intermediate holding company, Guangzhou Nansha Huiming Investment Business Company Limited ("Huiming"). Pursuant to the agreement, Huiming has granted a loan facility of HK$40,000,000 to the Company, in which the Company can utilise the loan facility at any time until 31 December 2021. The loan to be granted under this agreement is unsecured, repayable within 1 year at the date of draw down without a repayable on demand clause, and interest-bearing at 1% per annum;

(b) As disclosed in note 18(b), as at 31 March 2020, the aggregate outstanding amount of the loans from related parties was HK$6,976,000 (including loan from Huiming of HK$5,474,000 and loan from a fellow subsidiary of HK$1,502,000), and aggregate outstanding amount of amounts due to related parties was HK$1,879,000 (including amount due to ultimate holding company of HK$273,000 and amount due to fellow subsidiaries of HK$1,606,000). In June 2020, these related parties have undertaken to and confirmed in writing for not to demand repayment of loans and debts due from the Group within twelve months from the end of the reporting period and until such time when the repayment will not affect the Group's ability to repay other creditors in the normal course of business, whichever is longer;

3. BASIS OF PREPARATION – Continued

(c) As at 31 March 2020, the outstanding amount of the promissory note was HK$22,550,000, which would be fall due for repayment on 5 October 2020 (note 23). The Group has been actively liaising with Mr. Fu Yik Lung, being the noteholder, for a further extension beyond 5 October 2020. Subsequent to the end of the reporting period and up to the date of authorisation for issue of these consolidated financial statements, the Group has entered into a letter of intent with the noteholder in respect of the mutual willingness to extend the maturity date of the promissory note to 5 October 2021 when it becomes maturity on 5 October 2020.

In considering the these measures regarding the operating and financing aspects of the Group, the directors have taken into account the possible impact of the COVID-19 pandemic on the Group's future business, and have assessed the ability of the relevant parties to provide the necessary funds when the funding needs arise in different time or in different amounts over the forecast period. In making the assessment, the directors also considered the impact to the financial performance and financial position of the Group should the Group's business does not perform as expected and not be able to generate positive cash flows to the Group.

Based on the above, the directors of the Company considered the Group will have sufficient working capital to finance its operations and to meet its financial obligations that will be fall due within next twelve months from 31 March 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

There is a material uncertainty related to the outcomes of the above events and conditions, and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.1 Business combination and basis of consolidation – Continued

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.4 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as joint ventures where the Group has rights to only the net assets of the joint arrangements.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 4.3).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.5 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.6 Foreign currencies translation

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Company (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arisen, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The estimated useful lives are, at the following rates per annum:

Leasehold land and buildings	4%
Leasehold improvements	4% to 12% or over the lease term, whichever is shorter
Furniture and equipment	20% – 33%
Motor vehicles	25%
Right-of-use assets	Shorter of estimated useful lives or the lease terms

The assets' depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at the end of reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.8 Other intangible assets

Other intangible assets acquired separately are initially recognised at cost. Subsequently, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses (note 4.14). The costs of other intangible assets under development are not subject to amortisation until they are completed and available for use.

Other intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Amortisation on other intangible assets with finite useful life is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Computerised operating and guarding system	33%
Mobile game licenses	25% – 50% or over the license term, whichever is shorter
e-Education and security platform	11%

4.9 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(i) Financial assets – Continued

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) 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 (2) the financial asset is more than 1 year past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(iii) Financial liabilities – Continued

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accrued expenses and other payables, loans from related parties, amounts due to related parties/an associate and promissory note payable are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.9(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.10 Leases

A. Accounting policies applied from 1 April 2019

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.10 Leases – Continued

A. Accounting policies applied from 1 April 2019 – Continued

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

B. Accounting policies applied until 31 March 2019

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.

Classification of assets leased to the Group

Assets that are 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.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair values of the leased assets, or, if lower, the present value of the minimum lease payments (the "initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the finance lease liabilities for each accounting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.10 Leases – Continued

B. Accounting policies applied until 31 March 2019 – Continued

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. 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 period in which they are incurred.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.12 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, 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.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.12 Revenue recognition – Continued

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. 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. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Provision of security guarding services

Revenue is recognised over time as those services are provided. Invoices for security guarding services are issued on a monthly basis and are usually payable within 30 days.

(ii) Provision of business advisory and asset management services

Revenue from business advisory and asset management services is recognised over time as those services are provided. Invoices for regulated financial services are issued on a monthly basis and are usually payable within 30 days.

(iii) Performance-based fees

Revenue recognised by an asset manager can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future periods. This means that performance fees will only be recognised once the contractual measurement period is completed.

(iv) Other income

Interest income is accrued on a time apportionment basis using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 Accounting for income taxes

Income tax comprises current tax and deferred tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4.14 Impairment of non-financial assets

Property, plant and equipment, goodwill, other intangible assets and interests in associates and subsidiaries are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the assets.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.15 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. 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.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

4.16 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.18 Related parties

A party is considered to be related to the Group if:

(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 key management personnel of the Group or the Company's parent.

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

(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;

(v) the entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity); or

(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 Company'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 individual in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.19 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share options reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) ECL assessment

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

(b) Depreciation and amortisation

The Group depreciated the property, plant and equipment and amortised the other intangible assets on a straight-line basis over their estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and other intangible assets.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – Continued

(c) Impairment assessment of goodwill, other intangible assets, property, plant and equipment

Determining whether goodwill, other intangible assets and property, plant and equipment are impaired requires an estimation of the higher of their fair value less costs of disposal and value-in-use of the cash-generation units ("CGUs") to which the goodwill, other intangible assets and property, plant and equipment have been allocated. Value-in-use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the goodwill and other intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise.

(d) Impairment assessment of interests in associates

Interests in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of interests in associates have been determined based on the higher of their fair value less costs of disposal and value-in-use, taking into account the latest market information and past experience.

(e) Estimate of current tax and deferred tax

The Group is subject to income taxes in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

(f) Going concern assumption

These consolidated financial statements have been prepared on a going concern basis based on the management assessment of the Group's cash position, a twelve-month cash flow forecast, and its availability of financing facilities as detailed in note 3 and reaching this conclusion involved critical judgement. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

(g) Revenue recognition – principal versus agent

Significant judgement is required in determining whether the Company is acting as principal, and reports revenue on a gross basis, or agent, and reports revenue on a net basis. The management evaluates each revenue stream and assess whether the Group controls each specified goods or services before that goods or services is transferred to the customers. The following indicators when determining whether it is acting as principal or agent in a transaction are also considered: (i) primary responsibility for fulfilling the promise to provide the specified goods or service, (ii) inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer and (iii) discretion in establishing the price for the specified good or service.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – Continued

(h) Fair value measurements

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Financial liabilities at fair value through profit or loss.

6. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The executive directors have identified the Group's reportable segments as follows. These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

(a) "Security Guarding" segment involves provision of security guarding services;

(b) "Asset Management" segment involves provision of business advisory and asset management services;

(c) "Mobile Game" segment involves provision of mobile game business;

(d) "e-Education" segment involves provision of students' e-education and security services

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

6. SEGMENT INFORMATION – Continued

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that fair value change on contingent consideration payable, interest income from loan to an associate, impairment loss on interests in associates, finance costs, corporate income and expenses as incurred by the Group's headquarter and income tax expense are excluded from segment results.

The segment result of Asset Management previously presented in all other segment has been re-presented as Asset Management segment, so comparative figures have been re-presented to conform to the current year's presentation.

No asymmetrical allocations have been applied to reportable segments.

Revenue generated, (loss)/profit incurred from operations, total assets and liabilities by each of the Group's operating segments are summarised as follows:

	Security Guarding		Asset Management		Mobile Game		e-Education		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**38,851**	36,211	**2,299**	691	**–**	–	**–**	–	**41,150**	36,902
Total segment (loss)/profit from operations	**(4,319)**	(19,782)	**(11,907)**	625	**(16)**	(21,381)	**(126)**	(13,540)	**(16,368)**	(54,078)
Fair value change on contingent consideration payable									**166**	–
Interest income from loan to an associate									**–**	258
Impairment loss on interests in associates									**–**	(16,450)
Finance costs									**(2,445)**	(2,294)
Unallocated corporate income									**169**	805
Unallocated corporate expenses									**(20,406)**	(16,671)
Loss before income tax									**(38,884)**	(88,430)
Income tax expense									**(15)**	(43)
Loss for the year									**(38,899)**	(88,473)

There was no inter-segments transfer during the years ended 31 March 2020 and 2019.

6. SEGMENT INFORMATION – Continued

Unallocated corporate expenses mainly comprise legal and professional fees, remuneration and salaries.

	Security Guarding		Asset Management		Mobile Game		e-Education		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information										
Depreciation of property, plant and equipment	**1,406**	1,878	**1,028**	–	**–**	1	**–**	437	**2,434**	2,316
Unallocated depreciation of property, plant and equipment									**6**	–
									2,440	2,316
Amortisation of other intangible assets	**578**	1,345	**–**	–	**–**	–	**–**	475	**578**	1,820
Write-off of other intangible assets	**–**	–	**–**	–	**–**	13,237	**–**	4,000	**–**	17,237
Impairment loss on goodwill	**–**	–	**–**	–	**–**	–	**–**	5,255	**–**	5,255
Impairment loss on amount due from the non-controlling equity holder of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	2,004	**–**	2,004
Impairment loss on prepayments	**–**	–	**–**	–	**–**	2,152	**–**	513	**–**	2,665
Impairment loss on other receivables	**–**	–	**–**	–	**–**	–	**–**	123	**–**	123
Impairment loss on loan to an associate	**–**	–	**–**	–	**–**	3,539	**–**	–	**–**	3,539
Impairment loss on amount due from an associate	**–**	–	**–**	–	**–**	150	**–**	–	**–**	150
Income tax expense	**11**	–	**4**	43	**–**	–	**–**	–	**15**	43
Capital expenditure	**7,380**	62	**239**	–	**–**	–	**–**	–	**7,619**	62

* Capital expenditure consists of additions to property, plant and equipment, goodwill and other intangible assets.

6. SEGMENT INFORMATION – Continued

All assets are allocated to operating segments other than unallocated assets (mainly comprising tax recoverables, certain other receivables and certain cash and cash equivalents).

	Security Guarding		Asset Management		Mobile Game		e-Education		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**41,981**	16,645	**8,305**	283	**117**	123	**455**	515	**50,858**	17,566
Tax recoverables									**–**	1,590
Corporate cash at banks and in hand									**6,524**	41,684
Other corporate assets									**620**	667
Total assets									**58,002**	61,507

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising contingent consideration payable, promissory note payable and certain other payables).

	Security Guarding		Asset Management		Mobile Game		e-Education		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment liabilities	**23,196**	4,924	**1,266**	–	**1,048**	1,069	**2,255**	2,442	**27,765**	8,435
Contingent consideration payable									**2,033**	–
Promissory note payable									**22,550**	20,150
Other corporate liabilities									**11,922**	7,463
Total liabilities									**64,270**	36,048

Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets"). The geographical location of customers is based on the location at which the services are rendered. For goodwill and intangible assets, the geographical location is based on the areas of operation. The geographical location of other specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		Specific non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**33,000**	36,211	**7,248**	10,618
The People's Republic of China ("PRC")	**8,150**	691	**7,579**	1
	41,150	36,902	**14,827**	10,619

6. SEGMENT INFORMATION – Continued

Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2020 HK$'000	2019 HK$'000
Customer A	**24,530**	6,467
Customer B	**N/A**	3,900

7. REVENUE

The principal activities of the Group are provision of security guarding services and provision of business advisory and asset management services. Further details regarding the Group's principal activities are disclosed in notes 1 and 29.

Disaggregation of revenue information

	2020 HK$'000	2019 HK$'000
Provision of security guarding services	**38,851**	36,211
Provision of business advisory and asset management services	**2,299**	691
	41,150	36,902

Timing of revenue

	2020 HK$'000	2019 HK$'000
Transferred over time	**41,150**	36,902

8. OTHER INCOME AND LOSSES, NET

	2020 HK$'000	2019 HK$'000
Bank interest income	**35**	–
Imputed interest income on amount due from the non-controlling equity holder of a subsidiary	**–**	106
Exchange gain	**112**	–
Interest income from loan to an associate	**–**	258
Interest income from amount due from a related party	**–**	26
Bad debt recovery	**–**	448
Fair value change on contingent consideration payable	**166**	–
Sundry income	**288**	1,527
	601	2,365

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest charges on promissory note	**2,400**	2,261
Interests charges on loans from related parties	**12**	33
Interest on lease liabilities	**33**	–
	2,445	2,294

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000
Auditor's remuneration[1]		
– Provision for the year	**850**	850
– (Over)/Under-provision in respect of prior years	**(76)**	94
	774	944
Amortisation of other intangible assets *(note 16)*[1]	**578**	1,820
Bad debts written-off *(note 20)*[1]	**27**	–
Cost of services rendered	**32,051**	38,327
Depreciation of property, plant and equipment *(note 14)*[1]		
– Owned property, plant and equipment	**893**	2,316
– Right-of-use assets included:		
– Ownership interest leasehold land and buildings	**251**	–
– Other properties leased for own use	**1,296**	–
	2,440	2,316
Short-term leases expenses *(note 22)*	**5,944**	–
Low-value assets leases expenses *(note 22)*	**73**	–
Employee benefits expenses (including directors' emoluments in note 31):		
Salaries, allowances and benefits in kind included in:		
– Cost of services rendered	**17,193**	34,929
– Administrative expenses	**19,563**	11,354
Retirement benefits – Defined contribution plans[3] included in:		
– Cost of services rendered	**519**	1,434
– Administrative expenses	**143**	148
Equity-settled share options expenses[1]	**4,445**	5,788
	41,863	53,653
Legal and professional fees[1]	**2,839**	5,721
(Gain)/Loss on disposal of property, plant and equipment[1]	**(2)**	187
Write-off of property, plant and equipment[1]	**1,647**	325
Write-off of other intangible assets	**–**	17,237
Impairment loss on trade receivables[1]	**422**	–
Impairment loss on goodwill	**–**	5,255
Impairment loss on interests in associates	**–**	16,450
Impairment loss on amount due from the non-controlling equity holder of a subsidiary[2] *(note 18(a))*	**–**	2,004
Impairment loss on prepayments[2]	**–**	2,665
Impairment loss on other receivables[2]	**–**	123
Impairment loss on loan to an associate[2]	**–**	3,539
Impairment loss on amount due from an associate[2]	**–**	150
Operating lease charges in respect of:		
– Rented premises	**–**	1,941
– Office equipment	**–**	65
	–	2,006

10. LOSS BEFORE INCOME TAX – Continued

[1] included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income

[2] included in "Impairment loss on prepayments and receivables/loan" in the consolidated statement of profit or loss and other comprehensive income

[3] no forfeited contributions available for offset against existing contributions during the year

11. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 HK$'000	2019 HK$'000
Current tax		
– PRC Enterprise Income Tax ("EIT")		
– Tax for the year	**15**	43
Deferred tax		
– Charged for the year *(note 19)*	**–**	–
	15	43

The Company was incorporated in the Cayman Islands that is tax-exempted as no business is carried out in the Cayman Islands under the laws of the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year. EIT is calculated on estimated assessable profits of the subsidiaries' operations in PRC at 25% (2019: 25%). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Loss before income tax	**(38,884)**	(88,430)
Tax calculated at the statutory tax rate applicable to profits in the respective jurisdictions	**(8,427)**	(12,959)
Tax effect on non-deductible expenses	**6,340**	10,217
Tax effect on non-taxable income	**(43)**	(113)
Tax effect of temporary difference not recognised	**(93)**	(1)
Tax effect of tax losses not recognised	**2,238**	2,899
Income tax expense	**15**	43

12. DIVIDEND

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

13. LOSS PER SHARE

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

Loss	**2020** **HK$'000**	2019 HK$'000
Loss for the year attributable to the owners of the Company	**(38,806)**	(85,171)

Number of shares	**2020** **'000**	2019 '000
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,244,434**	913,136

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of approximately 1,244,434,000 (2019: 913,136,000) ordinary shares in issue.

No adjustment had been made to the basic loss per share amounts presented for the years ended 31 March 2020 and 31 March 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Right-of-use assets under lease – land and buildings HK$'000	Total HK$'000
Cost						
At 1 April 2018, as originally presented	6,293	7,118	3,313	4,721	–	21,445
Additions	–	–	62	–	–	62
Disposal/write-off	–	(783)	(56)	(805)	–	(1,644)
Exchange realignment	–	(54)	(5)	–	–	(59)
At 31 March 2019	6,293	6,281	3,314	3,916	–	19,804
Initial adoption of HKFRS 16 *(note 2(a)(i))*	(6,293)	–	–	–	7,701	1,408
At 1 April 2019 (restated)	–	6,281	3,314	3,916	7,701	21,212
Additions	–	–	21	–	–	21
Acquisition of subsidiaries *(note 30)*	–	–	–	–	6,433	6,433
Disposal/write-off	–	(3,038)	(86)	(523)	–	(3,647)
Exchange realignment	–	–	(2)	–	(160)	(162)
At 31 March 2020	–	3,243	3,247	3,393	13,974	23,857
Accumulated depreciation						
At 1 April 2018	1,511	1,238	2,509	3,511	–	8,769
Depreciation	252	898	570	596	–	2,316
Disposal/write-off	–	(479)	(36)	(440)	–	(955)
Exchange realignment	–	(7)	(3)	–	–	(10)
At 31 March 2019	1,763	1,650	3,040	3,667	–	10,120
Initial adoption of HKFRS 16 *(note 2(a)(i))*	(1,763)	–	–	–	1,763	–
At 1 April 2019 (restated)	–	1,650	3,040	3,667	1,763	10,120
Depreciation	–	494	229	170	1,547	2,440
Disposal/write-off	–	(1,411)	(66)	(523)	–	(2,000)
Exchange realignment	–	–	(1)	–	(8)	(9)
At 31 March 2020	–	733	3,202	3,314	3,302	10,551
Net book value						
At 31 March 2020	–	2,510	45	79	10,672	13,306
At 31 March 2019	4,530	4,631	274	249	–	9,684

14. PROPERTY, PLANT AND EQUIPMENT – Continued

Included in property, plant and equipment, the leasehold land and buildings with net carrying amount of HK$4,530,000 at 31 March 2019 are now presented under right-of-use assets under leases, following the adoption of HKFRS 16.

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020 **HK$'000**	2019 HK$'000
Ownership interests leasehold land and buildings, carried at depreciated cost with remaining lease term of:		
– Between 10 and 50 years	**4,279**	4,530
Other properties leased for own use, carried at depreciated cost	**6,393**	1,408
	10,672	5,938

15. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combination is as follows:

Cost	**2020** **HK$'000**	2019 HK$'000
At the beginning of the year	**–**	5,255
Acquisition of Zhong Jun Wei Shi *(note 30(a))*	**972**	–
Acquisition of Huiyu *(note 30(b))*	**224**	–
Impairment loss *(note (c))*	**–**	(5,255)
Exchange realignment	**(31)**	–
At the end of the year	**1,165**	–

Notes:

(a) PRC Security Guarding CGU

Goodwill acquired through business combination has been allocated to the cash generating unit of provision of security guarding services in PRC ("PRC Security Guarding CGU") for impairment testing.

For the purpose of impairment testing, goodwill and the property, plant and equipment of PRC Security Guarding CGU have been allocated to PRC Security Guarding CGU.

15. GOODWILL – Continued

(a) PRC Security Guarding CGU – Continued

The recoverable amount for the PRC Security Guarding CGU has been determined based on value-in-use calculations estimated by the management with reference to the valuation performed by an independent firm of professional valuer. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management. The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the historical performance, estimation of market development and future performance of the PRC Security Guarding CGU made by the management of the Group. The discount rate used is pre-tax and reflect specific risks relating to the industry in relation to PRC Security Guarding CGU.

The key assumptions used for value-in-use calculations are as follows:

	2020
Terminal growth rate	**3%**
Discount rate	**18.25%**

The key assumptions were determined by the management based on its expectations for the business development. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

(b) Asset Management CGU

Goodwill acquired through business combination of Guangzhou Huiyu Commercial Company Limited (note 30(b)) has been allocated to the cash generating unit of provision of asset management services ("Asset Management CGU") for impairment testing.

The recoverable amount for the Asset Management CGU has been determined based on value-in-use calculations estimated by the management with reference to the discount rate calculated by an independent firm of professional valuer. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management. The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the estimation of market development and future performance of the Asset Management CGU made by the management of the Group. The discount rate used is pre-tax and reflect specific risks relating to the industry in relation to the Asset Management CGU.

The key assumptions used for value-in-use calculations are as follows:

	2020
Terminal growth rate	**–**
Discount rate	**13.7%**

The key assumptions were determined by the management based on its expectations for the business development. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

15. GOODWILL – Continued

(c) e-Education CGU

For the year ended 31 March 2019, goodwill acquired through business combination has been allocated to the cash-generating unit of developing and manufacturing of education and security system for protection of the students' safety in the PRC ("e-Education CGU") for impairment testing.

For the purpose of impairment testing, goodwill and the intangible assets of e-Education and security platform (note 16) have been allocated to e-Education CGU. For the year ended 31 March 2019, because the platform became unaccessible by the Group as the developers of the platform which were also engaged to maintain the platform have closed down. The intangible assets of e-Education and security platform with carrying amount of approximately HK$4,000,000 (note 16) were considered as written off after the review and were charged to the profit or loss.

The recoverable amount for the e-Education CGU has been determined based on a value-in-use calculation estimated by the management with reference to the valuation performed by an independent firm of professional valuers. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management. The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the estimation of market development and future performance of the e-Education CGU made by the management of the Group. The discount rate used was pre-tax and reflect specific risks relating to the industry in relation to the e-Education CGU.

The key assumptions used for value-in-use calculations are as follows:

	2019
Terminal growth rate	**–**
Discount rate	**33.2%**

For the year ended 31 March 2019, the Group was of the opinion, based on the impairment assessment of the e-Education CGU, the goodwill allocated to e-Education CGU is fully impaired by approximately HK$5,255,000 which was charged to profit or loss in the current year. The above impairment loss was mainly attributable to unfavourable changes in the business and operation environment of e-Education CGU and the Group did not carry out this business as previously planned. As at 31 March 2019, the cash-generating unit has been reduced to its recoverable amount of nil.

Apart from the considerations described in determining the value-in-use of the cash-generating unit above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

16. OTHER INTANGIBLE ASSETS

	Computerised operating and guarding system HK$'000	Mobile game licenses* HK$'000	e-Education and security platform HK$'000	Total HK$'000
Cost				
At 1 April 2018	6,717	16,937	5,582	29,236
Write-off	–	(16,937)	(5,221)	(22,158)
Exchange realignment	–	–	(361)	(361)
At 31 March 2019, 1 April 2019 and 31 March 2020	6,717	–	–	6,717
Accumulated amortisation and impairment				
At 1 April 2018	4,438	3,700	796	8,934
Amortisation	1,345	–	475	1,820
Write-off	–	(3,700)	(1,221)	(4,921)
Exchange realignment	–	–	(50)	(50)
At 31 March 2019 and 1 April 2019	5,783	–	–	5,783
Amortisation	578	–	–	578
At 31 March 2020	6,361	–	–	6,361
Net book value				
At 31 March 2020	356	–	–	356
At 31 March 2019	934	–	–	934

* The mobile game licenses represented licenses fee for games under development, which were mobile games being licensed from developers and under modification. Upon completion of the significant modification and successful test for commercial production, the mobile games with finite useful life being measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses.

For the year ended 31 March 2019, the suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 has caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players. Moreover, the regulatory practices of mobile game industry in the PRC has become more restrictive making the operating environment uncertain, risky and difficult to game publishers, operators and developers. In view of these, the Group has conducted a review of its mobile game licenses and concluded that these licenses with carrying amount of HK$13,237,000 needed to be written off and charged to profit or loss for the year since the developers are unable to complete the development of these mobile games.

For the year ended 31 March 2019, because the platform became unaccessible by the Group as the developers of the platform which were also engaged to maintain the platform have closed down. The intangible assets of e-education and security platform with carrying amount of approximately HK$4,000,000 were written off and were charged to the profit or loss.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The balances recognised in the consolidated statement of financial position are as follows:

	Notes	**2020 HK$'000**	2019 HK$'000
Associates	a	**–**	–
Joint venture	b	**–**	–
As at 31 March		**–**	–

The amounts recognised in the profit or loss are as follows:

	Notes	**2020 HK$'000**	2019 HK$'000
Associates	a	**–**	(16,450)
Joint venture	b	**–**	–
For the year ended 31 March		**–**	(16,450)

(a) Interests in associates

	2020 HK$'000	2019 HK$'000
Share of net assets	**–**	–
Goodwill	**18,150**	18,150
	18,150	18,150
Impairment loss	**(18,150)**	(18,150)
Carrying amount as at 31 March	**–**	–

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Interest in associates – Continued

Particulars of associates as at 31 March 2020 and 2019 are as follows:

Name of companies	Place of incorporation/ operations	Percentage of interest held		Principal activities
		Directly	Indirectly	
Magn Investment Limited ("Magn Investment")	Hong Kong	25%	20%	Investment holding
Magn Media (China) Holdings Limited# ("Magn Media (China)")	PRC	–	45%	Investment holding
Shenzhen Timing Advertisement Co., Limited# ("Timing Advertisement")	PRC	–	45%	Investment holding
Shenzhen Magn Classic Technology Co., Limited# ("Magn Classic Technology")	PRC	–	45%	Investment holding
Shenzhen Magn Cultural Media Co., Limited# ("Magn Cultural Media")	PRC	–	45%	Game publishing business
Shenzhen Magn Interactive Entertainment Cultural Media Co., Limited#	PRC	–	45%	Dormant
Shenzhen Magn Firms Co., Limited#	PRC	–	45%	Dormant
Shenzhen Weiyouhui Information Technology Co., Limited#	PRC	–	45%	Investment holding

English name for identification purpose only

The mobile game business of Magn Investment is operated through controlling Timing Advertisement and its subsidiaries in the PRC (the "VIE Group") through VIE Contracts.

VIE Contracts included (i) Exclusive Consulting Service Agreement, (ii) Exclusive Call Option Agreement, (iii) Shareholders' Voting Right Entrustment Agreement, and (iv) Equity Pledge Agreement.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Interests in associates – Continued

The above VIE Contracts enable Magn Classic Technology, a wholly-owned subsidiary of Magn Investment to:

- exercise effective financial and operational control over the VIE Group;
- exercise shareholders' voting rights of the VIE Group;
- receive substantially all of the economic interest and returns generated by the VIE Group in consideration for the business support, technical and consulting services provided by Magn Classic Technology, at Magn Classic Technology's discretion;
- obtain an exclusive right to purchase the entire equity interest in the VIE Group from the registered equity owners; and
- obtain a pledge over the entire equity interest of the VIE Group from the registered equity owners as collateral security to guarantee performance of all of the obligations of registered equity owners and the VIE Group under the VIE Contracts.

As a result of the VIE Contracts, Magn Investment has rights to variable returns from its involvement with the VIE Group, has the ability to affect those returns through its power over the VIE Group, and is considered to have control over the VIE Group. Consequently, the VIE Group is considered to be subsidiaries of Magn Investment.

However, the PRC government may determine that the VIE Contracts do not comply with the applicable laws and regulations. There can be no assurance that the VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Timing Advertisement, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Interests in associates – Continued

Summarised financial information for associates

Set out below is the summarised consolidated financial information for Magn Investment which is accounted for using the equity method.

	2020 HK$'000	2019 HK$'000
As at 31 March		
Non-current assets	**11**	12
Current assets	**28,565**	30,173
Current liabilities	**(47,516)**	(50,538)
Non-current liabilities	**(9,418)**	(9,767)
Net liabilities	**(28,358)**	(30,120)
Proportion of the Group's ownership	**45.0%**	45.0%
Group's share of net assets of associates	**–**	–
Year ended 31 March		
Revenue	**–**	696
Loss for the year	**(149)**	(27,031)
Other comprehensive income for the year	**1,911**	210
Total comprehensive income for the year	**1,762**	(26,821)
Aggregate amount of the Group's share of associates		
Profit or loss	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**–**	–

The amount of unrecognised share of losses of the associates for the year and accumulated unrecognised share of losses of the associates as at 31 March 2020 were amounted to HK$67,000 (2019: HK$12,163,000) and HK$13,617,000 (2019: HK$13,550,000) respectively.

For the impairment testing of interests in associates, which is considered an individual CGU, the recoverable amount of the CGU has been determined based on value-in-use by using income approach (discounted cash flow method). A pre-tax discount rate of 20.4% was applied on the projected cash flow of the calculation. As a result, according to the impairment test result used by the Group, the recoverable amount of interests in associates is lower than its carrying amount because the suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 has caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players; moreover, the regulatory practices of mobile game industry in the PRC has become more restrictive making the operating environment uncertain, risky and difficult to Magn Investment and its subsidiaries and therefore, the future profitability and hence expected future cash inflows are significantly and negatively impacted. Impairment of approximately HK$16,450,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(b) Investment in a joint venture

The primary business of this joint venture is research and development of security system software for intelligence building automatic system. This joint venture is of small scale and, accordingly, the directors considered it is immaterial to the Group.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Shenzhen Guanhui Xindong Technology Development Co., Limited. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Joint venture is accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the joint venture is not recognised unless there is an obligation to make good those losses.

For the year ended 31 March 2020, the unrecognised share of losses and accumulated unrecognised share of losses of a joint venture was amounted to Nil (2019: Nil) and HK$1,000 (2019: HK$1,000) respectively.

Particulars of a joint venture as at 31 March 2020 and 2019 are as follows:

Name of company	**Place of incorporation/ operations**	**Percentage of interest held**	**Principal activities**
Shenzhen Guanhui Xindong Technology Development Co., Limited#	PRC	50%	Research and development of security system software for intelligence building automatic system

English name for identification purpose only

Commitment in respect of joint venture

	2020 **RMB'000**	2019 RMB'000
Commitment to provide funding	**5,000**	5,000

18. BALANCES WITH RELATED PARTIES

(a) Amount due from a non-controlling equity holder of a subsidiary

As at 31 March 2020, the carrying amount of amount due from a non-controlling equity holder of a subsidiary is approximately HK$210,000 (2019: HK$225,000), which is unsecured, interest-free and expected to realise the amount due beyond twelve months after the reporting date and therefore classified as non-current assets. The effective interest rate of the amount due from the non-controlling equity holder of a subsidiary is 4.9% per annum.

The carrying amount of amount due from the non-controlling equity holder of a subsidiary was approximately HK$225,000 at 31 March 2019 (the unpaid capital of Zhongshan Bei Dou Education Technology Limited ("Bei Dou Zhongshan"), an indirect subsidiary of the Company, amounted to RMB4,200,000, shall be paid by the non-controlling equity holder, Lin Keliang ("Mr. Lin")), which was unsecured, interest-free and to be paid on or before 30 May 2035. The effective interest rate of the amount due from the non-controlling equity holder of a subsidiary was 4.9% per annum.

On 21 January 2019, Bei Dou Zhongshan has filed a civil petition statement at the First People's Court of Zhongshan City, Guangdong Province (the "Zhongshan First People's Court") with the non-controlling equity holder, Mr. Lin, for immediate payment of the unpaid capital of RMB4,200,000 of Bei Dou Zhongshan according to article 21 on the article of association of Bei Dou Zhongshan, in which Bei Dou Zhongshan has the right to request for payment of its unpaid capital of RMB4,200,000 from the non-controlling equity holder, in the event of debt dispute or dissolution while Bei Dou Zhongshan is insolvent. On 14 February 2019, Bei Dou Zhongshan applied for property preservation to the Zhongshan First People's Court requesting for property preservation measures against all properties under the name of Lin Keliang to the amount of RMB4,200,000. On 28 March 2019, the Company was informed that the Zhongshan First People's Court has granted a civil judgement on 15 February 2019, which was served to Bei Dou Zhongshan on 15 March 2019, to seize the share of estates under the name of Lin Keliang to the amount of RMB4,200,000 for a period of three years from 21 February 2019. The first-instance hearing was held on 11 June 2020.

For the year ended 31 March 2019, the Group has assessed the credit risk of the amount due from the non-controlling equity holder of a subsidiary. The credit risk of it has increased significantly since its initial recognition but is not deemed to be credit-impaired. Therefore, lifetime ECL was recognised of approximately HK$2,004,000 to the profit or loss (notes 10 and 36) for the year ended 31 March 2019. For the year ended 31 March 2020, the Group has assessed the ECL for the amount due from the non-controlling equity holder of a subsidiary, and considered there is no significant change in the ECL during the year.

18. BALANCES WITH RELATED PARTIES – Continued

(b) Loans from/amounts due to related parties

	Notes	2020 HK$'000	2019 HK$'000
Loans from related parties:			
– an intermediate holding company	(i)	**5,474**	–
– immediate holding company	(ii)	**–**	1,019
– a fellow subsidiary	(iii)	**1,502**	1,714
		6,976	2,733
Amounts due to related parties:			
– ultimate holding company	(iv)	**273**	–
– fellow subsidiaries/related parties	(iv)	**1,606**	1,286
		1,879	1,286

i *Loan from an intermediate holding company*

In March 2020, the Company has entered into a loan agreement with Huiming, an intermediate holding company of the Company. Pursuant to the loan agreement, Huiming has agreed to grant a loan facility to the Group with a principal amount of RMB5,000,000. The loan was unsecured, bearing interest 1% per annum and repayable within one year. As at 31 March 2020, the aggregate carrying amount of outstanding loan principal and the accrued interests was amounted to HK$5,474,000.

ii. *Loan from immediate holding company*

In August 2018, the Company had entered into a loan agreement with Greatwalle Holding Limited, the immediate holding company. Pursuant to the loan agreement, Greatwalle Holding Limited has agreed to grant the loan facility to the Group with a principal amount of HK$1,000,000. The loan was unsecured, bearing interest at a rate of 3% per annum and repayable within one year. As at 31 March 2019, the aggregate carrying amount of outstanding loan principal and the accrued interests was amounted to HK$1,019,000. During the year ended 31 March 2020, the loan had been fully repaid.

iii. *Loan from a fellow subsidiary*

In November 2019, December 2019, February 2020 and March 2020, the Company, has entered into loan agreements with Bohou Investment Limited (a subsidiary of Shenzhen Great Walle, ultimate holding company of the Company). Pursuant to the agreements, Bohou Investment Limited has agreed to grant loan facilities to the Group with principal amounts of HK$79,800, HK$500,000, HK$420,000 and HK$500,000 respectively. The loans are unsecured, bearing interest at 1%, 3%, 3% and 3% per annum respectively and repayable within one year. As at 31 March 2020, the aggregate carrying amount of outstanding loan principal and the accrued interests was amounted to HK$1,502,000.

In November 2018 and March 2019, the Company had entered into loan agreements with Bohou Investment Limited. Pursuant to the agreements, Bohou Investment Limited had agreed to grant loan facilities to the Group with principal amounts of HK$1,000,000 and HK$700,000 respectively. The loans were unsecured, bearing interest at 3% per annum and repayable within one year. As at 31 March 2019, the aggregate carrying amount of outstanding loan principal and the accrued interests was amounted to HK$1,714,000. During the year ended 31 March 2020, the loan had been fully repaid.

18. BALANCES WITH RELATED PARTIES – Continued

(b) Loans from/amounts due to related parties – Continued

iv. Amounts due to related parties

These amounts due to related parties are unsecured, interest-free and repayable on demand.

(c) Amount due to an associate/loan to an associate/amount due from an associate

As at 31 March 2020, the amount due to an associate is unsecured, interest-free and repayable on demand.

In July 2016 and February 2018, Guanhui Huyu Technology (Hong Kong) Limited ("Guanhui Huyu"), a subsidiary of the Company, as lender, entered into a loan agreement and a supplementary agreement respectively with Magn Investment, as borrower ("Loan Agreements"). Pursuant to the Loan Agreements, Guanhui Huyu has agreed to grant the loan facility to Magn Investment with a principal amount of HK$4,500,000, unsecured, bearing interest at a rate of 6% per annum. There was no demand clause and the loan to an associate shall be repayable on 28 February 2019. The loan is facilitating the business development of Magn Investment.

The amount due from an associate represented interest receivable arising from the loan to an associate and shall be repayable on 1 March 2019.

During the preparation of the financial statements for the year ended 31 March 2019, the Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The Group assessed the credit risk of the loan to an associate is not significantly increased since initial recognition and 12-month expected credit losses of HK$1,016,000 was recognised on 1 April 2018.

The suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 has caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players. Moreover, the regulatory practices of mobile game industry in the PRC has become more restrictive making the operating environment uncertain, risky and difficult to Magn Investment and its subsidiaries and therefore, the future profitability and hence expected future cash inflows are significantly and negatively impacted.

18. BALANCES WITH RELATED PARTIES – Continued

(c) Amount due to an associate/loan to an associate/amount due from an associate – Continued

As at 31 March 2019, the loan to and amount due from the associate were overdue and were considered as credit-impaired. As a result, for the year ended 31 March 2019, the Group has fully impaired the loan to an associate of approximately HK$3,539,000 and amount due from an associate of approximately HK$150,000 (notes 10 and 36).

Movements in loss allowance accounts in respect of loan to and amount due from an associate during the year were as follows:

	Loan to an associate HK$'000	Amount due from an associate HK$'000
Balance at 1 April 2018	1,016	–
Impairment losses recognised	3,539	150
Balance at 31 March 2019 and 1 April 2019	4,555	150
Written-off against loss allowances	(4,555)	(150)
Balance at 31 March 2020	–	–

19. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax (assets)/liabilities recognised and the movements during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2018	602	(602)	–
Charged to profit or loss *(note 11)*	(230)	230	–
At 31 March 2019 and 1 April 2019	372	(372)	–
Charged to profit or loss *(note 11)*	(170)	170	–
At 31 March 2020	202	(202)	–

At 31 March 2020, in view of unpredictability of future profit streams, the Group did not recognise deferred tax assets in respect of estimated unused tax losses of HK$40,644,000 (2019: HK$31,427,000) that can be carried forward against future taxable income, of which, tax losses of HK$27,972,000 (2019: HK$27,194,000) can be carried forward indefinitely. The remaining balances of tax losses will expire on various dates within five years.

20. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**23,166**	2,629
Prepayments	**703**	649
Deposits	**837**	695
Other receivables	**1,839**	692
	3,379	2,036

Trade receivables generally have credit terms of 7 to 30 days (2019: 7 to 30 days).

The ageing analysis of trade receivables (net of impairment loss) based on invoice dates, as of the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Not more than 30 days	**11,911**	1,211
30-90 days	**10,069**	1,231
Over 90 days	**1,186**	187
	23,166	2,629

For the year ended 31 March 2020, the Group reviewed receivables for evidence of impairment on both individual and collective basis.

Movements in loss allowance accounts for trade receivables, deposits and other receivable during the year were as follows:

	Trade receivables HK$'000	**Deposits and other receivables HK$'000**	**Total HK$'000**
Balance at 1 April 2018	–	–	–
Impairment losses recognised	–	123	123
Balance at 31 March 2019	–	123	123
Impairment losses recognised	422	–	422
Balance at 31 March 2020	422	123	545

During the year ended 31 March 2020, the Group has written off trade receivables of approximately HK$27,000 directly to the profit or loss due to in default (note 10).

Further details on the Group's credit policy, ECL model and matrix used are set out in notes 4.9(ii) and 36.

21. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**14,828**	693
Accrued expenses and other payables*	**15,234**	10,813

* Mainly represented the accrued expense for salaries, legal and professional fees and other payables.

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

	2020 **HK$'000**	2019 HK$'000
Not more than 30 days	**5,811**	–
30-90 days	**8,295**	–
Over 90 days	**722**	693
	14,828	693

22. LEASE

HKFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see note 2(a). The accounting policies applied subsequent to the date of initial application, 1 April 2019, as disclosed in note 4.10A.

Right-of-use assets

The details of right-of-use assets refer to note 14.

Lease liabilities

The movement of the Group's lease liabilities during the year ended 31 March 2020 is as follows:

	Land and buildings HK$'000
Initial adoption of HKFRS 16 *(note 2(a)(i))*	1,408
Interest expense	33
Lease payments	(1,020)
As at 31 March 2020	421

Future lease payments are due as follows:

	Minimum lease payments 31 March 2020 HK$'000	**Interest 31 March 2020 HK$'000**	**Present value 31 March 2020 HK$'000**
Not later than one year	**425**	**(4)**	**421**

	Minimum lease payments 1 April 2019 HK$'000	Interest 1 April 2019 HK$'000	Present value 1 April 2019 HK$'000
Not later than one year	1,020	(33)	987
Later than one year and not later than two years	425	(4)	421
	1,445	(37)	1,408

The present value of future lease payments are analysed as:

	2020 HK$'000
Current liabilities	**421**

22. LEASE – Continued

Others

	2020 HK$'000
Short-term leases expenses	**5,944**
Low-value assets leases expenses	**73**
Aggregate undiscounted commitments for short term leases	**267**

Operating leases – lessee

As lessee

Future minimum lease payments under non-cancellable operating leases in respect of rented premises were payable as follows:

	2019 HK$'000
Within one year	1,288
Later than one year and not later than two years	137
	1,425

The Group leases a number of premises and office equipment under operating leases. The leases run for an initial period of one year to five years. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

23. PROMISSORY NOTE PAYABLE

On 6 May 2016, the Company issued a promissory note to a former director of the Company, Mr. Fu Yik Lung to raise funding for the Group's working capital on the daily operation and the development of its existing businesses and any other future development opportunities.

The principal sum of HK$19,500,000 together with its interest accrued are to be repaid on the date falling two years from 6 May 2016. The promissory note was unsecured and interest-bearing at 5% per annum during that period.

On 10 May 2018, the Group had entered into an extension agreement with Mr. Fu Yuk Lung (the noteholder of the promissory note) pursuant to which the maturity date of the promissory note was extended to 4 August 2019, and the principal amount of the promissory note was amended to HK$19,950,000. The extended promissory note shall bear fixed interest in the amount of HK$200,000 per month.

On 4 April 2019, the Group has entered into a second extension agreement with Mr. Fu Yuk Lung pursuant to which the maturity date of the promissory note was further extended to 5 October, 2020, and the principal amount was HK$19,950,000. The extended promissory note would bear fixed interest in the amount of HK$200,000 per month.

24. CONTINGENT CONSIDERATION PAYABLE

The contingent consideration payable is a financial liability at fair value through profit or loss, which is arising from the acquisition of 51% equity interest of Shandong Zhong Jun Wei Shi Security Group Co., Limited ("Zhong Jun Wei Shi", formerly known as Shandong Seven Commandos Security Escort Co., Limited) (see note 30(a)).

Details of the fair value measurement of the contingent consideration payable has been in note 38.

25. SHARE CAPITAL

	Number of ordinary shares of HK$0.001 each	Number of ordinary shares of HK$0.01 each	Amount HK$'000
Authorised:			
At 1 April 2018	20,000,000,000	–	20,000
Share consideration *(note (ii))*	(20,000,000,000)	2,000,000,000	–
At 31 March 2019 and 2020	–	2,000,000,000	20,000
Issued:			
At 1 April 2018	7,869,794,432	–	7,870
Share of options exercised *(note (i))*	339,200,000	8,208,994	421
Share consolidation *(note (ii))*	(8,208,994,432)	820,899,443	–
Issue of shares under Rights Issue *(note (iii))*	–	414,554,218	4,146
At 31 March 2019 and 1 April 2019	–	1,243,662,655	12,437
Share of options exercised *(note (iv))*	–	2,654,868	26
At 31 March 2020	–	1,246,317,523	12,463

Notes:

(i) During the year ended 31 March 2019, the subscription rights attaching to 339,200,000 and 8,208,994 share options issued pursuant to the share option scheme of the Company (note 27) were exercised at the subscription price of HK$0.02 and HK$0.265 per share respectively, resulting in the issue of aggregate of 339,200,000 and 8,208,994 shares of HK$0.001 and HK$0.01 each respectively for a total cash consideration of approximately HK$8,959,000. The premium received was credited to the share premium account.

(ii) With effect from 5 September 2018, every ten (10) issued and unissued shares of the Company of HK$0.001 each were consolidated into one (1) consolidated share of the Company of HK$0.01 each.

(iii) During the year ended 31 March 2019, 414,554,218 ordinary shares of the Company were issued under a rights issue at the subscription price of HK$0.1 per share on the basis of one rights share for every two ordinary shares of the Company held on 6 March 2019 (the "Rights Issue"). The gross proceeds from the Rights Issue are approximately HK$41,456,000. The net proceeds after deducting the underwriting commission and other related expenses of approximately HK$895,000 were approximately HK$40,561,000.

(iv) During the year ended 31 March 2020, the subscription rights attaching to 2,654,868 share options issued pursuant to the share option scheme of the Company (note 27) were exercised at the subscription price of HK$0.0904 per share respectively, resulting in the issue of aggregate of 2,654,868 shares of HK$0.01 each respectively for a total cash consideration of approximately HK$239,000. The premium received was credited to the share premium account.

26. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity of the financial statements. The natures and purposes of reserves within equity are as follows:

Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Merger reserve

It represents the difference between the nominal value of the share capital of the subsidiary held by the Group and the nominal value of the share capital of the Company issued pursuant to the group reorganisation prior to the listing of the Company's shares.

Share options reserve

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees and directors over the vesting period.

27. SHARE OPTION SCHEME

A share option scheme (the "Scheme") adopted by the Company was approved by the shareholders on 31 July 2014.

A summary of the Scheme is set out below:

The Scheme became effective for a period of 10 years commencing on 31 July 2014. Under the Scheme, the directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a business day; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share on the date. The offer of a grant of options may be accepted within seven days inclusive of the day on which such offer was made.

The options granted shall be exercisable in whole or in part in the effective option period. The exercise period of the options granted is determined and notified by the directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the option is made, subject to the provisions for early termination thereof.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of all the shares of the Company in issue as at the date of the annual general meeting held on 6 August 2019 being 124,366,265 shares.

27. SHARE OPTION SCHEME – Continued

For the year ended 31 March 2020

	Numbers of options							
	At 1 April 2019	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 March 2020**	**Date of grant**	**Exercise period**	**Exercise price**
Directors								
Hon Hoi Chuen *(note ii)*	9,156,186	–	–	–	9,156,186	14 December 18	Period 2	0.238
Lin Shuxian *(note ii)*	9,156,186	–	–	–	9,156,186	14 December 18	Period 2	0.238
Li Mingming *(note vi)*	9,156,186	–	–	–	9,156,186	14 December 18	Period 2	0.238
Guan Yan *(note iv)*	915,618	–	–	–	915,618	14 December 18	Period 2	0.238
Zhao Jinsong *(note iv)*	915,618	–	–	–	915,618	14 December 18	Period 2	0.238
Li Zhongfei *(note iv)*	915,618	–	–	–	915,618	14 December 18	Period 2	0.238
Pang Xiaoli *(note ii)*	–	4,227,632	(2,212,390)	–	2,015,242	18 April 19	Period 3	0.0904
Hon Hoi Chuen *(note ii)*	–	3,280,440	–	–	3,280,440	18 April 19	Period 3	0.0904
Lin Shuxian *(note ii)*	–	3,280,440	–	–	3,280,440	18 April 19	Period 3	0.0904
Guan Yan *(note iv)*	–	84,382	–	–	84,382	18 April 19	Period 3	0.0904
Zhao Jinsong *(note iv)*	–	84,382	–	–	84,382	18 April 19	Period 3	0.0904
Li Zhongfei *(note iv)*	–	84,382	–	–	84,382	18 April 19	Period 3	0.0904
	30,215,412	11,041,658	(2,212,390)	–	39,044,680			
Employees in aggregate	18,312,372	–	–	(9,156,186)	9,156,186	14 December 18	Period 2	0.238
Employees in aggregate	–	14,311,505	(442,478)	–	13,869,027	18 April 19	Period 3	0.0904
Employees in aggregate	–	73,588,691	–	–	73,588,691	5 September 19	Period 4	0.147
Total	48,527,784	98,941,854	(2,654,868)	(9,156,186)	135,658,584			

27. SHARE OPTION SCHEME – Continued

For the year ended 31 March 2019

	Numbers of options								
	At 1 April 2018	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment arising from Rights Issue	At 31 March 2019	Date of grant	Exercise period	Exercise price
Directors									
Li Mingming *(note vi)*	64,000,000	–	(64,000,000)	–	–	–	30 June 17	Period 1	0.02
Li Liping *(note iii)*	64,000,000	–	(64,000,000)	–	–	–	30 June 17	Period 1	0.02
Ho Yuk Ming Hugo *(note v)*	6,400,000	–	–	(6,400,000)	–	–	30 June 17	Period 1	0.02
Xiong Hong *(note v)*	6,400,000	–	–	(6,400,000)	–	–	30 June 17	Period 1	0.02
Wan Tat Wai David *(note v)*	6,400,000	–	–	(6,400,000)	–	–	30 June 17	Period 1	0.02
Pang Xiaoli *(note ii)*	–	8,208,994	(8,208,994)	–	–	–	14 December 18	Period 2	0.238
Li Mingming *(note vi)*	–	8,208,994	–	–	947,192	9,156,186	14 December 18	Period 2	0.238
Hon Hoi Chuen *(note ii)*	–	8,208,994	–	–	947,192	9,156,186	14 December 18	Period 2	0.238
Lin Shuxian *(note ii)*	–	8,208,994	–	–	947,192	9,156,186	14 December 18	Period 2	0.238
Guan Yan *(note iv)*	–	820,899	–	–	94,719	915,618	14 December 18	Period 2	0.238
Zhao Jinsong *(note iv)*	–	820,899	–	–	94,719	915,618	14 December 18	Period 2	0.238
Li Zhongfei *(note iv)*	–	820,899	–	–	94,719	915,618	14 December 18	Period 2	0.238
	147,200,000	35,298,673	(136,208,994)	(19,200,000)	3,125,733	30,215,412			
Employees in aggregate	211,200,000	–	(211,200,000)	–	–	–	30 June 17	Period 1	0.02
Employees in aggregate	–	16,417,988	–	–	1,894,384	18,312,372	14 December 18	Period 2	0.238
Total	358,400,000	51,716,661	(347,408,994)	(19,200,000)	5,020,117	48,527,784			

Notes:

(i) Period 1: 30 June 2017 to 29 June 2020

Period 2: 14 December 2018 to 13 December 2028, the exercise price of share options as at 31 March 2019 has been adjusted with effects of Rights Issue on 29 March 2019. Further details are set out in note 25(iii) to the consolidated financial statements.

Period 3: 18 April 2019 to 17 April 2029

Period 4: 5 September 2019 to 4 September 2021

(ii) Appointed as an executive director of the Company on 12 July 2018.

(iii) Resigned as an executive director of the Company on 12 July 2018.

(iv) Appointed as an independent non-executive director of the Company on 12 July 2018.

(v) Resigned as an independent non-executive director of the Company on 12 July 2018.

(vi) Retired as an executive director of the Company on 6 August 2019.

27. SHARE OPTION SCHEME – Continued

The vesting date of the share options is the date of grant.

During the year, 9,156,186 share options have been lapsed as a result of resignation of the employee.

Equity-settled share options expenses of HK$4,445,000 (2019: HK$5,788,000) has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020. It gave rise to a share options reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

The fair values of the share options granted on 5 September 2019, 18 April 2019, 14 December 2018 and 30 June 2017 respectively under the Scheme were determined using the binomial option pricing model. Significant inputs into the model and assumptions were as follows:

Parameter	**5 September 2019**	**18 April 2019**	**14 December 2018**	**30 June 2017**
Share price on date of grant	HK$0.147	HK$0.0900	HK$0.260*	HK$0.018
Exercise price	HK$0.147	HK$0.0904	HK$0.265*	HK$0.020
Risk-free rate	1.52%	1.71%	2.27%	0.943%
Expected option life	2 years	10 years	10 years	3 years
Expected volatility	97%	106%	104%	70.79%
Early exercise behavior (of the exercise price)	N/A	N/A	N/A	220%-280%

* Before adjustment of Rights Issue.

The expected volatility represents the historical volatility of the share price of the ordinary shares of the Company.

The share options and weighted average share price are summarised as follows for the reporting periods presented:

	Number of share options	**Weighted average exercise price HK$**
Outstanding at 1 April 2018	358,400,000	0.020
Lapsed during the year	(19,200,000)	0.020
Granted during the year	51,716,661	0.265
Exercised during the year	(347,408,994)	0.0258
Adjustment arising from Rights Issue	5,020,117	–
Outstanding at 31 March 2019 and 1 April 2019	48,527,784	0.238
Lapsed during the year	(9,156,186)	0.238
Granted during the year	98,941,854	0.132
Exercised during the year	(2,654,868)	0.0904
Outstanding and exercisable at 31 March 2020	135,658,584	0.164

27. SHARE OPTION SCHEME – Continued

The share options outstanding at 31 March 2020, which are all exercisable, had exercise price of HK$0.164 (2019: HK$0.238) and a weighted average remaining contractual life of 5.20 (2019: 9.71) years.

At the end of the reporting period, the Company had 135,658,584 (2019: 48,527,784) share options outstanding under the Scheme which representing approximately 10.9% (2019: 3.9%) of the Company's shares in issue as at 31 March 2020. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 135,658,584 (2019: 48,527,784) additional ordinary shares of the Company and additional share capital of HK$1,356,586 (2019: HK$485,278) and share premium of HK$20,867,026 (2019: HK$11,064,335) (before issue expenses).

Subsequent to the end of the reporting period, no share options was exercised.

At the date of approval of these financial statements, the Company has 135,658,584 share options outstanding under the Scheme, which represented approximately 10.9% of the Company's share in issue as at that date.

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investments in subsidiaries		**2,920**	–
Current assets			
Prepayments		**335**	333
Loan from subsidiaries		**3,000**	–
Amounts due from subsidiaries		**19,247**	12,102
Cash at banks		**339**	41,631
		22,921	54,066
Current liabilities			
Accrued expenses		**3,057**	4,606
Loans from related parties		**1,502**	2,733
Amounts due to subsidiaries		**5,933**	5,911
Amount due to a related party		**100**	200
Promissory note payable		**22,550**	20,150
		33,142	33,600
Net current (liabilities)/assets		**(10,221)**	20,466
Net (liabilities)/assets		**(7,301)**	20,466
EQUITY			
Share capital	25	**12,463**	12,437
Reserves	28(b)	**(19,764)**	8,029
(Capital deficiency)/Total equity		**(7,301)**	20,466

Statement of financial position of the Company was approved and authorised for issue by the board of directors on 19 June 2020 and are signed on its behalf by:

Song Xiaoming
Director

Pang Xiaoli
Director

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – Continued

(b) Reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000 (note)	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	105,062	7,996	2,658	(93,090)	22,626
Equity-settled share options expenses *(note 27)*	–	–	5,788	–	5,788
Share options exercised *(note 27)*	12,010	–	(3,472)	–	8,538
Lapse of share options	–	–	(146)	146	–
Rights Issue, net of expenses *(note 25(iii))*	36,415	–	–	–	36,415
Loss for the year	–	–	–	(65,338)	(65,338)
At 31 March 2019 and 1 April 2019	153,487	7,996	4,828	(158,282)	8,029
Equity-settled share options expenses *(note 27)*	–	–	4,445	–	4,445
Share options exercised *(note 27)*	318	–	(105)	–	213
Lapse of share options	–	–	(829)	829	–
Loss for the year	–	–	–	(32,451)	(32,451)
At 31 March 2020	153,805	7,996	8,339	(189,904)	(19,764)

Note:

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation prior to the listing of the Company's shares.

29. SUBSIDIARIES

(a) General information of subsidiaries

At 31 March 2020, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name of subsidiaries	Place of incorporation/ operations	Issued and paid-up share/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Million Joyce Global Limited	BVI/Hong Kong	1,000 shares of US$1 each	100%	–	Investment holding
King Force Service Limited	Hong Kong	HK$1	–	100%	Inactive
King Force Security Limited	Hong Kong	HK$10,000	–	100%	Provision of security guarding services
Golden Cross Trading Limited	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Macro Getter Limited	Hong Kong	HK$1	–	100%	Investment holding
Loyal Salute Limited	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Billion Getting Limited	Hong Kong	HK$1	–	100%	Inactive
Shiny Lotus Global Limited	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Wise Creator Limited	Hong Kong	HK$1	–	100%	Inactive
King Force Star Technology Limited	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Bei Dou Technology Group Holdings Limited	Hong Kong	HK$1	–	100%	Inactive
Guanhui Huyu Technology Limited	Samoa	1 share of US$1 each	100%	–	Investment holding
Guanhui Huyu Technology (Hong Kong) Limited	Hong Kong/PRC	HK$1	–	100%	Provision of mobile game business
Shenzhen Jiahonglitian Technology Development Co. Ltd#	PRC	RMB2,000,000	–	100%	Investment holding
Shenzhen Qianhai Guanhui Huyu Technology Limited#	PRC	RMB3,595,555	–	100%	Software development

29. SUBSIDIARIES – Continued

(a) General information of subsidiaries – Continued

Name of subsidiaries	Place of incorporation/ operations	Issued and paid-up share/registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
China Bei Dou Communications Technology Group Limited	Hong Kong	HK$24,117,049	–	100%	Investment holding
Bei Dou Internet Education Technology (Shen Zhen) Limited#	PRC	RMB30,000,000	–	70%	Investment holding
Zhongshan Bei Dou Education Limited# ("Bei Dou Zhongshan")	PRC	RMB30,000,000	–	59.5%	Provision of students' e-education and e-security services
Shenzhen Guanhui Jiye Property Management Limited#	PRC	RMB1,000,000	–	100%	Investment holding
Huaqing Huili Limited	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Greatwalle Asset Management Limited	Hong Kong	HK$1	–	100%	Investment holding
Shenzhen Jiuli Investment Advisory Co., Ltd.#	PRC	RMB24,734,390	–	100%	Provision of business advisory and asset management services
Greatwalle Insurance Consulting Limited*	Hong Kong	HK$10,000	100%	–	Inactive
Greatwalle (International) Asset Management Co., Limited*	Hong Kong	HK$10,000	100%	–	Inactive
Greatwalle Securities Limited*	Hong Kong	HK$10,000	100%	–	Inactive
Greatwalle Capital Limited*	Hong Kong	HK$10,000	100%	–	Inactive
Jiuchong Yun (Shenzhen) Big Data Co. Limited*#	PRC	RMB2,000	–	100%	Provision of big-data business
Guangzhou Huiyu Commercial Co. Limited#	PRC	RMB1,000,000	–	99%	Investment holding
Shenzhen Zeli Investment Limited#	PRC	RMB1,000,000	–	99%	Investment holding

29. SUBSIDIARIES – Continued

(a) General information of subsidiaries – Continued

Name of subsidiaries	Place of incorporation/ operations	Issued and paid-up share/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Shenzhen Huili Investment Limited#	PRC	RMB1,250,000	–	99%	Provision of asset management services
Huaqing Huili Commercial Consultation (Shanghai) Company Limited*#	PRC	RMB752,000	–	100%	Provision of asset management services
Huili Asset Management (Zhuhai) Co., Limited*#	PRC	RMB11,250,000	–	100%	Provision of asset management services
Beijing Jiuchong Yunzhi Technology Co. Limited*#	PRC	RMB5,000,000	–	100%	Inactive
Shandong Zhong Jun Wei Shi Security Group Co., Limited*#	PRC	RMB10,000,000	–	51%	Provision of security guarding services

* These subsidiaries were incorporated during the year.

\# The English names are translated for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

29. SUBSIDIARIES – Continued

(b) Material non-controlling interests

Zhong Jun Wei Shi, a 51% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Zhong Jun Wei Shi, before intra-group eliminations, is presented below:

	Zhong Jun Wei Shi HK$'000
NCI percentage	49
As at 31 March	
Non-current assets	6,012
Current assets	6,209
Current liabilities	(6,661)
Net assets	5,560
Equity attributable to	
Ordinary shareholders	2,836
NCI	2,724
	5,560
Carrying amount of NCI	2,724
For the period ended 31 March 2020	
Revenue	5,851
Loss for the period	(109)
Other comprehensive income	(144)
Total comprehensive income	(253)
Loss allocated to NCI	(53)
Dividends paid to NCI	–
For the period ended 31 March 2020	
Cash flows from operating activities	(26)
Cash flows from investing activities	–
Cash flows from financing activities	–
Net cash outflows	(26)

30. BUSINESS COMBINATION

(a) Acquisition of Zhong Jun Wei Shi

In September 2019, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor"), pursuant to which the Group acquired 51% equity interest in Zhong Jun Wei Shi at a consideration of RMB5,100,000, which comprises (i) a cash consideration of RMB1,500,000 and (ii) a contingent consideration payable of RMB3,600,000. The contingent consideration is payable to the Vendor following three year from the date of completion of the acquisition, and is subject to a revenue requirement that the aggregate total revenue of Zhong Jun Wei Shi for the period from 1 October 2019 to 31 March 2020 and two financial years ending 31 March 2021 and 2022 shall not be less RMB60 million (the "Guaranteed Revenue"). If the Guaranteed Revenue is not achieved, the Group shall be exempted from the obligation to pay the any part of the contingent consideration to the Vendor.

In October 2019, the registration on transfer of the 51% equity interest of Zhong Jun Wei Shi has been completed. After the completion of acquisition, the Group owns 51% equity interest in Zhong Jun Wei Shi and become a subsidiary of the Group thereafter. Zhong Jun Wei Shi is principally engaged in provision of security guarding services in PRC. Details of the acquisition of Zhong Jun Wei Shi have been set out in the Company's announcements dated 26 September 2019 and 21 October 2019.

30. BUSINESS COMBINATION – Continued

(a) Acquisition of Zhong Jun Wei Shi – Continued

The fair value of identifiable assets acquired and liabilities assumed of Zhong Jun Wei Shi as at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	6,433
Trade and other receivables, deposits and prepayments	2,315
Cash and cash equivalents	989
Trade and other payables and accruals	(3,925)
Provision of taxation	(1)
Less: non-controlling interests	(2,848)
	2,963
The fair value of consideration transfer:	
Cash consideration paid	1,684
Fair value of contingent consideration payable	2,251
Total fair value of the purchase consideration	3,935
Goodwill arising from the acquisition of Zhong Jun Wei Shi *(note 15)*	972
Net cash inflow arising from the acquisition:	
Cash and bank balances acquired	989
Cash consideration paid	(1,684)
Net cash outflow from the acquisition of Zhong Jun Wei Shi for the period	(695)

The above consideration to be paid includes a revenue-based contingent consideration adjustment, which is principally based on the Guaranteed Revenue in a three-year period after acquisition. The adjustment will be netted with the consideration payable after the end of the three-year period. The potential undiscounted amount of the contingent consideration adjustment that the Group could be required to make under this arrangement is either nil or RMB3,600,000. At the acquisition date, the fair value of the Contingent Consideration Payable of HK$2,251,000 was estimated by the management with reference to the valuation performed by an independent firm of professional valuers. The weighted probability of the present value of the consideration payable under three different estimated revenue scenarios of Zhong Jun Wei Shi at a discount rate of 6.17% for the three-year period. As of 31 March 2020, the fair value of the Contingent Consideration Payable was decreased by HK$166,000 as the estimated revenue of Zhong Jun Wei Shi was recalculated and the discount rate was increased to 10.81% and the decrease was recognised in current year's profit or loss.

The fair value of trade and other receivables, deposits and prepayments amounted to HK$2,315,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

30. BUSINESS COMBINATION – Continued

(a) Acquisition of Zhong Jun Wei Shi – Continued

The goodwill of HK$972,000, which is not deductible for tax purposes, comprises the acquired reputation and the expected future profitability benefits from synergy created on revenue stream of the Group.

Since the acquisition, Zhong Jun Wei Shi contributed HK$5,851,000 to the Group's revenue and a loss of HK$109,000 to the Group's loss for the year ended 31 March 2020.

Had the acquisition been taken place at the beginning of the year (i.e. 1 April 2019), the Group's revenue for the year would be increased by HK$5,038,000 and the Group's loss for the year would be increased by HK$1,601,000. The aforesaid pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on the beginning of the year, nor is it intended to be a projection of future performance.

(b) Acquisition of Huiyu

In September 2019, the Group entered into a share transfer agreement with Guangzhou Huaqing Great Walle Commercial Consultation Company Limited ("Guangzhou Huaqing"), a related company, in which Mr. Song, an executive director and controlling shareholder of the Company, has controlling power, pursuant to which the Group acquired 99% equity interest of Guangzhou Huiyu Commercial Company Limited ("Huiyu") at a cash consideration of RMB990,000. On 4 September 2019, the Group has paid to satisfy the cash consideration. The acquisition was completed on 4 September 2019. Accordingly, the Group owns 99% equity interest of Huiyu and which has become a subsidiary of the Group thereafter. Huiyu is principally engaged in investment holding and its major subsidiary, Shenzhen Zeli Investment Limited ("Shenzhen Zeli"), 100% interest indirectly held by Huiyu, is principally engaged in provision of asset management services for private fund and has registered as the fund manager of private equity investment fund from the Asset Management Association of China since 9 July 2015.

30. BUSINESS COMBINATION – Continued

(b) Acquisition of Huiyu – Continued

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

	HK$'000
Deposits and other receivables	9
Amount due from a related party	1,415
Cash and cash equivalents	10
Amounts due to related parties	(537)
Less: non-controlling interests	(9)
	888
The fair value of consideration transfer:	
Cash consideration paid	1,112
Goodwill arising from the acquisition of Huiyu *(note 15)*	224
Net cash inflow arising from the acquisition:	
Cash and bank balances acquired	10
Cash consideration paid	(1,112)
Net cash outflow from the acquisition of Huiyu for the period	(1,102)

The fair value of amount due from a related party amounted to HK$1,415,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK$224,000, which is not deductible for tax purposes, comprises the acquired reputation and the expected future profitability and the benefits from diversifying the revenue stream of the Group.

The Group has elected to measure the non-controlling interests in Huiyu at the non-controlling interests' proportionate share of identifiable net assets. The amount of the non-controlling interests at the acquisition date amounted to HK$9,000.

The deferred tax liabilities arising on the acquisition is minimal.

Since the acquisition, Huiyu contributed HK$643,000 to the Group's revenue and a profit of HK$15,000 to the Group's loss for the year ended 31 March 2020.

Had the acquisition been taken place at the beginning of the year (i.e. 1 April 2019), the Group's revenue for the year would be increased by Nil and the Group's loss for the year would be increased by HK$75,000. The aforesaid pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on the beginning of the year, nor is it intended to be a projection of future performance.

31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

For the year ended 31 March 2020

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Equity-settled share options expenses HK$'000	Total HK$'000
Executive directors					
Song Xiaoming *(note i)*	–	370	–	–	370
Pang Xiaoli	–	453	–	169	622
Li Mingming *(note ii)*	–	84	–	–	84
Hon Hoichuen	–	232	–	132	364
Lin Shuxian	–	232	–	132	364
Non-executive director					
Chung Man Lai *(note iii)*	2	–	–	–	2
Independent non-executive directors					
Guan Yan	180	–	–	3	183
Zhao Jinsong	180	–	–	3	183
Li Zhongfei	180	–	–	3	183
Total	542	1,371	–	442	2,355

31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS – Continued

Directors' emoluments – Continued

For the year ended 31 March 2019

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Equity-settled share options expenses HK$'000	Total HK$'000
Executive directors					
Pang Xiaoli *(note iv)*	–	173	–	960	1,133
Li Mingming	–	240	–	960	1,200
Hon Hoichuen *(note iv)*	–	173	–	961	1,134
Lin Shuxian *(note iv)*	–	173	–	961	1,134
Chen Yunchuo *(note v)*	–	169	–	–	169
Li Liping *(note v)*	–	68	–	–	68
Cheng Rui *(note v)*	–	68	–	–	68
Independent non-executive directors					
Guan Yan *(note vi)*	130	–	–	96	226
Zhao Jinsong *(note vi)*	130	–	–	96	226
Li Zhongfei *(note vi)*	129	–	–	96	225
Xiong Hong *(note vii)*	51	–	–	–	51
Wan Tat Wai David *(note vii)*	51	–	–	–	51
Ho Yuk Ming Hugo *(note vii)*	50	–	–	–	50
Total	541	1,064	–	4,130	5,735

No directors waived any emoluments in the year ended 31 March 2020 (2019: Nil).

Notes:

(i) Appointed as an executive director on 6 August 2019.

(ii) Retired as an executive director on 6 August 2019.

(iii) Appointed as a non-executive director on 17 March 2020.

(iv) Appointed as an executive director on 12 July 2018.

(v) Resigned as an executive director on 12 July 2018.

(vi) Appointed as an independent non-executive director on 12 July 2018.

(vii) Resigned as an independent non-executive director on 12 July 2018.

31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS – Continued

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2019: two) are directors of the Company whose emoluments are included in the disclosure of directors' emoluments above. The emoluments of the four individuals (2019: three individuals) were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other emoluments	**5,459**	5,016
Retirement scheme contributions	**72**	54
Equity-settled share options expenses	**31**	829
	5,562	5,899

Their emoluments were within the following bands:

	2020 Number of Individuals	2019 Number of Individuals
HK$2,000,001 to HK$3,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**1**	2
Nil to HK$1,000,000	**2**	–
	4	3

During both years ended 31 March 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group as compensation for loss of office.

Senior management emoluments

The emoluments paid or payable to members of senior management fell within the following:

	2020 Number of individuals	2019 Number of individuals
HK$2,000,001 to HK$3,000,000	**–**	–

32. CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no capital commitments (2019: Nil).

33. CONTINGENCIES AND OTHERS

(a) Contingent liabilities

As at 31 March 2020, the Group has a total of three cases (2019: three cases) pending or unresolved with three plaintiffs related to occupational injury and illness. The risks relating to such contingent liabilities are covered by contractual indemnification and adequate insurance, so the management believes that the possibility of an outflow of resources embodying economic benefits on the contingent liabilities is remote.

(b) Others

(i) Refund of Consideration from Bei Dou Jiuyi

On 15 June 2015, Bei Dou Zhongshan, which became an indirectly owned subsidiary of the Company on 16 December 2016, entered into a business cooperation agreement with an independent third party, Bei Dou Jiuyi, pursuant to which Bei Dou Jiuyi had agreed to franchise Bei Dou Zhongshan to conduct relevant Bei Dou services under its Branch Services Trial Qualification ("Bei Dou Qualification"), subject to the terms and conditions therein.

On 27 January 2017, the Company found that there were changes to information in relation to Bei Dou Qualification on the official website of China National Administration of GNSS and Application ("CNAGA") (the "Website") on 25 January 2017, which included a word of suspension and a notice that Bei Dou Jiuyi did not pass the annual inspection and qualification renewal check, the Bei Dou Qualification has been suspended (the "Suspension"), and Bei Dou Jiuyi was required to carry out remedial works within six months. If Bei Dou Jiuyi successfully carries out the rectifications required, the Bei Dou Qualification will be renewed, otherwise, the Bei Dou Qualification would be revoked by CNAGA.

The Company had made telephone enquiry with the managing center of CNAGA after being aware of the Suspension. The Company was informed that:

(a) the period of validity of the Bei Dou Qualification was four years, but its yearly renewal was subject to the annual inspection check (the "Annual Check");

(b) during the period of rectification and improvement (the "Period"), although the Bei Dou Qualification was currently suspended, it was not withdrawn and still remains in force. As such, Bei Dou Jiuyi was entitled to operate relevant business and co-operate with its business partners under the Bei Dou Qualification; and

(c) after Bei Dou Jiuyi has submitted all the documents required by the Annual Check during the Period, the suspension would be lifted.

On 12 June 2017, the Group has filed a civil petition statement at the Zhongshan First People's Court against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi has breached the business cooperation agreement entered with Bei Dou Zhongshan, a subsidiary of the Company on 15 June 2015 and seeking the court for an order against that Bei Dou Jiuyi to, inter alia, return the consideration under the agreement amounted to RMB15,000,000 together with interests. On 15 June 2017, the Group received the notice of acceptance of the case issued by the Zhongshan First People's Court. Details are disclosed in the Company's announcements dated 27 January 2017, 14 February 2017 and 16 June 2017.

33. CONTINGENCIES AND OTHERS – Continued

(b) Others – Continued

(i) Refund of Consideration from Bei Dou Jiuyi – Continued

On 18 January 2018, the Group received a judgement granted by the Zhongshan First People's Count (the "Judgement") in favour of Bei Dou Zhongshan. The contents of the Judgement are summarized that:

(a) the business cooperation agreement with Bei Dou Jiuyi was rescinded;

(b) Bei Dou Jiuyi shall, within seven days from the effective date of the Judgement, return the consideration of the Bei Dou Qualification amounted to RMB15,000,000 together with the interest accrued (the "Refund of Consideration"); and

(c) the court fee amounted to RMB111,800 shall be borne by Bei Dou Jiuyi.

Therefore, the management has written off the Franchise of Bei Dou Qualification with net carrying amount of HK$11,626,000 in the previous year.

In November 2018, Bei Dou Zhongshan has commenced formal enforcement proceedings against Bei Dou Jiuyi. The Court acknowledged Bei Dou Zhongshan's application on 9 November 2018, the acknowledgement of which was received by Bei Dou Zhongshan on 12 November 2018. Details are disclosed in the Company's announcements dated 13 November 2018. On 21 June 2019, the Court issued a notice of enforcement proceedings. According to the enforcement proceedings, the Court had listed Bei Dou Jiuyi as a dishonest person, thereby enforcing a spending restriction on the individual legal representative of Bei Dou Jiuyi, and has announced such restriction on the individual legal representative of Bei Dou Jiuyi, and has announced such restriction on the official website of the Court to urge for the performance of debt obligation. On 27 June 2019, the Court did not noted any assets of Bei Dou Jiuyi are available to settle the compensation under the enforcement proceedings.

At the reporting date, Bei Dou Zhongshan has not received any compensation from Bei Dou Jiuyi. Based on researches and legal advices, the directors considered that the recoverability of the Refund of Consideration is remote (2019: remote).

(ii) Amount due from the non-controlling equity holder of a subsidiary

The management considers the inflow of economic benefits from the amount due from the non-controlling equity holder of Bei Dou Zhongshan is virtually certain as (i) there is contractual right by Bei Dou Zhongshan to request for payment of the unpaid capital from the non-controlling equity holder and (ii) there is seize of the share of estates under name of the non-controlling equity holder of Bei Dou Zhongshan granted by the Zhongshan First People's Court. Therefore, the management considered the recoverable amount of the amount due from non-controlling equity holder is HK$210,000 (2019: HK$225,000) as at 31 March 2020 as disclosed in note 18(a).

33. CONTINGENCIES AND OTHERS – Continued

(b) Others – Continued

(iii) Compensation from Profit Guarantee

On 18 October 2016, the Group entered into a sale and purchase agreement (the "S&P Agreement") with Zheng Gang ("Mr. Zheng"), an independent third party, pursuant to which the Group acquired 100% of the issued share capital of China Bei Dou at a consideration of HK$51,170,000, subject to a profit guarantee that the total audited consolidated net profit after taxation of China Bei Dou, prepared in accordance with HKFRSs and audited by auditors, shall not be less than HK$18 million for the two financial years ended 31 December 2017 and 2018 (the "Profit Guarantee"). In the event that the Profit Guarantee is not met, Mr. Zheng shall compensate China Bei Dou on a dollar-for-dollar basis on the shortfall by cash.

If China Bei Dou records net losses for the two financial years ending 31 December 2017 and 2018, the compensation amount will be the same as the consideration, HK$51,170,000 and Mr. Zheng shall pay the compensation within one month after the issue date of the audited report for the two financial years ended 31 December 2017 and 2018.

China Bei Dou recorded a total loss for the two financial years ended 31 December 2017 and 2018, therefore, the compensation amount represented HK$51,170,000 by cash according to the Profit Guarantee. Based on past credit history and researches, the management believes that recoverability of the compensation of Profit Guarantee is remote. The management found that Zheng Gang already involved in serval legal proceedings with significant liabilities and he is a dishonest person, thereby enforcing a spending restriction by the PRC court.

At the reporting date, based on the researches and legal advice, the directors considered that the recoverability of the compensation is remote and do not start the legal proceedings after balance its costs and benefits. The Group retains the right to sue and keeps regularly review on the status of Mr. Zheng.

34. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions carried out with related parties during the year:

	Notes	**2020 HK$'000**	2019 HK$'000
Business advisory and asset management services income received from a related company	(a & b)	**1,658**	691
Consideration paid on acquisition of subsidiaries to a related company *(note 30 (b))*	(a)	**1,112**	–
Operating lease and related charges paid to the spouse of a director of a subsidiary, Ms. Liu Lai Ying		**165**	660
Operating lease and related charges paid to a related company	(b)	**3,218**	–
Interest income received from an associate, Magn Investment	(a)	**–**	258
Interest income from a director of a subsidiary		**–**	26
Interest paid to a director of a subsidiary, Mr. Fu Yik Lung	(a)	**2,400**	2,262
Interest paid to related parties	(a & c)	**12**	33

Notes:

(a) The transactions above were carried out on the terms agreed between the relevant parties.

(b) Transaction with Shenzhen Great Walle Capital Management Co., Ltd., a company controlled by the common shareholder.

(c) Transaction with Bohou Investment Limited, a company controlled by the common shareholder.

(ii) Compensation of key management personnel

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**6,896**	7,090
Post-employment benefits	**54**	72
Equity-settled share options expenses	**442**	4,130
	7,392	11,292

34. RELATED PARTY TRANSACTIONS – Continued

(iii) Balances with related parties

	Notes	**2020 HK$'000**	2019 HK$'000
Receivable from/(payable to)			
Ms. Liu Lai Ying, a spouse of a director of a holding subsidiary	(a)	**–**	100
Shenzhen Great Walle, ultimate holding company	(b)	**(273)**	-
Guangzhou Nansha Huiming Investment Business Company Limited, an intermediate holding company	(c)	**(5,474)**	–
Greatwalle Holding Limited, immediate holding company	(d)	**–**	(1,019)
Bohou Investment Limited, a fellow subsidiary	(e)	**(1,502)**	(1,714)
Shenzhen Great Walle Capital Management Co., Ltd., a fellow subsidiary	(f)	**(851)**	(86)
Guangzhou Huaqing Business Advisory Co., Ltd.., a fellow subsidiary	(g)	**(755)**	–
Mr. Fu Yik Lung, a director of a subsidiary	(h)	**(22,550)**	(21,350)
Magn Investment, an associate	(i)	**(349)**	(373)

(a) Balance with Ms. Liu Lai Ying, represented a spouse of a director of a subsidiary.

(b) Balance with Shenzhen Great Walle, ultimate holding company, represented the amount due to ultimate holding company of HK$273,000 (note 18(b)(iv)).

(c) Balance with Guangzhou Nansha Huiming Investment Business Company Limited, an intermediate holding company, represented the loan from an intermediate holding company (note 18(b)(i)).

(d) Balance with Greatwalle Holding Limited, immediate holding company, represented the loan from immediate holding company and its accrued interests of Nil (2019: HK$1,019,000) (note 18(b)(ii)).

(e) Balance with Bohou Investment Limited, a company controlled by the common shareholder, represented the loan from a fellow subsidiary and its accrued interests of HK$1,502,000 (2019: HK$1,714,000) (note 18(b)(iii)).

(f) Balance with Shenzhen Great Walle Capital Management Co., Ltd., a company controlled by the common shareholder, represented the amount due to a fellow subsidiary (note 18(b)(iv)).

(g) Balance with Guangzhou Huaqing Business Advisory Co., Ltd, a company controlled by the common shareholder, represented the amount due to a fellow subsidiary (note 18(b)(iv)).

(h) Balance with Mr. Fu Yik Lung, a director of a subsidiary, represented promissory note payable and its accrued interests of HK$22,550,000 (2019: HK$20,150,000) (note 23) in total and the amount due to a related party of Nil (2019: HK$1,200,000) (note 18 (b)(iv)).

(i) Balance with Magn Investment, an associate of the Group, represented the loan to an associate and amount due from/to an associate.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2020 HK$'000	2019 HK$'000
Financial assets		
Non-current		
Financial assets measured at amortised cost		
– Amount due from the non-controlling equity holder of a subsidiary	**210**	225
Current		
Financial assets measured at amortised cost:		
– Trade receivables	**23,166**	2,629
– Deposits and other receivables	**2,676**	1,387
– Cash at banks and in hand	**16,420**	44,409
	42,262	48,425
	42,472	48,650
Financial liabilities		
Current		
Financial liabilities measured at amortised cost:		
– Trade payables	**14,828**	693
– Accrued expenses and other payables	**15,234**	10,813
– Loans from related parties	**6,976**	2,733
– Amounts due to related parties	**1,879**	1,286
– Amount due to an associate	**349**	373
– Promissory note payable	**22,550**	20,150
– Lease liabilities	**421**	–
	62,237	36,048
Non-current		
Financial liabilities at fair value through profit or loss:		
– Contingent consideration payable	**2,033**	–
	64,270	36,048

36. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluates risks and formulates strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Foreign currency risk

The Group has transactional and translational currency exposures. These exposures arise from expenses incurred by operating units in currencies other than the units' functional currencies. The Group's monetary assets, monetary liabilities, financing and transactions are principally denominated in RMB and HK$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (Decrease) in RMB rate %	(Decrease)/ Increase in loss before tax HK$'000	Increase/ (Decrease) in equity HK$'000
2020			
If Hong Kong dollar weakens against RMB	**5**	**(1,215)**	**30**
If Hong Kong dollar strengthens against RMB	**(5)**	**1,215**	**(30)**
2019			
If Hong Kong dollar weakens against RMB	5	(369)	225
If Hong Kong dollar strengthens against RMB	(5)	369	(225)

36. FINANCIAL RISK MANAGEMENT – Continued

Interest rate risk

The Group's fair value interest-rate risk mainly arises from loans from related parties and promissory loan note as disclosed in notes 18(b) and 23 respectively. Loans from related parties and promissory loan note were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

Credit risk

The Group's exposure to credit risk related to the financial assets summarised in the note 35. Details of the Group's exposures to credit risk on trade and other receivables and loan to/amount due from related parties are disclosed in notes 20 and 18.

The Group's bank balances are all deposited with licensed banks in Hong Kong and the PRC.

The Group's trade receivables are actively monitored to avoid concentration of credit risk with exposure spread over a number of customers.

The Group continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to certain customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at that reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the year and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

31 March 2020	**Expected loss rates %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**0.11**	**17,347**	**19**
1-30 days past due	**0.55**	**1,700**	**9**
31-90 days past due	**1.1**	**3,833**	**42**
91-180 days past due	**11.0**	**306**	**34**
181-365 days past due	**55.0**	**187**	**103**
More than 365 days past due	**100.0**	**206**	**206**
		23,579	**413**

36. FINANCIAL RISK MANAGEMENT – Continued

Credit risk – Continued

31 March 2019	Expected loss rates %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.1	1,546	1
1-30 days past due	0.5	191	1
31-90 days past due	1	561	6
91-180 days past due	10	289	29
181-365 days past due	50	15	8
More than 365 days past due	100	27	27
		2,629	72

The ECLs of HK$72,000 are immaterial, accordingly, no adjustment was made to the loss allowance as at 31 March 2019.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, the management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

The Group has adopted general approach to measure ECLs on financial assets included in prepayments, deposits and other receivables, and other financial assets at amortised costs. Under the general approach, the Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment and including forward-looking information.

36. FINANCIAL RISK MANAGEMENT – Continued

Credit risk – Continued

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or past due event;

(c) granting a concession to the debtors that the lender would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or

(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data and adjusted for forward-looking information through the use of industry trend and experienced credit judgment to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

The following table provides information about the Group's exposure to credit risk and ECLs for loan and other receivables as at 31 March 2020 and 2019:

	Expected loss rate (%)	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Gross carrying amount HK$'000	Loss allowances HK$'000
As at 31 March 2020						
Amount due from the non-controlling equity holder of a subsidiary	**90%**	**–**	**2,085**	**–**	**2,085**	**1,875**
Deposits and other receivable	**1% - 100%**	**2,676**	**–**	**123**	**2,799**	**123**
		2,676	**2,085**	**123**	**4,884**	**1,998**
As at 31 March 2019						
Amount due from the non-controlling equity holder of a subsidiary *(note i)*	90%	–	2,229	–	2,229	2,004
Deposits and other receivables *(note ii)*	1% - 100%	1,387	–	123	1,510	123
Loan to an associate *(note iii)*	100%	–	–	4,555	4,555	4,555
Amount due from an associate *(note iii)*	100%	–	–	150	150	150
		1,387	2,229	4,828	8,444	6,832

Notes:

i. Transfer of amount due from the non-controlling equity holder of a subsidiary of HK$2,229,000 from stage 1 to stage 2 and resulting in an increase in loss allowance of HK$2,004,000.

ii. Transfer of amount due from other receivables of HK$123,000 from stage 1 to stage 3 and resulting in an increase in loss allowance of HK$123,000.

iii. Transfer of loan to an associate and amount due from an associate of HK$4,500,000 and HK$150,000 from stage 1 to stage 3 and resulting in an increase in loss allowance of HK$3,539,000 and HK$150,000 respectively.

36. FINANCIAL RISK MANAGEMENT – Continued

Credit risk – Continued

Movement in the loss allowance accounts in respect of trade receivables, loan, deposits and other receivables during the year is as follows:

	Trade receivables HK$'000	Amount due from the non-controlling equity holder of a subsidiary HK$'000	Deposits and other receivables HK$'000	Loan to an associate HK$'000	Amount due from an associate HK$'000	Total HK$'000
Balance at 1 April 2018	–	–	–	1,016	–	1,016
Impairment losses recognised during the year (Lifetime ECL – Stage 2)	–	2,004	–	–	–	2,127
Impairment losses recognised during the year (Lifetime ECL – Stage 3)	–	–	123	3,539	150	3,689
Balance at 31 March 2019	–	2,004	123	4,555	150	6,832
Impairment losses recognised during the year (ECL - matrix)	422	–	–	–	–	422
Written off against loss allowances	–	–	–	(4,555)	(150)	(4,705)
Exchange realignment	(9)	(129)	–	–	–	(138)
Balance at 31 March 2020	413	1,875	123	–	–	2,411

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, accrued liabilities, other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

As at 31 March 2020, the Group had net current liabilities of HK$19,272,000 and capital deficiency of HK6,268,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and from the measures as adopted by the directors of the Company as detailed in note 3 to meet its debt obligations.

The liquidity policies have been followed by the Group during the year and are considered by the directors to have been effective in managing liquidity risk.

36. FINANCIAL RISK MANAGEMENT – Continued

Liquidity risk – Continued

Analysed below is the Group's remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group are required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group are committed to pay.

	Within 1 year or on demand HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 31 March 2020			
Non-derivatives:			
Trade payables	**14,828**	**14,828**	**14,828**
Accrued expenses and other payables	**15,234**	**15,234**	**15,234**
Loans from related parties	**7,070**	**7,070**	**6,976**
Amounts due to related parties	**1,879**	**1,879**	**1,879**
Amount due to an associate	**349**	**349**	**349**
Lease liabilities	**425**	**425**	**421**
Promissory note payable	**23,750**	**23,750**	**22,550**
	63,535	**63,535**	**62,237**
As at 31 March 2019			
Non-derivatives:			
Trade payables	693	693	693
Accrued expenses and other payables	10,813	10,813	10,813
Loans from related parties	2,733	2,733	2,733
Amounts due to related parties	1,286	1,286	1,286
Amount due to an associate	373	373	373
Promissory note payable	20,950	20,950	20,150
	36,848	36,848	36,048

37. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities measured at amortised cost are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

The following table provides an analysis of financial instruments carried at fair value by level of the Fair Value Hierarchy:

Level 1: 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: Fair value measured based on valuation techniques using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs.

Level 3: Fair value measured based on valuation techniques using significant unobservable inputs (i.e. not derived from market data).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2020				
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
– Contingent consideration payable *(note 24)*	–	–	2,033	2,033

37. FAIR VALUE MEASUREMENTS – Continued

Information about level 3 for fair value measurements

Contingent consideration payable

As mentioned in note 30(a), on 26 September 2019, the Group entered into a sale and purchase agreement with the Vendor for the acquisition of 51% equity interest in Zhong Jun Wei Shi. As set out in the agreement, the maximum amount of the contingent considerable payable to the Vendor is RMB3,600,000. The contingent consideration is payable to the Vendor following three year from the date of completion of the acquisition, and is subject to a revenue requirement that the aggregate total revenue of Zhong Jun Wei Shi for the period from 1 October 2019 to 31 March 2020 and two financial years ending 31 March 2021 and 2022 shall not be less RMB60 million (the "Guaranteed Revenue"). If the Guaranteed Revenue is not achieved, the Group shall be exempted from the obligation to pay the any part of the contingent consideration to the Vendor.

The fair value of the contingent consideration payable was estimated by management of the Group with reference to a valuation performed by an independent firm of professional valuers based on the estimated probability that Zhong Jun Wei Shi could meet the Guaranteed Revenue and the discount rate used in calculating in the present value of the contingent consideration payable.

The key unobservable inputs in calculating the fair value of the contingent consideration payable were the revenue forecast of Zhong Jun Wei Shi for the two years ending 31 March 2021 and 2020 and the discount rate.

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

	2020 **HK$'000**	2019 HK$'000
Contingent consideration payable		
At 1 April	**–**	–
Arising from acquisition of subsidiaries *(note 30(a))*	**2,251**	–
Fair value change on contingent consideration payable recognised in profit or loss during the year	**(166)**	–
Exchange realignment	**(52)**	–
At 31 March	**2,033**	–

There were no transfers between levels during the year.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The management of the Company regards capital deficiency (2019: total equity) as capital. The amount of capital as at 31 March 2020 and 2019 amounted to – HK$6,268,000 and HK$25,459,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by capital deficiency (2019: total equity) attributable to owners of the Company. Net debt includes promissory note payable, loans from and amounts due to related parties and lease liabilities less cash and cash equivalents. The Group's policy is to maintain a gearing ratio at a reasonable level.

The gearing ratios as at the end of the reporting periods were as follows:

	2020 **HK$'000**	2019 HK$'000
Promissory note payable	**22,550**	20,150
Loans from related parties	**6,976**	2,733
Amounts due to related parties	**1,879**	1,200
Lease liabilities	**421**	–
Total debt	**31,826**	24,083
Less: Cash and cash equivalents	**(16,420)**	(44,409)
Net debt	**15,406**	N/A
(Capital deficiency)/Total equity attributable to owners of the Company	**(7,203)**	27,339
Gearing ratio	**N/A**	N/A

39. NOTE SUPPORTING CASH FLOW STATEMENT

(a) Major non-cash transactions

In additional to those disclosed elsewhere in the financial statements, the Group had the following major non-cash transactions:

During the year, equity-settled share option expenses of HK$4,445,000 (2019: HK$5,788,000) were charged to profit or loss (note 27).

39. NOTE SUPPORTING CASH FLOW STATEMENT– Continued

(b) Reconciliation of liabilities arising from financing activities

	Loans from related parties (note 18 (b)) HK$'000	Amounts due to related parties (note 18(b)) HK$'000	Promissory note payable (note 23) HK$'000	Lease liabilities (note 22) HK$'000	Total HK$'000
At 1 April 2018	–	–	21,357	–	21,357
Changes from financing cash flows:					
Proceeds from loans from related parties	2,700	–	–	–	2,700
Proceed from amount due to a related party	–	1,200	–	–	1,200
Interest paid	–	–	(3,468)	–	(3,468)
Total changes from financing cash flows	2,700	1,200	(3,468)	–	432
Other changes:					
Accrued interests *(note 9)*	33	–	2,261	–	2,294
At 31 March 2019	2,733	1,200	20,150	–	24,083
Initial adoption of HKFRS 16 *(note 2)*	–	–	–	1,408	1,408
At 1 April 2019 (restated)	2,733	1,200	20,150	1,408	25,491
Changes from financing cash flows:					
Proceeds from loans from related parties	8,615	–	–	–	8,615
Proceeds from amounts due to related parties	–	1,355	–	–	1,355
Repayments of loans from related parties	(2,733)	–	–	–	(2,733)
Repayments of amounts due to related parties	–	(1,204)	–	–	(1,204)
Lease payments	–	–	–	(1,020)	(1,020)
Total changes from financing cash flows	5,882	151	–	(1,020)	5,013
Acquisition of subsidiaries *(note 30 (b))*	–	537	–	–	537
Other changes:					
Accrued interests *(note 9)*	12	–	2,400	33	2,445
Debt assignment	(1,651)	(9)	–	–	(1,660)
Total other changes	(1,639)	(9)	2,400	33	785
At 31 March 2020	6,976	1,879	22,550	421	31,826

40. EVENTS AFTER THE REPORTING DATE

On 11 June 2020, Greatwalle (International) Asset Management Co., Limited ("Great-walle Asset Management"), a wholly-owned subsidiary of the Company, has been licensed by the Securities and Futures Commission (the "SFC") to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Company, is set out below. This summary does not form part of the audited financial statements.

FINANCIAL RESULTS

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**41,150**	36,902	111,807	146,212	146,224
Gross profit/(loss)	**9,099**	(1,425)	14,452	30,866	27,574
(Loss)/profit before income tax	**(38,884)**	(88,430)	(82,339)	7,360	1,302
(Loss)/profit for the year	**(38,899)**	(88,473)	(81,551)	5,556	(55)
Attributable to:					
Owners of the Company	**(38,806)**	(85,171)	(74,705)	6,197	(55)
Non-controlling interests	**(93)**	(3,302)	(6,846)	(641)	–
	(38,899)	(88,473)	(81,551)	5,556	(55)

ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**15,037**	10,843	58,121	116,324	32,109
Current assets	**42,965**	50,664	37,245	56,812	56,705
Current liabilities	**62,237**	36,048	34,616	19,239	28,558
Non-current liabilities	**2,033**	–	–	20,909	478
Net (liabilities)/assets	**(6,268)**	25,459	60,750	132,988	59,778
(Capital deficiency)/Total equity attributable to:					
Owners of the Company	**(7,203)**	27,339	59,230	125,073	59,778
Non-controlling interests	**935**	(1,880)	1,520	7,915	–
	(6,268)	25,459	60,750	132,988	59,778