

# hmvod

hmvod Limited

hmvod 視頻有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8103)**



**2020**  
**ANNUAL REPORT**

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the "Directors") of hmvod Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lau Kelly (*Chief Executive Officer*)  
Ms. Ho Chi Na  
Mr. Yuen Koon Tung (*resigned on 16 October 2019*)  
Mr. He Dongyu (*appointed on 16 October 2019*  
*and resigned on 21 April 2020*)  
Mr. Ho Alvin Tzuen Chung (*appointed on 16 October 2019*)  
Ms. Sin Pui Ying (*appointed on 21 April 2020*)

### Independent non-executive Directors

Mr. Ho Siu King, Stanley  
Mr. Hau Chi Kit  
Mr. Ma Stephen Tsz On

## COMPANY SECRETARY

Mr. Chung Man Wai, Stephen (*resigned on 9 September 2019*)  
Mr. Wong King Hung (*appointed on 9 September 2019*)

## COMPLIANCE OFFICER

Mr. Lau Kelly

## AUTHORISED REPRESENTATIVES

Mr. Lau Kelly  
Mr. Yuen Koon Tung (*resigned on 9 September 2019*)  
Mr. Wong King Hung (*appointed on 9 September 2019*)

## AUDIT COMMITTEE

Mr. Ho Siu King, Stanley (*Chairman*)  
Mr. Hau Chi Kit  
Mr. Ma Stephen Tsz On

## REMUNERATION COMMITTEE

Mr. Ho Siu King, Stanley (*Chairman*)  
Mr. Hau Chi Kit  
Mr. Ma Stephen Tsz On

## NOMINATION COMMITTEE

Mr. Ho Siu King, Stanley (*Chairman*)  
Mr. Hau Chi Kit  
Mr. Ma Stephen Tsz On

## AUDITOR

Elite Partners CPA Limited

## REGISTERED OFFICE

Cricket Square Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit C, 8/F.,  
D2 Place Two  
15 Cheung Shun Street  
Cheung Sha Wan, Kowloon  
Hong Kong

## PRINCIPAL BANKER

Hang Seng Bank Limited

# CORPORATE INFORMATION

## PRINCIPAL SHARE REGISTRAR

SMP Partners (Cayman) Limited  
Royal Bank House – 3rd Floor  
24 Shedden Road  
P.O. Box 1586  
George Town  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road, North Point  
Hong Kong

## STOCK CODE

08103

## WEBSITE

[www.hmvod.com.hk](http://www.hmvod.com.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE

During the year ended 31 March 2020, the Group recorded a turnover of approximately HK\$36.3 million (2019: HK\$209.4 million) representing a decrease of approximately 82.7% as compared to that of the corresponding year in 2019. The overall decrease in turnover primarily due to decrease in revenue from OTT services. Other expenses (including legal and professional fee, rental expense; and bank and securities charges) decreased to approximately HK\$5.6 million as compared to approximately HK\$19.7 million of the previous corresponding year, representing a decrease of approximately 71.6%. Finance costs decreased to approximately HK\$8.7 million as compared to approximately HK\$21.4 million as compared of the previous corresponding year, representing a decrease of approximately 59.3%. Loss attributable to the owners was approximately HK\$39.1 million for the year ended 31 March 2020 (2019: loss of approximately HK\$33.6 million).

## BUSINESS PERFORMANCE AND PROSPECT

### Professional services

In view of the change of business environment, the Group has strategically broadened our professional services in cyber security services and solutions.

Our professional service team can provide services and solutions in cyber security, including ramp up model advisory, physical and cyber security assessments, build and design of secured IT architecture, implementation of security devices and IT business policy controls.

Our professional service team specializes in enterprise cyber security solutions and risk management, providing a full range of security services and solutions to corporations in the Greater China and Asia Pacific region.

Our professional service team also provides a series of highly skilled services including all level Penetration testing, complete coverage of Vulnerability management as well as DDoS protection.

Our Managed Security Services team can provide a full scale MSS security, from Firewall healthiness, critical patch management, attack and alert, incident management and change management, to endpoint management in order to cover the end-user machines.

# MANAGEMENT DISCUSSION AND ANALYSIS

Our professional service team mainly provides four major information security services which are summarized as follows:

## **1. IT Security General Control Review and Security Risk Assessment**

We adopt a proven, four-phase security methodology to conduct IT security general control review and security risk assessment services. This methodology has proved itself through many global case studies and offers a repeatable solution with predictable results time after time. Below is an illustration of the methodology:

- a) Discovery – The objective of this phase is to ‘footprint’ the current security status of the scoped IT systems components;
- b) Analysis – The objectives of this phase are to determine the risk level of identified loophole, and to determine the possible attack scenarios;
- c) Exploitation – Upon discovery of any loophole that could further be penetrated, exploitation will be carried out to determine the penetration depth of the loophole;
- d) Remediation and Auditing – Upon completion of the security risk assessment and analysis, we will provide a complete report listing.

## **2. External and Internal Penetration Tests**

Our network security assessment is conducted through Internet targeting towards the customer’s Internet facing external network (e.g. public domain or sub-domains) and from internal network to all internal servers. The focus of this test is to simulate an attack from a skillful black-hat attacker, in order to dig out the vulnerabilities.

## **3. Risk-based cyber security protection safeguard and implementation**

Our risk-based cyber security approach will evaluate best practices and technology solutions or services to address the top priority security risks of the client through:

- a) Gathering and verifying requirement;
- b) Design system Architecture;
- c) Procure the best-fit technology solutions or services;
- d) Implement, configure and strengthen the technology solutions or services;
- e) To assist our client to reengineer IT and business processes based on best practices.

## **4. 24x7 Managed IT and Security Services Outsourcing**

We aim to assist our clients to maintain a healthy IT environment by monitoring, managing, operating IT assets such as:

- a) General IT assets: desktops, servers, network devices;
- b) IT security assets: firewall, IPS, malware protection;
- c) Provide a dedicated client single point of contact (SPOC) for IT and cyber security related services, problem and incidents enquiries;
- d) Incident and problem response and management.

# MANAGEMENT DISCUSSION AND ANALYSIS

Professional services recorded an decrease in revenue to approximately HK\$1.7 million for the year ended 31 March 2020 (2019: 3.6 million).

## Money lending business

During middle of December 2019, the money lending business had been sold to the independent third party due to the uncertainties in Hong Kong which has been affected by the social movement since June 2019. The interest income in money lending business amounted to approximately HK\$7,000 for the year ended 31 March 2020 (2019: HK\$60,000). The decrease in revenue was due to the general underlying uncertainties in Hong Kong which has been affected by the social movement since June 2019, and the unexpected forced majeure event of the continued and worsening situation derived from the recent coronavirus outbreak.

## OTT Services

OTT services is providing multi-media related services and content in the Hong Kong via different platforms. In view of the growing penetration and expansion of multi-media segment, the Group is optimistic to such business segment. In addition, consumers are moving beyond traditional media, the multi-media platform is an option used by many companies to brand and market their products. As such, the multi-media platform is playing an increasingly vital role in business marketing strategy. Having considered that our OTT services is equipped with experience in the industry with diversified clientele and being specialized in the provision of OTT services of video-on-demand in Hong Kong and Taiwan via its own digital video rental platform. The revenue in OTT services recorded approximately HK\$34.7 million for the year ended 31 March 2020 (2019: HK\$51.6 million), representing a significant decrease of approximately 32.8% compared with the corresponding period in 2019 due to drop of subscription and restructuring of Hong Kong business.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the deficit attributable to owners of the Company amounted to approximately HK\$122.7 million (2019: HK\$83.5 million). Current assets amounted to approximately HK\$7.1 million (2019: HK\$26.5 million), of which approximately HK\$1.5 million (2019: HK\$2.6 million) were bank balances and cash. Current liabilities were approximately HK\$161.0 million (2019: HK\$177.7 million) mainly include trade and other payables, bank overdraft, bank and other borrowings, bonds and promissory note. Bank and other borrowings amounted to approximately HK\$64.1 million as at 31 March 2020 (2019: HK\$64.0 million).

During the year under review and until the date of this report, the Company has not made any issue for cash of equity securities.

The Board continues to look for opportunities to attract more investors, extend the shareholders base, reduce the accumulated loss and improve the flexibility of fund raising.

## GEARING RATIO

The gearing ratio was calculated on the basis of total liabilities over shareholders' equity. Since the Company recorded a deficit attributable to owners of the Company in 31 March 2019 and 2020, the gearing ratio was not applicable for the both years.

## FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2020, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in Hong Kong dollars. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE YEAR UNDER REVIEW

No material acquisition and disposal was completed for the year ended 31 March 2020.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to look for opportunities to create shareholders' value through making investments into and/or acquiring interests in companies or projects that have promising outlooks and prospects. The Group is broadening its perspective beyond the IT sector and potentially also invest into and/or make acquisitions in other industries (including renewable energy and other "green" businesses, the financial industry, and more traditional non-IT businesses) so long as such investments/acquisitions can bring value and are beneficial to the Company and its shareholders as a whole. It goes without saying that the Company will also continue to focus on existing business to bring further value to shareholders.

## SEGMENT INFORMATION

During the year under review, the Group was principally engaged in four operating segments. The Group presents its segmental information based on the nature of the products and services and has reportable segments as follows:

- professional services;
- proprietary trading; and
- OTT services.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group hired 24 employees including the executive Directors (2019: 26). Total staff costs including Directors' remuneration for the year under review amounted to approximately HK\$6.5 million (2019: HK\$9.5 million).

Employees' remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties and the current market trend. Apart from the basic salary, discretionary bonus and other incentives may be offered to the employees of the Group to reward their performance and contributions. The emoluments of the Directors are determined by the remuneration committee of the Company having regard to the performance of the individuals and market trend. The Group provides mandatory provident fund scheme for the employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Group has not made any changes to its remuneration policy during the year under review.

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

## CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

Details of charges on the Group's assets and contingent liabilities are set out in Note 20 to Note 30 to the consolidated financial statements respectively.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details in respect of the Directors and the senior management of the Company as at the date of this report are as follows:

## EXECUTIVE DIRECTORS

Mr. Lau Kelly (“Mr. Lau”), aged 41, was appointed as executive Director on 31 December 2015 and appointed as chief executive officer of the Company on 1 August 2016. Prior to joining the Group, Mr. Lau has worked with the Hong Kong Police Force for twelve years receiving commendations from Secretary of Civil Service and Secretary of Home Affairs for highly rated performances during his tenure. Mr. Lau has worked with Easy Finance Limited as Principal Consultant from 1 May 2011 to 31 October 2015 responsible for all regulatory and legal compliances.

Ms. Ho Chi Na (“Ms. Ho”), aged 41, was appointed as executive Director on 1 November 2017. Ms. Ho is a director of Anyplex Hong Kong Limited and Anyplex Taiwan Limited, subsidiaries of the Company. She has over 15 years of experience in TV and digital industry and was a Head of Pay TV department in Hong Kong Broadband Network Limited from 2009 to 2012. She then joined Anyplex Hong Kong Limited as general manager in 2012 and was promoted to CEO in 2016 with her tremendous contribution to OTT services growth. Ms. Ho received her bachelor’s degree in business administration from the City University of Hong Kong in 2001 and master degree in business administration from University of Hong Kong in 2013.

Mr. He Dongyu (“Mr. He”), aged 42, was appointed as executive Director on 16 October 2019. Mr. He has been in the movie and film production industry since 2002. His passion and enthusiasm has led him to be involved in films and documentaries production for National Geography, America Top Model Show, CCTV and many others in China. Mr. He was Partner and Executive Producer for PIG Production between 2006 and 2010. Starting from 2010, Mr. He started to invest and involved in many Chinese independent films like “Love Flu”, “The Mark Up Artist” and achieved substantial success. Mr. He is currently an angel investor for late-stage film productions and distributions. He is well connected in the Chinese film industry and global copyright market. Mr. He resigned as executive Director of the Company on 21 April 2020 in order to devote more time to his personal business developments.

Mr. Ho Alvin Tzuen Chung (“Mr. Ho”), aged 54, was appointed as executive Director on 16 October 2019, is currently a Director of Consortium Capital Co. Ltd. and several companies. Mr. Ho is one of the founder and GP of Hina-Consortium Beijing Fund, the fund is now evaluated at 5X return and is at matured stage. He was the non-executive Director for a US-based VC WI Harper. He also participated in many social duties; he was the investment advisor to Beijing Government, he was one of the founders of Beijing Huayuan Technology Association, as well as Secretary General of Mt. Jade Association Hong Kong. Mr. Ho was the Director and Chairman of FX Hotels Group Inc. (2724. TWO), a listed company in Taiwan from June 2012 to September 2017. Mr. Ho received his bachelor’s computer science degree from University of Southern California in 1985 and entered master program in computer science of University of Southern California in 1986.

Ms. Sin Pui Ying (“Ms. Sin”), aged 40, was appointed as executive Director on 21 April 2020, is a practicing member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor’s degree in Business Administration (Accounting and Finance) from the University of Hong Kong. She has over 18 years of experience in finance and accounting. Prior to joining the Company, she was responsible for accounting, internal audit, investment and corporate finance matters for several listed companies in Hong Kong. Ms. Sin is currently an executive director of KNK Holdings Limited (stock code: 8039), On Real International Holdings Limited (stock code: 8245) and Aurum Pacific (China) Group Limited (stock code: 8148), the shares of the companies are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Siu King, Stanley, aged 32, was appointed as an independent non-executive Director on 20 July 2018. He is currently a practicing barrister in Hong Kong. His areas of practice include civil and criminal law. He is an independent non-executive director of Easy Repay Finance & Investment Limited (Stock code: 8079), whose shares listed on the GEM of the Stock Exchange. Mr. Ho holds a Master of Laws degree from the London School of Economics and Political Science, and Bachelor of Laws and Bachelor of Engineering (Civil Engineering and Laws) degrees from the University of Hong Kong. Mr. Ho was an independent non-executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the GEM of the Stock Exchange from 26 January 2017 to 19 February 2019.

Mr. Hau Chi Kit, aged 48, was appointed as an independent non-executive Director on 4 March 2016. He is currently an independent non-executive director of Xinyang Maojian Group Limited (stock code: 362) and eForce Holdings Limited (stock code: 943), both being companies whose shares are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Code Agriculture (Holdings) Limited whose shares are listed on the GEM of the Stock Exchange. Mr. Hau was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr. Hau is a solicitor.

Mr. Ma, aged 41, was appointed as an independent non-executive Director on 20 July 2018. He is currently a barrister-at-law at Wellington Chambers. He was admitted to practice law as a barrister in the High Court of Hong Kong in 2006. Mr. Ma is also an independent non-executive director of Chinese Food and Beverage Group Limited (Stock code: 8272), a company listed on the GEM of the Stock Exchange. Mr. Ma holds a Postgraduate Certificate in Laws from The University of Hong Kong, a Graduate Diploma in Law from The Nottingham Trent University and a Bachelor's degree in Business Administration from Simon Fraser University.

## SENIOR MANAGEMENT

Mr. Lau Kelly, aged 41, is the compliance officer of the Company. Mr. Lau, an executive Director of the board of Directors, was appointed as the Company's compliance officer on 29 April 2016. Please refer to the sub-section headed "Executive Directors" above for Mr. Lau's biographical details.

Mr. Wong King Hung, aged 36, was appointed as a company secretary of the Company on 9 September 2019. He has over 10 years of experience in auditing, accounting and financial managing field. He is a member of Hong Kong Institute of Certified Public Accountants. In addition, he holds a degree of Bachelor of Business Administration in Accounting from the Open University of Hong Kong.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interest of its shareholders. It has continued and will continue to identify and adopt the best corporate governance practices appropriate to the Company.

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules as its own code on corporate governance practices. Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code during the year.

Code provision A.6.7-one executive Director was unable to attend the annual general meeting of the Company held on 1 August 2019.

Under code provision A.2.1 of the CG code, the role of chairman (the "Chairman") and chief executive officer (the "CEO") of the Company should be separated and should not be performed by the same individual to ensure their respective independence, accountability and responsibility. To ensure a balance of power and authority, the Company has a clear and defined division of the responsibilities between the Chairman and the CEO in accordance with the Code. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group's operations and business development.

Subsequent to the resignation of former Chairman, the post has been vacant as at 31 March 2020. The Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment with suitable knowledge, skill and experience to fill the post of the Chairman as appropriate.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' transactions in securities of the Company.

Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance throughout the year ended 31 March 2020.

## BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and policies, including an oversight of the management. The management of the Company is responsible for the day-to-day operations of the Company under the leadership of the chief executive officer.

The Board also assumes the corporate governance duties of the Company, which include:

- (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices in compliance with the legal and regulatory requirements;

# CORPORATE GOVERNANCE REPORT

- (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and
- (v) reviewing the Company's compliance with the Code and disclosure in the corporate governance report enclosed in the annual report of the Company.

Throughout the year under review, the Board has assumed the above corporate governance duties by discussing and considering the above matters.

As at 31 March 2020, the Board comprised of seven Directors, including (i) four executive Directors, namely Mr. Lau Kelly, Ms. Ho Chi Na and Mr. He Dongyu, Mr. Ho Alvin Tzuen Chung; and (ii) three independent non-executive Directors, namely Mr. Ho Siu King, Stanley, Mr. Hau Chi Kit and Mr. Ma Stephen Tsz On. All of the independent non-executive Directors have appropriate professional qualifications, or related financial management expertise.

In determining the independence of independent non-executive Directors, the Board has followed the requirements set out in the GEM Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company is of the view that all the independent non-executive Directors have met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

Pursuant to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not more than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The Board meets regularly, and at least four times a year of approximately quarterly internals. Between scheduled meetings, senior management of the Company from time to time meets with Directors to discuss the businesses of the Company. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

During the financial year ended 31 March 2020, the Board held 7 board meetings and 1 general meetings and the attendance records of these meetings are set out below:

	Attendance	
	Board meeting	General meeting
<b>Executive Directors</b>		
Mr. Lau Kelly	7/7	1/1
Ms. Ho Chi Na	6/7	1/1
Mr. Yuen Koon Tung ( <i>resigned on 16 October 2019</i> )	4/4	0/1
Mr. He Dongyu ( <i>appointed on 16 October 2019 and resigned on 21 April 2020</i> )	3/3	N/A
Mr. Ho Alvin Tzuen Chung ( <i>appointed on 16 October 2019</i> )	3/3	N/A
<b>Independent non-executive Directors</b>		
Mr. Ho Siu King, Stanley	7/7	1/1
Mr. Hau Chi Kit	7/7	1/1
Mr. Ma Stephen Tsz On	7/7	1/1

There is no relationship (including financial, business, family or material/relevant relationship(s)) among members of the Board.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the Director.

During the year under review, all Directors have been provided with and read the materials prepared by the Company relating to their roles, functions and duties as directors of a listed issuer.

The Directors also provided their training record to the Company in respect of their participation in other training activities such as attending trainings and/or seminars, or reading newspapers, journals and updates relevant to the Group's businesses or to their duties and responsibilities as directors of a listed company, particulars of which are as follows:

Name	Trainings
<b>Executive Directors</b>	
Mr. Lau Kelly	✓
Ms. Ho Chi Na	✓
Mr. Yuen Koon Tung ( <i>resigned on 16 October 2019</i> )	✓
Mr. He Dongyu ( <i>appointed on 16 October 2019 and resigned on 21 April 2020</i> )	✓
Mr. Ho Alvin Tzuen Chung ( <i>appointed on 16 October 2019</i> )	✓
Ms. Sin Pui Ying ( <i>appointed on 21 April 2020</i> )	✓
<b>Independent non-executive Directors</b>	
Mr. Ho Siu King, Stanley	✓
Mr. Hau Chi Kit	✓
Mr. Ma Stephen Tsz On	✓

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 March 2020, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing on an annual basis its effectiveness to safeguard the Company's assets and the Shareholders' interests.

The Audit Committee have been established under the Board, which is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the eight elements of this risk management framework: Internal Environmental, Objective Setting, Event Identification, Risk Assessment, Risk Respond, Control Activities, Information and Communication and Monitoring.

The Group aims to develop risk awareness and control responsibility as our culture and the foundation of our internal control system. The internal control system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At beginning of each year, the Group conducts a risk assessment on the existing or potential risks that may impact the achievement of business objectives over the course of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the management determines the action plans and management targets in the expected time of completion according to the risk assessment result. The management is also responsible for managing their respective day-to-day operating risks, implementing measures to mitigate such risks.

The internal control system is designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year ended 31 March 2020, the Group has undertaken the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. There is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2020.

The Board considered that, for the year ended 31 March 2020, the risk management and internal control system and procedures of the Group, covering all material controls were reasonably effective and adequate.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in 2005 with written terms of reference. As at 31 March 2020, the chairman of the Remuneration Committee was Mr. Ho Siu King, Stanley, an independent non-executive Director, and the other members were Mr. Hau Chi Kit and Mr. Ma Stephen Tsz On. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is mainly responsible for:

- (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) having the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors, and the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (v) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (vi) ensuring that no Director or any of his associates is involved in deciding his own remuneration; and
- (vii) advising shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under Rule 17.90 of the GEM Listing Rules.

During the financial year ended 31 March 2020, the Remuneration Committee held two meetings, and the attendance records of these meetings are set out below:

	<b>Attendance</b>
Mr. Ho Siu King, Stanley ( <i>Chairman</i> )	1/2
Mr. Hau Chi Kit	2/2
Mr. Ma Stephen Tsz On	2/2

During the year under review, the Remuneration Committee has considered and reviewed the existing terms of appointment of the Directors. The Remuneration Committee considers that the existing terms of appointment of the Directors are fair and reasonable.



# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established in 2012 with written terms of reference. As at 31 March 2020, the Chairman of the Nomination Committee was Mr. Ho Siu King, Stanley, an independent non-executive Director, and the other members were Mr. Hau Chi Kit and Mr. Ma Stephen Tsz On. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee is mainly responsible for:

- (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the board regarding any proposed changes;
- (ii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (iii) assessing the independence of independent non-executive Directors; and
- (iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the chairman and the chief executive officer.

During the financial year ended 31 March 2020, the Nomination Committee held two meetings, and the attendance records of these meetings are set out below:

	<b>Attendance</b>
Mr. Ho Siu King, Stanley ( <i>Chairman</i> )	1/2
Mr. Hau Chi Kit	2/2
Mr. Ma Stephen Tsz On	2/2

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board and the factors (including but not limited to age, gender, cultural and educational background, professional experience, skill and knowledge) to be considered in determining the optimum composition of the Board so as to contribute to the achievement of the Company’s corporate goals and strategic objectives. The Nomination Committee will review the board diversity policy when appropriate to ensure its effectiveness and will discuss any revisions that may be required to be considered and approved by the Board.

The Nomination Committee is of the view that the current diversity of the Board is appropriate.

During the year under review, the Nomination Committee has considered and reviewed the policy for the nomination of Directors, the process and criteria to select and recommend candidates for directorship. The Nomination Committee considers that the existing policy for nomination, selection and recommendation for directorship are suitable.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

In full compliance with Rule 5.28 of the GEM Listing Rules, the audit committee of the Company (the "Audit Committee") was established in 2000 with written terms of reference. As at 31 March 2020, the chairman of the Audit Committee was Mr. Ho Siu King, Stanley, an independent non-executive Director, and the other members were Mr. Hau Chi Kit and Mr. Ma Stephen Tsz On. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Audit Committee, the Audit Committee is mainly responsible for:

- (i) considering the appointment of the external auditor, the performance of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditor;
- (ii) reviewing with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the Directors on such system to be included in the annual accounts prior to endorsement by the Board;
- (iii) having familiarity, through the individual efforts of its members, with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (iv) prior to its commencement, reviewing the scope of the external audit, including the engagement letter, and the review should include an understanding, from the external auditors of the factors considered by them in determining their audit scope, and negotiating the external auditors' fees with management;
- (v) reviewing the extent of non-audit services provided by the external auditors in relation to their independence;
- (vi) reviewing the quarterly, interim and annual report prior to approval by the Board, with particular focus on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) compliance with accounting standards;
  - (e) compliance with the listing requirements of the Stock Exchange and legal requirements;
  - (f) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;
  - (g) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;
  - (h) the cash flow position of the Group; and
  - (i) providing advice and comments thereon to the Board;

# CORPORATE GOVERNANCE REPORT

- (vii) reviewing the draft representation letter prior to approval by the Board;
- (viii) reviewing and considering the budget, revised budget prepared by the Board;
- (ix) evaluating the cooperation received by the external auditors, including their access to all requested records, data and information; obtaining the comments of management regarding the responsiveness of the external auditors to the Group's needs; inquiring the external auditors as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (x) discussing with the external auditors any relevant recommendations arising from the audit; and reviewing the draft management letter including management's response to the points raised;
- (xi) when the auditors supply a substantial volume of non-audit services to the Group, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (xii) discussing with management the risk management and internal control systems and ensure that management has discharged its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (xiii) appraising the Board of significant developments in the course of performing the above duties;
- (xiv) recommending to the Board any appropriate extensions to, or changes, in the duties of the Audit Committee;
- (xv) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (xvi) (where an internal audit function exists) reviewing the internal audit program, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- (xvii) considering other topics, as defined or assigned by the Board from time to time.

During the financial year ended 31 March 2020, the Audit Committee held four meetings, and the attendance records of these meetings are set out below:

	<b>Attendance</b>
Mr. Ho Siu King, Stanley ( <i>Chairman</i> )	3/4
Mr. Hau Chi Kit	3/4
Mr. Ma Stephen Tsz On	4/4

The audited consolidated results for the year ended 31 March 2019 have been reviewed by the Audit Committee on 27 June 2019. The results for the period ended 30 June 2019, 30 September 2019, and 31 December 2019 have been reviewed by the Audit Committee on 12 August 2019, 12 November 2019 and 12 February 2020 respectively.

The audited consolidated results of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee as at the date of this report.

# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 March 2020 and 2019 were performed by Elite Partners CPA Limited.

The total fee paid/payable in respect of the statutory audit and non-audit services provided by the external auditors is set out in the following table:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
– Audit services	<b>750</b>	700
– Non-audit services	<b>84</b>	278
<b>Total</b>	<b>834</b>	978

## COMPANY SECRETARY

Mr. Wong King Hung (“Mr. Wong”) is the company secretary of the Company.

According to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Wong has taken not less than 15 hours of relevant professional training during the financial year ended 31 March 2020.

## SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the articles of association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and 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.

In the event that any shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company would like to call for an extraordinary general meeting, please make a written requisition to the principal office of the Company in Hong Kong from time to time, making attention to “The Board of Directors and the Company Secretary”.

There are no provisions allowing shareholders to put forward proposals at the general meetings under the memorandum and articles of association. If shareholders wish to do so, they may request to convene an extraordinary general meeting as stipulated above and specify the proposals in such written requisition.

For any enquiries, shareholders are welcome to contact the Company by post to the principal office of the Company in Hong Kong, by phone at (852) 3108 0188 or by fax at (852) 3108 0187.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

All corporate communication materials published on the GEM website (<http://www.hkgem.com>) are posted on the Company's corporate website (<http://www.hmvod.com.hk>) as soon as practicable after their release. The Company's constitutional documents are also available on both websites. During the year ended 31 March 2020, there have not been any significant changes to the Company's constitutional documents.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum of the Company and the Articles of Association have been amended and restated with effect from 11 September 2018, the latest version of which are available from the websites of the Company and the Stock Exchange.

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 40 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 March 2020 by segments are set out in Note 12 to the consolidated financial statements.

## ANNUAL RESULTS

The annual results of the Group for the year ended 31 March 2020 are set out in the section headed "Consolidated statement of profit or loss and other comprehensive income" of this report.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2020 are set out in Note 31 to the consolidated financial statements.

## RESERVES

Details of the movements in reserves of the Group during the year under review are set out in the section headed "Consolidated statement of changes in equity" of this report.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2020.

## DISTRIBUTABLE RESERVES

The Company did not have reserves available for distribution to the shareholders as at 31 March 2020. Under the Companies Law of the Cayman Islands, the share premium of the Company amounted to approximately HK\$510.6 million at 31 March 2020 is distributable to the shareholders of the Company subject to the provisions of the Company's memorandum and articles of association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

# DIRECTORS' REPORT

## BORROWINGS

Particulars of bank and other borrowings and bonds of the Group as at 31 March 2020 are set out in Notes 29 and 30 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 March 2020 are set out in Note 20 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2020, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 48.8% of the total purchases of the Group and the largest supplier amounted to approximately 220%.

For the year ended 31 March 2020, the aggregate percentage of sales attributable to the Group's five largest customers accounted for approximately 88.80% of the total sales of the Group and the largest customer amounted to approximately 64.87%.

At no time during the year have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

## DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 March 2020.

## RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2020 are set out in Note 43 to the consolidated financial statements.

## RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in Note 42 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under the GEM Listing Rules.

# DIRECTORS' REPORT

## DIRECTORS

During the year ended 31 March 2020 and up to the date of this report, the Board comprises the following Directors:

### Executive Directors

Mr. Lau Kelly (*Chief Executive Officer*)

Ms. Ho Chi Na

Mr. Yuen Koon Tung (*resigned on 16 October 2019*)

Mr. He Dongyu (*appointed on 16 October 2019 and resigned on 21 April 2020*)

Mr. Ho Alvin Tzuen Chung (*appointed on 16 October 2019*)

Ms. Sin Pui Ying (*appointed on 21 April 2020*)

### Independent non-executive Directors

Mr. Ho Siu King, Stanley

Mr. Hau Chi Kit

Mr. Ma Stephen Tsz On

The biographical details of the Directors as at the date of this report are set out in the section of "Directors and senior management profile" of this report.

## DIRECTORS' SERVICE CONTRACTS

As at 31 March 2020, Mr. Lau Kelly, Ms. Ho Chi Na, Mr. He Dongyu and Mr. Ho Alvin Tzuen Chung being the executive Directors of the Company; and Mr. Ho Siu King, Stanley, Mr. Hau Chi Kit and Mr. Ma Stephen Tsz On, being the independent non-executive Directors of the Company, have entered into service contracts with the Company for an initial term of three years commencing from their dates of appointment, and their employments are subject to the rotation requirements under the articles of association of the Company.

None of the Directors has entered into any service contract with any member of the Group which in order to entitle the Company to terminate the service contract, expressly requires the Company to give a period of notice of more than 1 year or to pay compensation or make other payments equivalent to more than 1 year's remuneration, other than statutory compensation.

## INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of his or her independence in relation to their services for the year ended 31 March 2020 pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that each of the independent non-executive Directors is independent.

## DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 20 to the consolidated financial statements.



# DIRECTORS' REPORT

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2020, none of the Directors and chief executive of the Company were interested in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 March 2020, there are no person (other than a director or chief executive of the Company) who have interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group. As at 31 March 2020, the issued share capital of the Company was 142,256,878 shares.

## LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2020, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

## SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 March 2020, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

# DIRECTORS' REPORT

## SHORT POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2020, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register. Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

## CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2020.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2020.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2020.

## DIRECTORS' COMPETING INTERESTS

As at 31 March 2020, none of the Directors, the substantial shareholders or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

## SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 12 November 2014, the Company approved and adopted a share option scheme (the "Scheme"). There were no movement in the share options during the year ended 31 March 2020 and there were no outstanding share options as at 31 March 2019 and 2020. Summary of the Scheme are set out below:

### (a) Purpose of the Scheme

The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

### (b) Participants

The categories of the participant under the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group or any entity in which any member of the Group holds an equity interest (an "Invested Entity") and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers, shareholders, co-investors, lenders of or to, and persons who have business relationships with, any member of the Group or any Invested Entity (including the employees thereof) who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

# DIRECTORS' REPORT

The scope of participants under the Scheme is with an aim to attract, retain and maintain on-going business relationship with the other participants whose contributions are or will be beneficial to the long term growth of the Group which would enhance the value of the Company and its shares on the basis of the Board's discretion with reference to their history, business relationship and contributions with/to the Group.

## (c) Maximum number of shares

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30 per cent. in nominal amount of the issued share capital of the Company from time to time ("Scheme Limit").

- (i) The maximum number of shares in respect of which options may be granted under the Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10 per cent. in nominal amount of the issued share capital of the Company on the adoption date (the "Scheme Mandate Limit"). Option lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) The Scheme Mandate Limit referred to in paragraph (c) (i) may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10 per cent. of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. Option previously granted under the Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.
- (iii) The Company may grant options beyond the Scheme Mandate Limit to Participants if:
  - (a) the Company has first sent a circular to Shareholders containing a generic description of the specified participants in question, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose; and
  - (b) separate Shareholder's approval has been obtained.

## (d) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to a specifically identified single grantee under the Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1 per cent. of the shares in issue (the "Individual Limit"). The Company may grant options beyond the Individual Limit to a participant at any time if:

- (i) the Company has first sent a circular to Shareholders containing the identity of the participant in question, the number and terms of the options to be granted (and options previously granted to such participant); and
- (ii) separate Shareholder's approval has been obtained in general meeting with the proposed relevant grantee (as the case may be) and his associates abstaining from voting.

# DIRECTORS' REPORT

## **(e) Subscription price for shares**

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greater of:

- (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on date of grant;
- (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding date of grant; and
- (iii) the nominal value of a share.

## **(f) Duration of the Scheme**

Subject to the provisions of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date (the "ten-year" period), after which period no further options shall be offered or granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

## **(g) Exercise of options**

An option may be exercised in whole or in part in accordance with the terms of the Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price multiplied by the number of shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of the Auditors' certificate or the certificate from the independent financial adviser to the Company, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid and issue to the grantee (or his legal personal representative(s)) share certificates in respect of the Shares so allotted.

## **(h) Minimum period**

There are no minimum holding period for which an Option must be held before it can be exercised nor performance targets that need to be met before a grantee is entitled to exercise an Option duly granted under the Scheme.

## **(i) Time of acceptance and payment on acceptance**

An Offer shall be deemed to have been accepted and an Option shall be deemed to have been granted and accepted and shall take effect when the duplicate letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

# DIRECTORS' REPORT

## FIVE YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five year summary" of this report.

## PERMITTED INDEMNITY

Pursuant to the memorandum and Articles of Association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

## AUDITOR

The consolidated financial statements for the year ended 31 March 2018, 31 March 2019 and 31 March 2020 were audited by Elite Partners.

Elite Partners will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

## INTERESTS OF COMPLIANCE ADVISER

Pursuant to the directions of the GEM Listing Committee of the Stock Exchange, the Company has appointed Grand Moore Capital Limited as the independent compliance adviser (the "Compliance Adviser") on an on-going basis for consultation on compliance with the GEM Listing Rules for a period of two years with effect from 22 June 2018. As at 31 March 2020, as notified by the Compliance Adviser, save for the compliance adviser's agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules."

On behalf of the Board

**Lau Kelly**  
*Executive Director*  
Hong Kong  
30 June 2020

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020

**TO THE MEMBERS OF hmvod Limited***(Incorporated in Cayman Islands with limited liability)***DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of hmvod Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 95, 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 consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**BASIS FOR DISCLAIMER OF OPINION****Multiple uncertainties related to the going concern basis**

As disclosed in note 2 to consolidated financial statements, the Group had net current liabilities of approximately HK\$153,927,000 and capital deficiency of approximately HK\$132,404,000 as at 31 March 2020. The existence of these uncertainties casts significant doubt on the Group's ability to continue as going concern.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, the validity of which is dependent on the favourable outcomes of the steps being taken by the directors as described in note 2 to the consolidated financial statements. However, we were unable to obtain sufficient audit evidence to assess the appropriateness and validity of the going concern assumption. Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for any further liabilities which may arise. These consolidated financial statements do not include any of those adjustments.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in the independent auditor's report is Chan Wai Nam, William with Practising Certificate Number P05957.

### **Elite Partners CPA Limited**

*Certified Public Accountants*

Hong Kong, 30 June 2020

10/F., 8 Observatory Road,  
Tsim Sha Tsui,  
Kowloon, Hong Kong

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000 (Restated)
Turnover	10	36,345	209,412
<b>CONTINUING OPERATIONS</b>			
Revenue	10	36,338	55,250
Other income and gains	11	14,637	16,770
Subcontractors costs		(32,292)	(51,029)
Other expenses		(5,584)	(19,652)
Impairment loss on trade and other receivables		(626)	(604)
Impairment loss on goodwill		(21,701)	(21,294)
Fair value change of equity investments at fair value through profit or loss		–	(2,086)
Loss on disposal of financial assets at fair value through profit or loss		–	(7,073)
Loss on disposal of equity investment at fair value through profit or loss		(741)	–
Finance costs	13	(8,684)	(21,350)
Depreciation of property, plant and equipment		(558)	(808)
Amortisation of intangible assets		(6,887)	(6,887)
Staff costs, including directors' emoluments	16	(6,456)	(9,466)
Share of result of associates		–	(99)
Loss before tax		(32,554)	(68,328)
Income tax (expense)/credit	14	(8,195)	2,231
Loss for the year from continuing operations		(40,749)	(66,097)
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations	15	37	29,729
Loss for the year		(40,712)	(36,368)
Other comprehensive income/(loss)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(90)	6,104
Total comprehensive expenses for the year		(40,802)	(30,264)
Loss for the year attributable to:			
Owners of the Company		(39,134)	(33,589)
Non-controlling interests		(1,578)	(2,779)
		(40,712)	(36,368)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(39,204)	(27,497)
Non-controlling interests		(1,598)	(2,767)
		(40,802)	(30,264)
(Loss)/earnings per share			
Loss per share from continuing and discontinued operations	18		
– Basic and diluted		HK(27.51) cents	HK(23.61) cents
Loss per share from continuing operations	18		
– Basic and diluted		HK(27.54) cents	HK(44.51) cents
Earnings per share from discontinued operations	18		
– Basic and diluted		HK0.03 cents	HK20.90 cents



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	20	1,526	2,010
Goodwill	21	15,749	37,450
Intangible assets	22	15,497	22,384
Deferred tax asset	33	–	9,329
		<b>32,772</b>	<b>71,173</b>
<b>Current Assets</b>			
Trade and other receivables	24	4,429	18,003
Deposits and prepayments	26	1,153	2,193
Equity investments at fair value through profit or loss	23	–	3,741
Bank balances and cash	27	1,525	2,592
		<b>7,107</b>	<b>26,529</b>
<b>Current Liabilities</b>			
Trade and other payables	28	86,425	89,883
Bank overdraft		–	46
Bank and other borrowings	29	64,095	63,990
Bonds	30	10,134	9,522
Promissory note	32	–	13,890
Tax payable		380	383
		<b>161,034</b>	<b>177,714</b>
<b>Net Current Liabilities</b>		<b>(153,927)</b>	<b>(151,185)</b>
<b>Total Assets less Current Liabilities</b>		<b>(121,155)</b>	<b>(80,012)</b>
<b>Capital and Reserves</b>			
Share capital	31	142	142
Reserves		(122,857)	(83,653)
Deficit attributable to owners of the Company		(122,715)	(83,511)
Non-controlling interest		(9,689)	(8,091)
Total Deficit		(132,404)	(91,602)
<b>Non-current Liabilities</b>			
Bonds	30	8,692	7,897
Deferred tax liabilities	33	2,557	3,693
		<b>11,249</b>	<b>11,590</b>
		<b>(121,155)</b>	<b>(80,012)</b>

The consolidated financial statements on pages 31 to 95 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

**Lau Kelly**  
Director

**Ho Chi Na**  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 March 2020

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	General reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 31 March 2018	142	510,565	3,056	1,200	6,348	(575,988)	(54,677)	(5,324)	(60,001)
Adjustment on initial application of HKFRS 9	-	-	-	-	-	(772)	(772)	-	(772)
Adjusted balance at 1 April 2018	142	510,565	3,056	1,200	6,348	(576,760)	(55,449)	(5,324)	(60,773)
Loss for the year	-	-	-	-	-	(33,589)	(33,589)	(2,779)	(36,368)
Exchange difference arising on translation of foreign operations	-	-	-	-	6,092	-	6,092	12	6,104
Total comprehensive expense for the year	-	-	-	-	6,092	(33,589)	(27,497)	(2,767)	(30,264)
Disposal of subsidiaries	-	-	(3,056)	-	(10,854)	13,345	(565)	-	(565)
At 31 March 2019 and at 1 April 2019	142	510,565	-	1,200	1,586	(597,004)	(83,511)	(8,091)	(91,602)
Loss for the year	-	-	-	-	-	(39,134)	(39,134)	(1,578)	(40,712)
Exchange difference arising on translation of foreign operations	-	-	-	-	(70)	-	(70)	(20)	(90)
Total comprehensive expense for the year	-	-	-	-	(70)	(39,134)	(39,204)	(1,598)	(40,802)
Transfer of exchange translation reserve	-	-	-	-	(1,986)	1,986	-	-	-
At 31 March 2020	142	510,565	-	1,200	(470)	(634,152)	(122,715)	(9,689)	(132,404)

Notes:

**(a) General reserve**

According to the relevant rules and regulations of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC should allocate part of their profit after taxation to the general reserve, which can be used for making good losses and to convert into paid-up capital.

**(b) Capital reserve**

The capital reserve represents waiver of amount due to a shareholder of the Company during the year ended 31 March 2003. As the waived amount was in substance equivalent to a capital contribution to the Company, hence, it was accounted for as capital reserve.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before tax from continuing operations	(32,554)	(68,328)
Profit before tax from discontinued operations	37	29,729
Adjustments for:		
Depreciation of property, plant and equipment	773	809
Amortisation of intangible asset	6,887	6,887
Loss on disposal of financial assets at fair value through profit or loss	–	7,073
Loss on disposal of equity investment at fair value through profit or loss	741	–
Loss on change in fair value of financial assets at fair value through profit or loss	–	2,086
Waiver of promissory note	(14,270)	–
Gain on disposal of subsidiaries	(281)	(49,663)
Finance costs	8,684	23,815
Loss on disposal of property, plant and equipment, net	–	82
Written off of property, plant and equipment	9	–
Impairment loss recognised in respect of:		
– trade receivables	626	604
– other receivables	–	570
– goodwill	21,701	21,295
Interest income	(353)	(4)
Reversal of impairment loss in respect of:		
– trade receivables	–	(21)
– other receivables	–	(49)
Share of loss of an associate	–	99
Operating cash flows before movements in working capital	(8,000)	(25,016)
Decrease in trade and other receivables	12,998	2,204
Decrease in deposits and prepayments	1,040	5,704
Decrease in financial assets at fair value through profit or loss	–	55,768
Increase in amounts due from customers for contract work	–	(120)
Decrease in amounts due to customers for contract work	–	(185)
(Decrease)/increase in trade and other payables	(3,458)	942
<b>CASH GENERATED FROM OPERATIONS</b>	<b>2,580</b>	<b>39,297</b>
Income tax paid	(5)	(1,338)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>2,575</b>	<b>37,959</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(83)	(2,261)
Net cash outflow from disposal of subsidiaries	(1)	100
Interest received	353	4
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>269</b>	<b>(2,157)</b>
<b>FINANCING ACTIVITIES</b>		
New bank and other borrowings	5,446	68,357
Repayment of bank and other borrowings	(2,341)	(96,532)
Interest paid	(6,880)	(12,892)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(3,775)</b>	<b>(41,067)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(931)</b>	<b>(5,265)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>2,546</b>	<b>6,043</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(90)</b>	<b>1,768</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>1,525</b>	<b>2,546</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	1,525	2,592
Bank overdraft	-	(46)
	<b>1,525</b>	<b>2,546</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit C, 8/F., D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is principally engaged in investment holding and the principal activities of the Company's subsidiaries (together with the Company referred to as the "Group") are set out in Note 40.

In prior years, the Company's functional currency was Renminbi ("RMB"). As a result of the disposal of Tong Fan Group (as defined in Note 34), the Group's operation is focused in Hong Kong and thus the directors have determined that the functional currency of the Company to be changed from RMB to Hong Kong dollar ("HK\$") during the year to remain in line with the Group's operations. The directors have made an assessment on the impact of the change of functional currency of the Company and concluded that there was no material effect on the financial performance and financial position of the Group.

The consolidated financial statements are presented in HK\$ and all values are rounded to the nearest thousand (HK\$'000), unless otherwise indicated.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss which were measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17 *Leases* (before the application of HKFRS 16 *Leases*) or HKFRS 16 (since 1 April 2019), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In preparing these consolidated financial statements, the directors have considered the future liquidity of the Group. As at 31 March 2020, the Group had recorded net current liabilities and net liabilities of approximately HK\$153,927,000 and HK\$132,404,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements.

As of the date when the consolidated financial statements are authorised for issue, as disclosed in note 38, the Company proposed to: (i) effect the share consolidation which involves the consolidation of every ten (10) issued and unissued existing shares of par value HK\$0.001 each into one (1) consolidated share of par value of HK\$0.01 each; and (ii) proposed to implement the rights issue on the basis of five (5) rights shares for every one (1) consolidated share of the Company at the subscription price of HK\$0.85 per rights share, to raise gross proceeds of approximately HK\$60,500,000 before expenses (assuming no further issue or repurchase of shares or consolidated shares on or before the record date), by way of the rights issue of 71,128,435 rights shares to the qualifying shareholders.

By a combination of the rights issue and the overdue bond proposal as set out in note 30, and after utilising proceeds from the rights issue for full repayment of the overdue loans and partial repayment of the overdue bond (assuming the remaining portion will be settled by way of loan capitalization under the overdue bond proposal), it will result in full settlement of the overdue loans and the overdue bond (the "Overdue Debts Full Settlement"). Thereafter, the interest-bearing debts of the Group (the "Interest-bearing Debts") will be reduced substantially. Moreover, the other outstanding loans, which will not incur immediate repayment obligation on the Group as they are not yet overdue, will be the only remaining Interest-bearing Debts. As estimated based on the interest rate of the Interest-bearing Debts, after the Overdue Debts Full Settlement, it will result in substantial interest saving as estimated annual interest will drop significantly.

With the substantial improvement in the financial position of the Group upon completion of the Rights Issue, the Board of directors considers that it will enable the Group to be in a better position to negotiate with the creditors for the settlement of the outstanding debts and will facilitate the possible debt arrangements for further strengthening the financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Basis of preparation (Continued)

Under these circumstances, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2020 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively.

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

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

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and related interpretations.

#### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contain a lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### HKFRS 16 *Leases* (Continued)

#### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- (ii) elect not to recognise right-of-use assets and lease liabilities for leases with lease term end within 12 months of the date of initial application; and
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial applications.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	600
Lease liabilities as at 1 April 2019, discounted at relevant incremental borrowing rate	574
Analysed as:	
Current	339
Non-current	235
	574
Right-of-use assets recognised upon application of HKFRS 16 as at 1 April 2019, relating to operating lease in respect of leased property	574

Transition to HKFRS 16 does not have an impact on accumulated losses at 1 April 2019.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and HKASs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts <sup>4</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concession <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>2</sup> Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors do not anticipate that the application of these new and amendments to HKFRSs will have a material effect on the Group's consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income/(expense) of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income/(loss) for the year between the non-controlling shareholders and owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

### (b) Goodwill

Goodwill arising on acquisition of a business is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's relevant cash-generating unit ("CGU") (or groups of CGUs), that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is indication that the unit may be impaired. When the recoverable amount of CGU 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 of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Revenue from contract with customers

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

#### *Nature of goods or services*

The nature of the goods or services provided by the Group is as follows:

- a. Subscription fee income from over-the-top services
- b. Service income from information technology engineering and technical support

#### *Identification of performance obligations*

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- i. a good or service (or a bundle of goods or services) that is distinct; or
- ii. a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- i. the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- ii. the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Revenue from contract with customers (Continued)

#### *Identification of performance obligations (Continued)*

##### *Timing of revenue recognition*

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ii. the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- iii. the Group's performance 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 a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

#### **a. Subscription fee income**

Income from the provision of over-the-top ("OTT") services is recognised at the time when the service is rendered.

#### **b. Professional service income**

Professional service income represents fees for the provision of information technology engineering and technical support services and are recognised when the underlying professional services are rendered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve.

### (e) Borrowing costs

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

### (f) Retirement benefit costs

Payments to mandatory provident fund scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

### (g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

### (h) Property, plant and equipment

Property, plant and equipment are stated in consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

### (i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition (which is regarded as their cost).

Subsequent to initial recognition, Intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment losses on property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 (or CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### (k) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is of the time value of money is material).

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 is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments

#### *Financial assets*

##### *Recognition and derecognition*

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay.

##### *Classification and measurement*

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Classification and measurement (Continued)*

On initial recognition, a financial asset is classified as (i) measured at amortised cost; or (ii) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

#### 1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Classification and measurement (Continued)*

#### 2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or at fair value through other comprehensive income, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, and financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if it is:

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments (Continued)

#### *Financial liabilities*

##### *Recognition and derecognition*

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

##### *Classification and measurement*

The Group's financial liabilities include trade and other payables, bank overdraft, bank and other borrowings, bonds and promissory notes. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

A day-one gain or loss arises when the transaction price for a liability differs from the fair value used to measure it on initial recognition. Such gain or loss is deferred on initial recognition when the fair value is not evidenced by a quoted price in an active market for an identical liability (ie a Level 1 input) or based on a valuation technique that use only data from observable markets. After initial recognition, the deferred gain or loss is recognised only to the extent that it arises from a change in a factor (including time) that market participants would take into account which pricing the liability.

#### *Impairment of financial assets*

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12 month ECL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

##### *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral
- (iv) industry of debtors
- (v) geographical location of debtors
- (vi) external credit risk ratings

##### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

##### *Assessment of significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 1 year past due.

##### *Low credit risk*

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

##### *Simplified approach of ECL*

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### *Credit-impaired financial asset*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that 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 issuer or the borrower.
- b) a breach of contract, such as a default or past due event.
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Financial instruments (Continued)

#### ***Impairment of financial assets (Continued)***

##### *Credit-impaired financial asset (Continued)*

- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- e) the disappearance of an active market for that financial asset because of financial difficulties.
- f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

##### *Write-off*

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the financial asset is 2 years past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

### (m) Leases

#### ***Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3)***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates 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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Leases (Continued)

#### ***Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3) (Continued)***

##### *Allocation of consideration to components of a contract (Continued)*

Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets within the line of property, plant and equipment.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Leases (Continued)

#### ***Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3) (Continued)***

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Leases (Continued)

#### ***Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3) (Continued)***

##### *Lease liabilities (Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities within the line of trade and other payables.

#### ***The Group as a lessee (prior to 1 April 2019)***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as expense on a straight-line basis over the lease term.

In the event that lease incentive are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentive is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of 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).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

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

A related party transactions is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Going concern basis

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date of the financial statement. The degree of consideration depends on the facts in each case.

Management believes that the Group is able to continue as a going concern after taking into account the measures, financial supports and the future profitable operations. Accordingly, management has prepared the consolidated financial statements on a going concern basis. An adverse change in any of the above conditions would require the consolidated financial statements to be prepared on an alternative authoritative basis and such basis, together with the fact that the consolidated financial statements is not prepared on a going concern basis, would need to be disclosed. If the Group was unable to continue as a going concern, adjustments relating to the recoverability and classification of recorded asset amounts or classification of liabilities may need to be incorporated into the consolidated financial statements.

### Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables and loan receivable based on risk of a default and expected loss rate. The assessment of the credit risk involves high degree of estimation and uncertainty as the Group's management estimates the risk of a default and expected loss rate for applying provision matrix on debtors based on the Group's historical information, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. For details of the key assumption and inputs used in estimating ECL, please refer to note 8 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Useful lives and impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation or amortisation and identified impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the asset belongs. Changing the assumptions and estimates, including discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

No impairment loss was recognised in respect of property, plant and equipment and intangible assets during the years ended 31 March 2020 and 2019.

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2020, the carrying amount of goodwill was approximately HK\$15,749,000 (2019: HK\$37,450,000). An impairment loss on goodwill of approximately HK\$21,701,000 (2019: HK\$21,294,000) was recognised during the year ended 31 March 2020. Details of the impairment assessment are set in Note 21.

### Income taxes

The Group is subject to income taxes in Hong Kong. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions for the period in which such determination is made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 6. CAPITAL RISK 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 optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of debts and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through issues of new shares and debts, repayment of existing debts and payment of dividends.

## 7. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Financial assets</i>		
Equity investments at fair value through profit or loss	–	3,741
Financial assets at amortised cost:		
Trade and other receivables	<b>4,429</b>	18,003
Deposits	–	1,213
Bank balances and cash	<b>1,525</b>	2,592
	<b>5,954</b>	25,549
<i>Financial liabilities</i>		
Financial liabilities at amortised cost:		
Trade and other payables	<b>86,425</b>	89,883
Bank overdraft	–	46
Bank and other borrowings	<b>64,095</b>	63,990
Promissory note	–	13,890
Bonds	<b>18,826</b>	17,419
	<b>169,346</b>	185,228

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 8. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's major financial instruments are set out in note 7 to the consolidated financial statements. Details of these financial instruments are disclosed in their respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment, which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

There has been no change in the Group's exposure to these kinds of risks or the manner in which the Group manages and measures these risks.

### **Market risk**

#### ***Interest rate risk***

The Group is exposed to interest rate risk in relation to its variable-rate bank deposits, bank overdraft, bank and other borrowings, promissory note and bonds. Bank balances and bank and other borrowings bearing interests at variable rates expose the Group to cash flow interest rate risk. Promissory note and bonds bearing interest at fixed rates expose the Group to fair value interest rate risk.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is insignificant, accordingly no sensitivity analysis is presented.

#### ***Sensitivity analysis***

If interest rates have been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 March 2020 would increase/decrease by approximately HK\$320,000 (2019: HK\$320,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings which carried interest at floating rates.

The Group's exposure to interest-rate risk arises from its bank balances and bank borrowings. These bank balances and bank borrowings bear interests at floating rates varied with the then prevailing market condition. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 8. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

### Credit risk and impairment assessment

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on debtors with significant balances individually and/or by using a provision matrix, grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

As part of the Group's credit risk management, for debtors that are assessed collectively, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Average loss rates of 1.29% to 19.12% were applied by the Group to the trade receivable with gross carrying amount of HK\$2,279,000 which are past due at the reporting period end.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement of lifetime ECL that has been recognised for trade receivables under the simplified approach.

	<b>Lifetime ECL</b>
	<i>HK\$'000</i>
At 1 April 2018	36,851
Impairment losses recognised	584
Disposal of subsidiaries	(30,690)
Exchange realignment	(6,059)
At 31 March 2019 and at 1 April 2019	686
Impairment losses recognised	626
Written-off	(686)
At 31 March 2020	626

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 8. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. The management monitors the recognise of bank and other borrowings and ensures compliance with loan covenants, if any.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate	Within 1 year or on demand HK\$'000	Within 2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2020</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	-	86,425	-	-	86,425	86,425
Bank and other borrowings	8.00%	51,215	14,267	-	65,482	64,095
Bonds	11.43%	11,011	9,909	-	20,920	18,826
		148,651	24,176	-	172,827	169,346

	Weighted average effective interest rate	Within 1 year or on demand HK\$'000	Within 2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2019</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	-	89,883	-	-	89,883	89,883
Promissory note	13.61%	15,120	-	-	15,120	13,890
Bank overdraft	-	46	-	-	46	46
Bank and other borrowings	11.05%	66,454	-	-	66,454	63,990
Bonds	11.46%	10,020	10,786	-	20,806	17,419
		181,523	10,786	-	192,309	185,228

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

At 31 March 2020, the Group had net current liabilities of approximately HK\$153,927,000 and net liabilities of approximately HK\$165,176,000. The directors have taken steps to improve the Group's liquidity position and mitigate its liquidity risk as disclosed in note 2 to the consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 9. FAIR VALUE MEASUREMENTS

### (i) Fair value of financial instruments

In estimating the fair value, the Group uses market-observable data to the extent it is available. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

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

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

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 March					
	2020	2019				
	HK\$'000	HK\$'000				
<b>Financial assets</b>						
Equity investments at fair value through profit or loss	-	3,741	Level 3	Market-based approach; key inputs: market multiple, financial information of the entity and discount for lack of marketability	Discount for lack of marketability	N/A

There were no transfer of the financial assets and financial liabilities between the levels in both of the years presented.

### (ii) Fair value of financial assets and financial liabilities carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost were not materially different from their fair value at 31 March 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 10. REVENUE AND TURNOVER

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Type of services, recognised over time:		
– OTT services	34,684	51,636
– Professional services	1,654	3,614
Revenue from contracts with customers, from continuing operations	<b>36,338</b>	55,250
<b>Discontinued operations</b>		
Revenue from contract with customers, representing provision of system development services, recognised over time	–	1,558
Loan interest income	7	60
Rental income	–	600
Revenue from discontinued operations	<b>7</b>	2,218
Proceeds from sales of financial assets at fair value through profit or loss	–	151,944
Turnover, from continuing and discontinued operations	<b>36,345</b>	209,412

## 11. OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Interest income	353	1
Gain on disposal of a subsidiary	–	16,759
Waiver of promissory note ( <i>Note 32</i> )	14,270	–
Others	14	10
	<b>14,637</b>	16,770

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 12. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

Specifically, the Group's reportable and operating segments are as follows:

### Continuing operations

- Professional services – Provision of information technology engineering and technical support services including financial valuation and IT service.
- Proprietary trading – Trading of listed securities in Hong Kong.
- OTT services – Distribution and production of films, television programmes and music production on OTT platforms.

### Discontinued operations

- Systems development – Provision of systems development, maintenance and installation as well as consulting service and software licensing.
- Property investment – Lease of property in Hong Kong.
- Money lending – Provision of financing services in Hong Kong.

Upon disposal of subsidiaries, the Group discontinued the system development, property investment and money lending business. The segment information reported below does not include any amounts of discontinued operations. Details of the discontinued operations are set out in note 15 to the consolidated financial statements.

### a. Segment revenues and results

The following is an analysis of the Group's revenues and results by its operating and reportable segments.

	For the year ended 31 March							
	Professional services		Proprietary trading		OTT services		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>								
<b>Revenue from external customers</b>	<b>1,654</b>	3,614	–	–	<b>34,684</b>	51,636	<b>36,338</b>	55,250
<b>Segment results</b>	<b>316</b>	(7,378)	<b>153</b>	(7,614)	<b>(32,755)</b>	(31,157)	<b>(32,286)</b>	(46,149)
Interest income							<b>353</b>	1
Unallocated income and gains							<b>14,284</b>	16,769
Unallocated expenses and losses							<b>(6,221)</b>	(17,500)
Finance costs							<b>(8,684)</b>	(21,350)
Share of loss of associates							–	(99)
<b>Loss before tax</b>							<b>(32,554)</b>	(68,328)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 12. SEGMENT INFORMATION (Continued)

### a. Segment revenues and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represents the results of each segment without allocation of interest income, certain other income and gains and other expenses and losses (including central administration costs and directors' remunerations and finance costs) and share of results of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

### b. Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by its operating and reportable segments.

	At 31 March							
	Professional services		Proprietary trading		OTT services		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>								
<b>Segment assets</b>	<b>20</b>	541	-	-	<b>35,376</b>	75,209	<b>35,396</b>	75,750
Unallocated corporate assets								
- Property, plant and equipment							<b>1,526</b>	2,010
- Equity investments at fair value through profit or loss							-	3,741
- Other receivables, deposits and prepayments							<b>1,432</b>	13,609
- Bank balances and cash							<b>1,525</b>	2,592
Total assets							<b>39,879</b>	97,702
<b>LIABILITIES</b>								
<b>Segment liabilities</b>	<b>1,003</b>	1,314	-	-	<b>27,721</b>	83,516	<b>28,724</b>	84,830
Unallocated corporate liabilities								
- Other payables							<b>74,701</b>	24,144
- Bank and other borrowings							<b>47,095</b>	44,899
- Bank overdraft							-	46
- Bonds							<b>18,826</b>	17,419
- Promissory notes							-	13,890
- Deferred tax liabilities							<b>2,557</b>	3,693
- Tax payable							<b>380</b>	383
Total liabilities							<b>172,283</b>	189,304

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 12. SEGMENT INFORMATION (Continued)

### b. Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- i. all major assets are allocated to reportable segments other than equity investments at fair value through profit or loss, other receivables, deposits and prepayments, and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- ii. all major liabilities are allocated to reportable segments other than certain other payables, other borrowings, bonds, promissory notes, deferred tax liabilities and tax payable. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

### c. Geographical information

No geographical information is presented as the Group's continuing operations are based in Hong Kong and majority of the Group's revenue and non-current assets are derived from and located in Hong Kong for both years.

### d. Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Professional services		Proprietary trading		OTT services		Unallocated		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Continuing Operations</b>										
<b>Other segment information</b>										
Depreciation of property, plant and equipment	60	86	-	-	494	501	4	5	558	592
Amortisation of intangible asset	-	-	-	-	6,887	6,887	-	-	6,887	6,887
Impairment loss recognised in respect of:										
- trade and other receivables	-	-	-	-	626	604	-	-	626	604
- goodwill	-	4,152	-	-	21,701	17,142	-	-	21,701	21,294
Loss on disposal of:										
- property, plant and equipment	-	82	-	-	-	-	-	-	-	82
Loss on disposal of:										
- equity investments at fair value through profit or loss	-	-	-	-	-	-	741	-	741	-
Reversal of impairment loss in respect of:										
- trade receivables	-	-	-	-	-	(21)	-	-	-	(21)
- other receivables	-	-	-	-	-	-	-	(49)	-	(49)
Loss on disposal of financial assets at fair value through profit or loss	-	-	-	(7,073)	-	-	-	-	-	(7,073)
Additions to non-current assets (Note)	-	32	-	-	83	2,229	-	-	83	2,261

Note: Non-current assets excluded financial instruments and deferred tax assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 12. SEGMENT INFORMATION (Continued)

### e. Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during the year ended 31 March 2020 and 2019.

## 13. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Interest on bank and other borrowings	6,401	11,131
Imputed interest on promissory note	380	8,778
Interest on bonds	1,740	1,309
Others	163	132
	<b>8,684</b>	<b>21,350</b>

## 14. INCOME TAX EXPENSE/(CREDIT)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Continuing operations</b>		
Current tax		
– Hong Kong Profits Tax	3	–
– Over provision in prior year	–	1
	<b>3</b>	<b>1</b>
Deferred tax	<b>8,192</b>	<b>(2,232)</b>
	<b>8,195</b>	<b>(2,231)</b>

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first \$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018–2019.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 14. INCOME TAX EXPENSE/(CREDIT) (Continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Loss before tax from continuing operations	<b>(32,554)</b>	(68,328)
Tax at the applicable tax rate of 16.5% (2019: 16.5%)	<b>(5,371)</b>	(11,274)
Tax effect of income not taxable for tax purposes	<b>(3,219)</b>	(2,765)
Tax effect of expenses not deductible for tax purposes	<b>7,073</b>	2,865
Tax effect of tax losses and other deductible temporary differences not recognised	<b>9,953</b>	8,942
Utilisation of tax loss	<b>(241)</b>	–
Over provision in prior year	–	1
Income tax expense/(credit)	<b>8,195</b>	(2,231)

Details of deferred taxation are set out in Note 33.

## 15. DISCONTINUED OPERATIONS

### System development operation

On 27 July 2018, the Group had disposed of its entire equity interest in Tongfang Electronic Company Limited and its subsidiaries (collectively referred to as “Tong Fang Group”) at cash consideration of HK\$100,000. Details of the assets and liabilities disposed of, and the calculation of the gain on disposal of Tong Fang Group are set out in note 34 to the consolidated financial statements.

Tong Fang Group constituted the Group’s system development operation and, upon completion of the disposal, the Group ceased its system development operation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2020

**15. DISCONTINUED OPERATIONS (Continued)****System development operation (Continued)*****Analysis of profit for the period from system development operation***

The result of the system development operation included in the loss for the year are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the system development operation as a discontinued operation.

	<b>From 1 April 2018 and up to the date of disposal</b>
	<i>HK\$'000</i>
<b>Discontinued operation</b>	
Revenue	1,558
Cost of sales	(1,546)
Gross profit	12
Other income	2
Other expenses	(58)
Reversal of impairment loss on trade and other receivables	70
Depreciation of property, plant and equipment	(207)
Loss before tax	(181)
Income tax expense	–
	(181)
Gain on disposal of Tong Fang Group ( <i>Note 34</i> )	30,709
Profit for the period from system development operation	30,528

Cash flows of system development operation for the period up to the date of disposal were as follows:

	<b>From 1 April 2018 and up to the date of disposal</b>
	<i>HK\$'000</i>
Net cash generated from operating activities	(1,298)
Net cash generated from investing activities	2
Net cash outflow	(1,296)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 15. DISCONTINUED OPERATIONS (Continued)

### Property investment operation

On 10 July 2018, the Group had completed the Share Swap (as defined in note 34) of Top Insight Limited ("Top Insight"). Details of the assets and liabilities disposed of, and the calculation of the gain on disposal of Top Insight are set out in note 34 to the consolidated financial statements.

Top Insight constituted the Group's property investment operation and, upon completion of the disposal, the Group ceased its property investment operation.

### Analysis of profit for the period from property investment operation

The result of the property investment operation included in the loss for the year are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the property investment operation as a discontinued operation.

	<b>From 1 April 2018 and up to the date of disposal</b>
	<i>HK\$'000</i>
<b>Discontinued operation</b>	
Revenue	600
Other expenses	(138)
Finance costs	(2,465)
Loss before tax	(2,003)
Income tax expense	–
	(2,003)
Gain on disposal of Top Insight ( <i>Note 34</i> )	2,194
Profit for the period from property investment operation	191

Cash flows of property investment operation for the period up to the date of disposal were as follows:

	<b>From 1 April 2018 and up to the date of disposal</b>
	<i>HK\$'000</i>
Net cash used in operating activities	(59)
Net cash used in investing activities	–
Net cash outflow	(59)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 15. DISCONTINUED OPERATIONS (Continued)

### Money lending operation

On 13 December 2019, the Group had disposed of its entire equity interest in AI Finance Limited ("AI Finance") at cash consideration of HK\$220,000. Details of the assets and liabilities disposed of, and the calculation of the gain on disposal of AI Finance are set out in note 34 to the consolidated financial statements.

AI Finance constituted the Group's money lending operation and, upon completion of the disposal, the Group ceased its money lending operation.

### Analysis of profit/(loss) for the period/year from money lending operation

The result of the money lending operation included in the loss for the year are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the money lending operation as a discontinued operation.

	From 1 April 2019 and up to the date of disposal <i>HK\$'000</i>	For the year ended 31 March 2019 <i>HK\$'000</i>
<b>Discontinued operation</b>		
Revenue	7	60
Other income	–	4
Other expenses	(49)	(484)
Impairment loss on trade and other receivables	–	(570)
Finance costs	(17)	–
Depreciations of property, plant and equipment	(215)	–
Loss before tax	(274)	(990)
Income tax expenses	–	–
	(274)	(990)
Gain on disposal of AI Finance ( <i>Note 34</i> )	311	–
Profit/(loss) for the period/year from money lending operation	37	(990)

Profit/(loss) for the period/year from money lending operation has been arrived at after charging:

	From 1 April 2019 up to the date of disposal <i>HK\$'000</i>	For the year ended 31 March 2019 <i>HK\$'000</i>
<b>Discontinued operation</b>		
Operating lease rental in respect of leased premises	–	348

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 15. DISCONTINUED OPERATIONS (Continued)

### Money lending operation (Continued)

Cash flows of money lending operation for the period up to the date of disposal were as follows:

	From 1 April 2019 and up to the date of disposal <i>HK\$'000</i>	For the year ended 31 March 2019 <i>HK\$'000</i>
Net cash used in operating activities	(2)	(53)
Net cash used in investing activities	–	–
Net cash outflow	(2)	(53)

## 16. LOSS FOR THE YEAR

Loss for the year from continuing operations has been arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Staff costs (exclude directors' emoluments)		
Salaries and other benefits	4,175	9,001
Retirement benefits scheme contributions	187	465
	<b>4,362</b>	9,466
Auditor's remuneration for:		
– audit services	750	700
– non-audit services	31	278
	<b>781</b>	978
Depreciation of property, plant and equipment	558	592
Amortisation of intangible asset	6,887	6,887
Impairment loss on trade and other receivables	626	1,174
Impairment loss on goodwill	21,701	21,294
Loss on disposal of financial assets at fair value through profit or loss	–	7,073
Operating rental in respect of leased premises	–	4,866
Operating lease rental relating to short-term lease upon application of HKFRS 16	45	–
Loss on disposal of property, plant and equipment, net	–	82
Written off of property, plant and equipment	9	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting date (2019: Nil).

## 18. LOSS PER SHARE

### From continuing and discontinued operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss for the year attributable to owners of the Company</b>	<b>(39,134)</b>	(33,589)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>From continuing operations</b>		
Loss for the year attributable to owners of the Company	<b>(39,171)</b>	(63,318)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>From discontinued operations</b>		
Profit/(loss) for the year attributable to owners of the Company	<b>37</b>	29,729

	2020 <i>'000</i>	2019 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<b>142,257</b>	142,257

Diluted loss per share is the same as the basis (loss)/earnings per share as there are no potential dilution ordinary shares in issue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 19. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

### a. Directors' and chief executive's emoluments

	For the year ended 31 March 2020			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	
<i>Executive directors:</i>				
Mr. Lau Kelly	–	420	18	438
Ms. Ho Chi Na	–	1,100	18	1,118
Mr. Yuen Koon Tung ( <i>resigned on 18 October 2019</i> )	–	65	3	68
Mr. He Dongyu ( <i>appointed on 16 October 2019 and resigned on 21 April 2020</i> )	55	–	–	55
Mr. Ho Alvin Tzuen Chung ( <i>appointed on 16 October 2019</i> )	55	–	–	55
<i>Independent non-executive directors:</i>				
Mr. Hau Chi Kit	120	–	–	120
Mr. Ho Siu King, Stanley	120	–	–	120
Mr. Ma Stephen Tsz On	120	–	–	120
	<b>470</b>	<b>1,585</b>	<b>39</b>	<b>2,094</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2020

**19. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)****a. Directors' and chief executive's emoluments (Continued)**

The emoluments paid or payable to each of the directors were as follows:

	For the year ended 31 March 2019			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	
<i>Executive directors:</i>				
Mr. Lau Kelly	–	420	18	438
Mr. Leung Chung Nam ( <i>resigned on 20 July 2018</i> )	–	127	5	132
Ms. Ho Chi Na	–	1,220	18	1,238
Mr. Yuen Koon Tung ( <i>re-designated as executive director on 20 July 2018</i> )	–	84	4	88
<i>Independent non-executive directors:</i>				
Mr. Yuen Koon Tung ( <i>re-designated as executive director on 20 July 2018</i> )	46	–	–	46
Dr. Wan Ho Yuen, Terence ( <i>resigned on 14 September 2018</i> )	55	–	–	55
Mr. Hau Chi Kit	120	–	–	120
Mr. Ho Siu King, Stanley	84	–	–	84
Mr. Ma Stephen Tsz On ( <i>appointed on 20 July 2018</i> )	84	–	–	84
	389	1,851	45	2,285

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

Mr. Lau Kelly also serves as the chief executive officer of the Company and his emoluments disclosed above included those for services rendered by him as chief executive officer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 19. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### b. Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2019: three) were directors of the Company whose emoluments are set out above.

The emoluments of the remaining three (2019: two) highest paid individuals were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries and other benefits	1,077	900
Retirement benefits scheme contributions	48	36
	<b>1,125</b>	<b>936</b>

Their emoluments were within the following band:

	Number of individuals	
	2020	2019
Nil-HK\$1,000,000	3	2

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

None of the directors or the five highest paid individuals waived or agreed to waive any emoluments paid by the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2020

**20. PROPERTY, PLANT AND EQUIPMENT**

	Leased property <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>						
At 1 April 2018	–	1,758	56	5,071	6,054	12,939
Additions	–	–	–	2,261	–	2,261
Disposals	–	(1,469)	(8)	(3,731)	(5,056)	(10,264)
Exchange realignment	–	(289)	–	(716)	(998)	(2,003)
At 31 March 2019	–	–	48	2,885	–	2,933
Adjustment upon application of HKFRS 16	574	–	–	–	–	574
At 1 April 2019	574	–	48	2,885	–	3,507
Additions	–	–	–	83	–	83
Written off	–	–	–	(96)	–	(96)
Disposal of a subsidiary	(574)	–	–	–	–	(574)
At 31 March 2020	–	–	<b>48</b>	<b>2,872</b>	–	<b>2,920</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2018	–	1,758	46	4,184	3,458	9,446
Provided for the year	–	–	2	589	217	808
Eliminated upon disposals	–	(1,469)	(2)	(3,259)	(3,077)	(7,807)
Exchange realignment	–	(289)	–	(637)	(598)	(1,524)
At 31 March 2019 and at 1 April 2019	–	–	46	877	–	923
Provided for the year	215	–	2	556	–	773
Written off	–	–	–	(87)	–	(87)
Eliminated upon disposal of a subsidiary	(215)	–	–	–	–	(215)
At 31 March 2020	–	–	<b>48</b>	<b>1,346</b>	–	<b>1,394</b>
<b>CARRYING AMOUNTS</b>						
At 31 March 2020	–	–	–	<b>1,526</b>	–	<b>1,526</b>
At 31 March 2019	–	–	2	2,008	–	2,010

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, less their residual values, as follows:

Leased property	Over the lease term
Leasehold improvements	Over the shorter of lease terms or 5 years
Furniture and fixtures	5 years
Computer and office equipment	5 years
Motor vehicles	3 $\frac{1}{3}$ to 8 years



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 21. GOODWILL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of the year	37,450	58,744
Impairment loss	<b>(21,701)</b>	(21,294)
At end of the year	<b>15,749</b>	37,450

Goodwill is allocated to the Group's CGUs identified according to business segment as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
OTT services – FWI Group	<b>15,749</b>	37,450
Professional services – MPL Group	–	–
	<b>15,749</b>	37,450

The basis of the recoverable amounts of the above CGUs and the major underlying assumptions are summarised below:

### OTT services – FWI Group

The recoverable amount of this CGU at 31 March 2020 and 2019 has been determined based on a value in use calculation with reference to valuation performed by a firm of independent professional valuers. The calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period and a pre-tax discount rate of 13.51% (2019: 15.0%). Cash flows beyond the 5-year period has been extrapolated using a steady 3% (2019: 3.0%) growth rate. This growth rate is based on relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and average gross margin of 3% and 20% (2019: 18% and 18%) respectively. Such estimation is based on the unit's past performance and the management's expectations for the market development.

As a result, an impairment loss on goodwill of approximately HK\$21,701,000 (2019: HK\$17,141,000) has been recognised for the year ended 31 March 2020. No other write-down of the assets of OTT services operation is considered necessary in both years. The recoverable amount of OTT services operation exceeds its carrying amount by approximately HK\$25,531,000 (2019: HK\$20,167,000). If the discount rate was changed to 9% (2019: 12%), while other parameters remain constant, the recoverable amount of OTT services operation would equal its carrying amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 21. GOODWILL (Continued)

### Professional services – MPL Group

The recoverable amount of this CGU at 31 March 2019 had been determined based on a value in use calculation with reference to valuation performed by a firm of independent professional valuers. The calculation used cash flow projections based on financial budgets approved by the management covering a 5-year period and a pre-tax discount rate of 20.0%. Cash flows beyond the 5-year period had been extrapolated using a steady 3% growth rate. This growth rate was based on relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which included gross margin of 60% respectively. Such estimation was based on the unit's past performance and the management's expectations for the market development.

As a result, an impairment loss on goodwill of approximately HK\$4,153,000 had been recognised for the year ended 31 March 2019.

## 22. INTANGIBLE ASSETS

	OTT Platform <i>HK\$'000</i>	Non-competition arrangement <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>			
At 1 April 2018, at 31 March 2019, 1 April 2019 and 31 March 2020	34,437	4,434	38,871
<b>Accumulated amortisation and impairment</b>			
At 1 April 2018	5,166	4,434	9,600
Amortisation for the year	6,887	–	6,887
At 31 March 2019 and at 1 April 2019	12,053	4,434	16,487
Amortisation for the year	6,887	–	6,887
At 31 March 2020	<b>18,940</b>	<b>4,434</b>	<b>23,374</b>
<b>CARRYING AMOUNTS</b>			
At 31 March 2020	<b>15,497</b>	–	<b>15,497</b>
At 31 March 2019	22,384	–	22,384

The OTT platform represents the intangible assets acquired through acquisition of FWI Group during the year ended 31 March 2018 and have estimated useful lives of 5 years and are amortised on a straight-line basis over its estimated useful lives.

The non-competition agreement represents the intangible assets acquired through acquisition of MPL Group during the year ended 31 March 2017 and have useful lives of 5 years and are amortised on a straight-line basis over its useful lives. The non-competition agreement was fully impaired in prior years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unlisted equity securities, measured at fair value through profit or loss	–	3,741

The above unlisted equity securities represent 0.10% equity interest in Satinu Resources Group Limited, which principally engaged in investment holding, money lending, securities brokerage and financial services, corporate finance advisory services, asset management, investment advisory and fund management.

On 18 March 2020, the Group entered into a sale and purchase agreement for the disposal of 0.10% equity interest in Satinu Resources Group Limited at the consideration of HK\$3,000,000, to be offset against the Group's bank and other borrowings.

## 24. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	4,777	18,630
Less: Allowance for credit losses	(626)	(686)
	<b>4,151</b>	17,944
Other receivables	278	59
	<b>4,429</b>	18,003

Trade receivables are due for settlement in accordance with the terms of the underlying agreements with the customers. Trade receivables with balances that are more than 9 months' overdue are requested for settlement of all outstanding balances before any further credit is granted.

An aged analysis of trade receivables based on dates of invoices, net of allowance for credit losses recognised, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	1,656	2,532
31–90 days	1,622	4,510
Over 90 days	873	10,902
	<b>4,151</b>	17,944

Details of the impairment assessment of trade and other receivables are set out in note 8 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 25. LOAN RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unsecured fixed-rate loans receivable	–	500
Less: Allowance for credit losses	–	(500)
	–	–

The Group's loan receivables arose from the money lending business.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by personal guarantees by the debtors/certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

At 31 March 2019, loans receivable carried fixed interest rates and had effective interest rates ranging from 10% to 12% per annum.

Details of the impairment assessment of loan receivables are set out in note 8 to the consolidated financial statements.

## 26. DEPOSITS AND PREPAYMENTS

As at 31 March 2020, deposits and prepayments included a prepayment amounted to approximately HK\$1,153,000 (2019: HK\$983,000) paid to suppliers relating to obtaining the right to distribute multi-media related services and content in the Greater China via different platform like cable TV.

Details of the impairment assessment of deposits paid are set out in note 8 to the consolidated financial statements.

## 27. BANK BALANCES AND CASH

Bank balances carry interest at floating rates and are placed with creditworthy banks and financial institutions with no recent history of default.

Details of the impairment assessment of bank balances are set out in note 8 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 28. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	11,723	10,432
Accrued and other payables ( <i>Note</i> )	74,702	79,451
	<b>86,425</b>	<b>89,883</b>

Aging analysis of trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	676	1,845
31–90 days	2,499	2,602
Over 90 days	8,548	5,985
	<b>11,723</b>	<b>10,432</b>

The average credit period granted by the suppliers of the Group is 30–90 days (2019: 30–90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

*Note:* Include in accrued and other payables, the amount of approximately HK\$43,840,000 (2019: HK\$37,586,000) represents the amounts due to minority shareholder of a subsidiary. The amounts were unsecured, interest free and repayable on demand.

## 29. BANK AND OTHER BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank borrowings	–	2,091
Other borrowings	64,095	61,899
	<b>64,095</b>	<b>63,990</b>

*Notes:*

- a. As at 31 March 2020, the Group has aggregate credit and banking facilities of HK\$77,000,000 (2019: HK\$73,755,000), of which HK\$57,000,000 (2019: HK\$51,235,000) has been utilised, all banking facilities were secured.
- b. All other borrowings will be settled within 1 year and hence classified as current liabilities.
- c. As at 31 March 2020 and 2019, the other borrowings were interest bearing at a fixed rate of 5%–30% per annum.
- d. As at 31 March 2020 and 31 March 2019, bank borrowings were bearing interest at a variable rate of 1% per annum over 1 month HIBOR or Bank's cost of funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 30. BONDS

The bonds are repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Overdue	10,134	–
Within 1 year ( <i>Note (c)</i> )	–	9,522
Between 2 to 5 years ( <i>Note (a) and (b)</i> )	8,692	7,897
	<b>18,826</b>	<b>17,419</b>

- (a) On 16 July 2015, the Company issued a bond with principal amount of HK\$10,005,000 to an independent third party with coupon interest of 4.85% per annum and a maturity of 7 years from the date of issue. The effective interest rate for the bond is 10.32% per annum after considering the direct transaction costs.
- (b) On 17 July 2015, the Company issued a bond with principal amount of HK\$527,000 to an independent third party with coupon interest of 4.85% per annum and a maturity of 7 years from the date of issue. The effective interest rate for the bond is 10.32% per annum after considering the direct transaction costs.
- (c) On 14 September 2015, the Company issued a bond of HK\$9,800,000 to an independent third party with coupon interest of 6% per annum and a maturity of 4 years from the date of issue. The effective interest rate for the bond is 12.41% per annum after considering the direct transaction costs.

On 8 November 2019, the bondholder served a statutory demand to the Company to request the settlement of principal of the bond with interest of approximately HK\$9,894,000.

The Company commenced the negotiation with bondholder upon receipt of the statutory demand.

On 13 January 2020, the Company was served with a sealed copy of a petition issued by the bondholder in Companies (Winding-up) Proceedings No. 16 of 2020 in the High Court of Hong Kong under which petitioned that the Company be wound up by the court.

In March 2020, the Company and the bondholder reached the preliminary terms for the settlement, which would render a funding requirement of the Company of around HK\$6,000,000 to HK\$8,000,000 for the cash settlement.

The Company is currently finalising the terms of settlement with the bondholder and the overdue bond remains unsettled by the Company up to the date of approval of these financial statements.

## 31. SHARE CAPITAL

	Number of shares	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	200,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	142,256,878	142

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 32. PROMISSORY NOTE

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	13,890	99,185
Waiver of promissory notes ( <i>Note 11</i> )	(14,270)	(94,073)
Interest charge for the year	380	8,778
At end of the year	–	13,890

At 31 March 2019, promissory note with carrying amount of approximately HK\$13,890,000 was repayable within one year.

On 23 November 2016, the Company issued a promissory note (“PN 1”) with principal amount of HK\$14,400,000 as consideration for the acquisition of MPL Group. PN 1 is unsecured, interest bearing at 6% per annum and mature on 22 November 2019. On 19 June 2019, the noteholder of PN 1 has waived the outstanding principal of HK\$13,400,000 and all of the accrued interest payable by the Company.

On 9 May 2017, the Company issued a promissory note (“PN 2”) with principal amount of HK\$100,000,000 as consideration for the acquisition of associates. PN 2 is unsecured, interest bearing at 4% per annum and mature on 8 May 2020. On 13 November 2018, the Group had completed the disposal of a subsidiary by ways of waiver of PN 2, details of the disposal of a subsidiary and the waiver of PN2 are set out in note 34 to the consolidated financial statements.

## 33. DEFERRED TAX

The components of deferred tax (assets)/liabilities recognised and the movement during the year are as follows:

	Tax loss HK\$'000	Recognition of intangible assets HK\$'000	Total HK\$'000
At 1 April 2018	(8,234)	4,830	(3,404)
Credited to profit or loss	(1,095)	(1,137)	(2,232)
At 31 March 2019 and at 1 April 2019	(9,329)	3,693	(5,636)
Charged/(credited) to profit or loss	9,329	(1,136)	(1,136)
At 31 March 2020	–	2,557	(6,772)

The Group has unused estimated tax losses of approximately HK\$60,321,000 (2019: HK\$56,539,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused estimated tax losses of approximately HK\$60,321,000 (2019: nil) due to the unpredictability of future profit streams and unrecognised tax losses could be carried forward indefinitely.

The directors perform periodic assessment on the probability that future taxable profits will be available which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidences were considered, including whether it is probable that the operations will have sufficient future taxable profits which the deferred tax assets can be deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur.

During the year ended 31 March 2020, amounts of approximately HK\$9,329,000, represent the deferred tax balance of tax loss, was charged to profit or loss (Note 14).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2020

**34. DISPOSAL OF SUBSIDIARIES****For the year ended 31 March 2020*****AI Finance***

On 13 December 2019, the Group has disposed of its entire equity interest in AI Finance at cash consideration of HK\$220,000. The disposal of AI Finance was completed on 13 December 2019 and upon completion of the disposal, AI Finance ceased to be a wholly owned subsidiary of the Group. The net liabilities disposed of are as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Right-of-use assets	359
Prepayment	140
Cash and bank balances	1
Lease liabilities	(591)
Net liabilities	(91)
Gain on disposal of a subsidiary	311
Consideration	220

**For the year ended 31 March 2019*****Tong Fang***

On 27 July 2018, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in Tongfang Electronic Company Limited and its subsidiaries (the "Tong Fang Group"), at cash consideration of HK\$100,000. The disposal was completed on 27 July 2018 and upon completion of the disposal, Tong Fang Group ceased to be subsidiaries of the Group. The net liabilities disposed of are as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Property, plant and equipment	2,375
Trade receivables	6,050
Retention receivables	1,575
Contract assets	834
Other receivables and prepayment	11,128
Bank balances and cash	1,731
Trade payables	(26,237)
Receipt in advance	(1,000)
Contract liabilities	(1,091)
Other payable and accruals	(8,413)
Amount due to related company	(15,333)
Provision for taxation	(267)
Income tax payable	(1,961)
Net liabilities	(30,609)
Gain on disposal of subsidiaries	30,709
Consideration	100



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 34. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 March 2019 (Continued)

#### *Top Insight*

On 9 May 2018, the Group entered into the Swap Agreement with Cordoba Homes Finance Limited (“the Creditor”), pursuant to which the Group has conditionally agreed to swap the share of Top Insight Limited, with the Creditor for (i) the other borrowing of HK\$138,293,000 and (ii) the provision of the Credit Facility to the Group. The Share Swap constitute as disposal of subsidiaries as control over Top Insight Group ceases upon completion of the Share Swap. The Share Swap was completed on 10 July 2018 and upon completion of the Share Swap, Top Insight Group ceased to be subsidiaries of the Group. The net assets disposed of are as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Investment property	136,000
Deposits paid	99
Net assets	136,099
Gain on disposal of subsidiaries	2,194
Consideration	138,293

#### *Jovial Tycoon Holdings Limited*

The Company and the purchaser entered into the sale and purchase agreement on 21 May 2018 pursuant to which the purchaser has conditionally agreed to acquire the entire issued share capital of Jovial Tycoon Holdings Limited, the indirectly wholly owned subsidiary of the Company at the consideration of HK\$100 million. Jovial Tycoon Holdings Limited owns 20% shareholding interest of the project group which is principally engaged in the operation of the project, a Build-Operate-Transfer Project of Shantou City Chaoren Port Cultural Park (汕頭市潮人碼頭文化公園特許經營項目). The consideration of HK\$100 million is satisfied upon Completion by way of setting off with the principal value of HK\$100 million promissory note which issued by the Company in favour of the purchaser in full. Moreover, upon completion of the disposal, the purchaser will waive all interest accrued on the promissory note payable by the Company to the purchaser. The transaction has completed on 13 November 2018.

	<i>HK\$'000</i>
Net assets disposed of, represent interest in an associate	77,313
Gain on disposal of subsidiaries	16,760
Consideration	94,073

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 35. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme was adopted pursuant to a resolution passed on 22 October 2003 (the "Old Scheme") for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the Old Scheme, the Board of Directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Old Scheme was expired on 21 October 2013.

The Company's share option scheme (the "New Scheme") was adopted pursuant to a resolution passed on 12 November 2014 for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the New Scheme, the Board of Directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

There were no movement and no outstanding share options as at 31 March 2020 and 2019.

A nominal consideration of HK\$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the last day of the ten-year period after grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share-based payment expenses were recognised for the year ended 31 March 2020 (2019: Nil) in relation to share options granted by the Company.

## 36. OPERATING LEASE COMMITMENTS

### The Group as lessee

The Group leased certain of its office premises under operating leases. Leases for properties were negotiated for a term ranging from one to three years and rentals were fixed, with an option to renew the lease. At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2019</b>
	<i>HK\$'000</i>
Within one year	360
In the second to fifth years inclusive	240
	<b>600</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 37. LITIGATION

On 2 January 2020, the Company was served (i) a sealed copy of Amended Petition issued on 3 December 2019 and amended and re-filed on 2 January 2020 pursuant to section 178(1)(a) of the Companies (Winding up and Miscellaneous Provisions) Ordinance, and (ii) a true copy of the 2nd Affirmation of the authorised representative of the professional firm on 3 January 2020, in relation to the unsettled service fee payable by the Company.

On 7 January 2020, the Company has returned a letter along with the cheque of the outstanding service fee to the legal representative of the professional firm and on 20 January 2020, the professional firm has issued an official receipt of such outstanding service fee. The professional firm has agreed to withdraw the petition against the Company on the basis that the cost incurred by the professional firm in relation to the winding up petition to be settled by the Company and the Company has made such payment to the professional firm on 29 January 2020.

In light of the general adjournment of court proceedings announced by the Hong Kong Judiciary in response to COVID-19, the scheduled hearing on 29 January 2020 in relation the withdrawal of the winding up petition was adjourned.

In the opinion of the directors, the winding up petition shall have no further legal implication to the Company as an agreement has been reached between the professional firm and the Company.

Except as disclosed above and in note 30 to the consolidated financial statements, there are no other material litigations against the Group.

## 38. EVENTS AFTER THE REPORTING PERIOD

### Impact of novel coronavirus outbreak

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, a series of precautionary and control measures have been and continued to be implemented across the countries including but not limited to the subsequent quarantine measures and travel restrictions imposed by the respective local government. The COVID-19 has impacts on the business operation for various industries and overall global economy. It is expected that the COVID-19 has certain impact of the financial performance of the Group in the first half of 2020. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

### Proposed share consolidation and rights issue

On 19 June 2020, the Company proposed to: (i) effect the share consolidation which involves the consolidation of every ten (10) issued and unissued existing shares of par value HK\$0.001 each into one (1) consolidated share of par value of HK\$0.01 each; and (ii) proposed to implement the rights issue on the basis of five (5) rights shares for every one (1) consolidated share of the Company at the subscription price of HK\$0.85 per rights share, to raise gross proceeds of approximately HK\$60,500,000 before expenses (assuming no further issue or repurchase of shares or consolidated shares on or before the record date), by way of the rights issue of 71,128,435 rights shares to the qualifying shareholders.

Details are set out in the Company's announcements dated 19 May 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2020

**39. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY**

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current asset</b>			
Investments in subsidiaries		<b>3</b>	3
		<b>3</b>	3
<b>Current assets</b>			
Amounts due from subsidiaries	<i>(a)</i>	<b>4,196</b>	4,189
Bank balances		<b>34</b>	129
		<b>4,230</b>	4,318
<b>Current liabilities</b>			
Other payables		<b>9,172</b>	8,421
Bank and other borrowings		<b>49,270</b>	43,824
Bonds		<b>10,134</b>	9,522
Promissory notes		–	13,890
Amount due to subsidiaries	<i>(a)</i>	<b>6,311</b>	2,066
		<b>74,887</b>	77,723
Net current liabilities		<b>(70,657)</b>	(73,405)
Total assets less current liabilities		<b>(70,654)</b>	(73,402)
<b>Capital and reserves</b>			
Share capital		<b>142</b>	142
Reserves	<i>(b)</i>	<b>(79,488)</b>	(81,441)
Total equity		<b>(79,346)</b>	(81,299)
<b>Non-current liability</b>			
Bonds		<b>8,692</b>	7,897
		<b>8,692</b>	7,897
		<b>(70,654)</b>	(73,402)

Signed on its behalf by:

**Lau Kelly**  
*Director*

**Ho Chi Na**  
*Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 39. STATEMENT OF FINANCIAL POSITION AND MOVEMENTS IN RESERVES OF THE COMPANY (Continued)

Notes:

### a. Amounts due from/(to) subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

### b. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018	510,565	1,200	1,986	(662,643)	(148,892)
Profit and total comprehensive income for the year	–	–	–	67,451	67,451
At 31 March 2019	510,565	1,200	1,986	(595,192)	(81,441)
Profit and total comprehensive income for the year	–	–	–	1,953	1,953
Transfer of exchange translation reserve	–	–	(1,968)	1,986	–
At 31 March 2020	510,565	1,200	–	(591,253)	(79,488)

Note:

#### Capital reserve

The capital reserve represents waiver of amount due to a shareholder of the Company during the year ended 31 March 2003. As the waived amount was in substance equivalent to a capital contribution to the Company, hence, it was accounted for as capital reserve.

## 40. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31 March 2020 and 2019 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length.

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Class of shares held	Issued share capital/ registered capital	Kind of legal entity	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held		Principal activities
						Directly		Indirectly				
						2020	2019	2020	2019	2020	2019	
Trend Brilliant Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$10,000	Limited liability company	100	100	–	–	100	100	Investment holding
Sage Choice Inc.	Vanuatu	Hong Kong	Ordinary shares	US\$100	Limited liability company	100	100	–	–	100	100	Investment holding
CPWorks Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$10,000	Limited liability company	51	–	51	51	51	51	Provision of services and solutions on cyber security to customers
Anyplex Hong Kong Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$17,000,000	Limited liability company	–	–	85	85	85	85	Providing multi-media related services and content

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 40. PRINCIPAL SUBSIDIARIES (Continued)

None of the subsidiaries had any debt securities outstanding at 31 March 2020 and 2019 or at any time during both years.

### Details of the Group's non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Principal place of business and place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) attributable to non-controlling interests		Accumulated non-controlling interest	
		2020	2019	2020	2019	2020	2019
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
CPWorks Limited	Hong Kong	49%	49%	662	(1,506)	(3,796)	(4,458)
Full Wealthy International Limited	BVI	15%	15%	(841)	(1,273)	(4,495)	(3,633)
				(179)	(2,779)	(8,291)	(8,091)

### Summarised financial information of subsidiaries of the Group that have material non-controlling interests

Summarised financial information of each of the Group's subsidiaries that has material non-controlling interests is set out below. The amounts shown below are before intragroup eliminations.

	FWI Group		CPWorks Limited	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current assets	10,561	23,427	279	1,167
Non-current assets	20,361	48,673	40	108
Current liabilities	(81,156)	(83,516)	(8,372)	(10,679)
Non-current liabilities	–	–	–	–
Equity attributable to owners of the Company	(45,739)	(7,783)	(4,257)	(4,946)
Non-controlling interests	(4,495)	(3,633)	(3,796)	(4,458)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 40. PRINCIPAL SUBSIDIARIES (Continued)

### Summarised financial information of subsidiaries of the Group that have material non-controlling interests (Continued)

	FWI Group		CPWorks Limited	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	<b>34,684</b>	51,637	<b>1,654</b>	3,617
Expenses	<b>(39,941)</b>	(59,129)	<b>(303)</b>	(6,995)
(Loss)/profit for the year	<b>(5,257)</b>	(7,492)	<b>1,351</b>	(3,378)
(Loss)/profit attributable to owners of the Company	<b>(4,416)</b>	(6,219)	<b>689</b>	(1,872)
(Loss)/profit attributable to non-controlling interests	<b>(841)</b>	(1,273)	<b>662</b>	(1,506)
(Loss)/profit for the year	<b>(5,257)</b>	(7,492)	<b>1,351</b>	(3,378)
Net cash inflow (outflow) from operating activities	<b>2,449</b>	(6,698)	<b>(629)</b>	(538)
Net cash inflow (outflow) from investing activities	<b>269</b>	(2,228)	<b>113</b>	(32)
Net cash (outflow) inflow from financing activities	<b>(3,529)</b>	10,360	<b>663</b>	693
Net cash (outflow) inflow	<b>(811)</b>	1,434	<b>147</b>	123

## 41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year ended 31 March 2020 and 2019, the Group had entered into the following major non-cash investing and financing activities:

- On 10 July 2018, the Group has completed the disposal of a subsidiary at consideration of approximately HK\$138,293,000, via the Share Swap with the Creditor, which resulted in no cash flow from such disposal.
- On 13 November 2018, the Company has completed the disposal of a subsidiary at consideration of HK\$100,000,000, satisfied by the offset of the promissory note issued by the Company with the principal amount and carrying amount of HK\$100,000,000 and HK\$94,073,000 respectively.
- On 19 June 2019, the Group and the promissory note holder has mutually agreed to cancel the promissory note with the principal amount of HK\$13,400,000 in issued, and all the accrued interest shall be waived by the promissory note holder.
- On 13 December 2019, the Group completed the disposal of AI Finance at cash consideration of HK\$220,000, which remains unsettled and is included in trade and other receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Changes in liabilities arising from financing activities

	Bank and other borrowing HK\$'000	Margin payables HK\$'000	Bonds HK\$'000	Promissory note HK\$'000	Total HK\$'000
At 1 April 2018	207,202	23,256	15,274	99,185	344,917
Wavier of promissory note for the settlement of disposal of a subsidiary	-	-	-	(94,073)	(94,073)
Interest expenses	-	-	2,145	8,778	10,923
Loan swap for the settlement of disposal of subsidiaries	(138,293)	-	-	-	(138,293)
Addition of bank and other borrowings	65,761	2,596	-	-	68,357
Repayment of bank and other borrowings	(70,680)	(25,852)	-	-	(96,532)
At 31 March 2019 and at 1 April 2019	63,990	-	17,419	13,890	95,299
Wavier of promissory note	-	-	-	(14,270)	(14,270)
Interest expenses	6,547	-	1,740	380	8,667
Settlement of loan from the disposal of equity investment at fair value through profit or loss	(3,000)	-	-	-	(3,000)
Addition of bank and other borrowings	5,446	-	-	-	5,446
Repayment of bank and other borrowings	(2,341)	-	-	-	(2,341)
Interest paid	(6,547)	-	(333)	-	(6,880)
At 31 March 2020	<b>64,095</b>	<b>-</b>	<b>18,826</b>	<b>-</b>	<b>82,921</b>

## 42. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2020, a related company has provided the rights to use the Company's principal place of business without any charge.

All other material transactions and balances with related parties have been disclosed elsewhere in the consolidated financial statements.

The key management personnel of the Group comprise all directors of the Company. Details of their emoluments are disclosed in note 19 to the consolidated financial statements. The remuneration of the directors of the Company is determined by the remuneration committee having regard to the performance of the individuals and market trends.

## 43. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 per employee. Contributions to the MPF Scheme vest immediately.

The total expense recognised in profit or loss of approximately HK\$226,000 (2019: HK\$510,000) represents contributions payable to these schemes by the Group from continuing operations in respect of the current accounting period at rates specified in the rules of the plans.

## 44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the disclosure requirements in respect of the discontinued operations as set out in note 11 to the consolidated financial statements.

The Group has initially applied HKFRS 16 on 1 April 2019. Under the transition methods, comparative information is not restated. Further details of the changes in accounting policies are set out in note 3 to the consolidated financial statements.

## 45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2020.



# FIVE YEAR SUMMARY

## FIVE YEAR SUMMARY

	For the year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	<b>36,345</b>	55,310	53,296	36,116	63,289
Loss before tax	<b>(32,517)</b>	(38,599)	(91,841)	(38,863)	(19,725)
Loss for the year	<b>(40,712)</b>	(36,368)	(91,300)	(39,320)	(19,802)
Attributable to:					
Owners of the Company	<b>(39,134)</b>	(33,589)	(86,135)	(39,686)	(19,802)
Non-controlling interests	<b>(1,578)</b>	(2,779)	(5,165)	366	–
	<b>(40,712)</b>	(36,368)	(91,300)	(39,320)	(19,802)

	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	<b>39,879</b>	97,702	438,228	327,226	126,899
Total liabilities	<b>(172,283)</b>	(189,304)	(498,229)	(337,853)	(112,639)
	<b>(132,404)</b>	(91,602)	(60,001)	(10,627)	14,260
Equity/(deficit) attributable to					
owners of the Company	<b>(122,715)</b>	(83,511)	(54,677)	(12,824)	14,260
Non-controlling interests	<b>(9,689)</b>	(8,091)	(5,324)	2,197	–
	<b>(132,404)</b>	(91,602)	(60,001)	(10,627)	14,260