

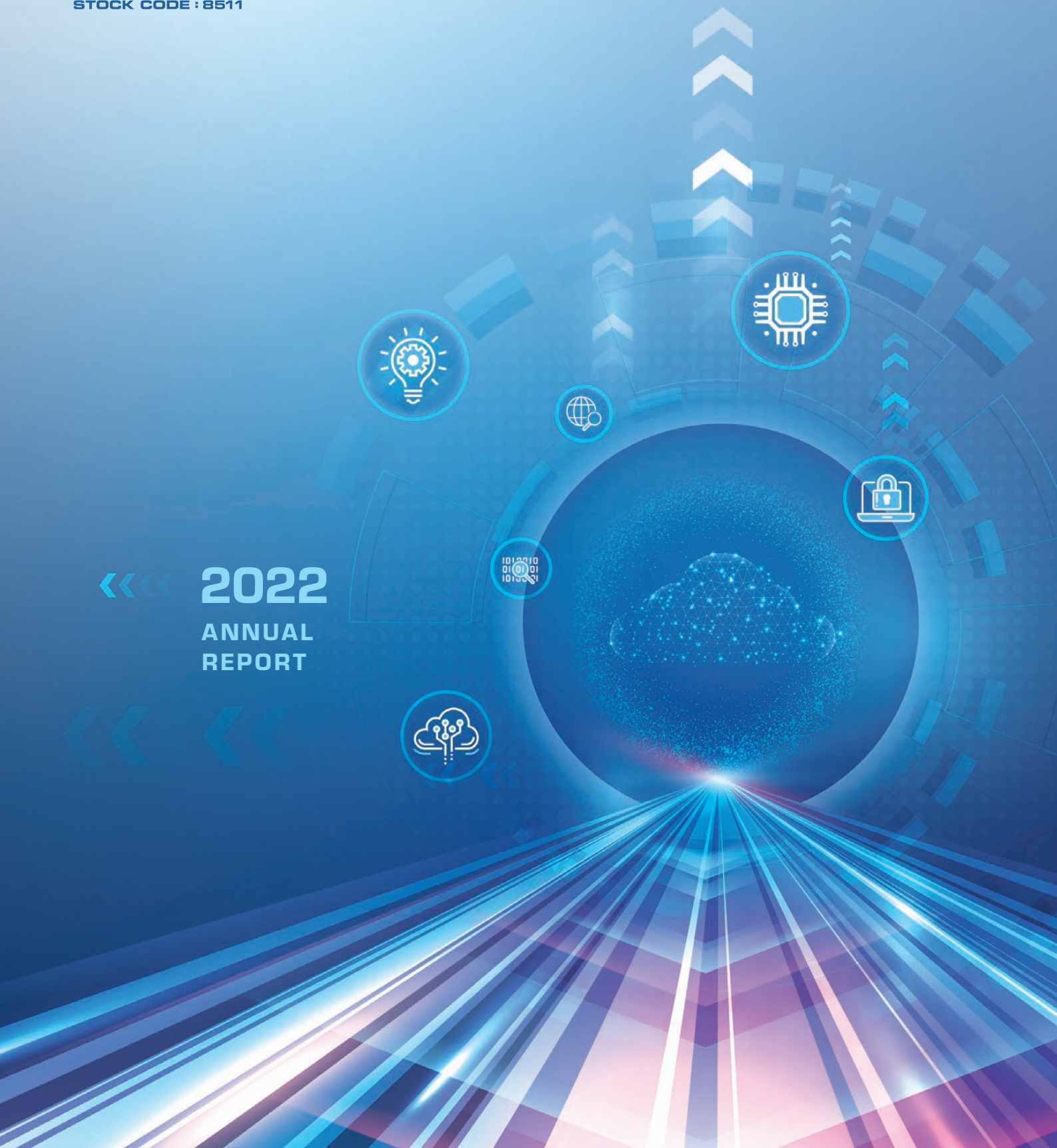
MIN FU

INTERNATIONAL HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8511

2022
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 that 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report, for which the director (collectively the “Directors” and individually a “Director”) of Min Fu International Holding Limited (the “Company”) 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.

This report will be available on the Company’s website www.minfuintl.com and will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Minzhi (*Chairman*)
(*appointed on 16 December 2021*)
Mr. Zeng Weijin (*Chief Executive Officer*)
(*appointed on 16 December 2021*)
Ms. Liu Zhining (*resigned on 7 January 2022*)
Mr. Wu Di (*resigned on 23 March 2022*)

Non-executive Directors

Ms. Ye Jialing (*appointed on 7 January 2022*)
Mr. Zhou Ruizhao (*appointed on 7 January 2022*)

Independence non-executive Directors

Mr. Leung Gavin L. (*appointed on 7 January 2022*)
Mr. Ning Jie (*appointed on 7 January 2022*)
Dr. Zhou Wenming (*appointed on 7 January 2022*)
Mr. Tan Michael Zhen Shan
(*resigned on 7 January 2022*)
Mr. Tang Yong (*resigned on 7 January 2022*)
Mr. Xing Shaonan (*resigned on 7 January 2022*)

AUDIT COMMITTEE

Mr. Leung Gavin L. (*Chairman*)
(*appointed on 7 January 2022*)
Mr. Ning Jie (*appointed on 7 January 2022*)
Dr. Zhou Wenming (*appointed on 7 January 2022*)
Mr. Tan Michael Zhen Shan
(*resigned on 7 January 2022*)
Mr. Tang Yong (*resigned on 7 January 2022*)
Mr. Xing Shaonan (*resigned on 7 January 2022*)

REMUNERATION COMMITTEE

Dr. Zhou Wenming (*Chairman*)
(*appointed on 7 January 2022*)
Mr. Zeng Weijin (*appointed on 7 January 2022*)
Mr. Ning Jie (*appointed on 7 January 2022*)
Ms. Liu Zhining (*resigned on 7 January 2022*)
Mr. Tang Yong (*resigned on 7 January 2022*)
Mr. Xing Shaonan (*resigned on 7 January 2022*)

NOMINATION COMMITTEE

Mr. Huang Minzhi (*Chairman*)
(*appointed on 7 January 2022*)
Mr. Ning Jie (*appointed on 7 January 2022*)
Dr. Zhou Wenming (*appointed on 7 January 2022*)
Mr. Tan Michael Zhen Shan
(*resigned on 7 January 2022*)
Mr. Tang Yong (*resigned on 7 January 2022*)
Mr. Wu Di (*resigned on 7 January 2022*)

AUTHORISED REPRESENTATIVES

Mr. Huang Minzhi (*appointed on 7 January 2022*)
Mr. Cheng Wai Hei (*appointed on 7 January 2022*)
Ms. Liu Zhining (*resigned on 7 January 2022*)
Ms. Wong Sau Ping (*resigned on 7 January 2022*)

COMPANY SECRETARY

Mr. Cheng Wai Hei (*appointed on 7 January 2022*)
Ms. Wong Sau Ping (*resigned on 7 January 2022*)

COMPLIANCE OFFICER

Mr. Huang Minzhi (*appointed on 7 January 2022*)
Ms. Liu Zhining (*resigned on 7 January 2022*)

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
801-806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

REGISTERED OFFICE

Offices of Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

HEADQUARTER IN THE PRC

Room 1508-1510
Jin Ying Building
1 Wu Shan Jin Ying Road
Tianhe District
Guangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1807, 18/F, Billion Trade Centre
31 Hung To Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China

COMPANY'S WEBSITE

www.minfuintl.com

STOCK CODE

8511

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Min Fu International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), it is my pleasure to present to you the annual report of the Group for the year ended 31 March 2022.

SMART MANUFACTURING SOLUTION BUSINESS

The Group is one of the leading smart manufacturing solution providers in China. For the year ended 31 March 2022, the Group continued to focus on providing high-end precision 3D testing solutions and precision machining solutions to customers in industries such as aviation, aerospace, shipbuilding, ground transportation vehicles and electronics.

For the year ended 31 March 2022, the Group is still affected by the global epidemic situation in 2021, the slowdown of world and China's economic growth brought certain operating pressure to the Group. The Group's realised revenue was approximately HK\$31.5 million, a decrease of 21.1% from last year.

EQUIPMENT MANUFACTURING AND SYSTEM CONSTRUCTION SERVICES

On 18 May 2022, the Group and Huanggang Buddhist Culture Development Co., Ltd * (黃岡市佛教文化發展有限公司) (“**Huanggang Buddhist Culture**”) have entered into an equipment manufacturing and system construction service agreement (the “**Service Agreement**”) in respect of (i) the design and construction of an intelligent columbarium in Huilongshan Cemetery; and (ii) the setup of the system for digital smart tourist attractions in the Huilong Mountain area. As the Group is principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service in the PRC, I believe that the Group will make use of its expertise in industrial information technology for the design and construction of digital smart tourist attractions in the Huilong Mountain area. This will provide the Group with valuable opportunity to expand its technical service business and strengthen the cooperation with Huanggang Buddhist Culture. On the basis of the above case, the Group expects to promote the equipment manufacturing and system construction services to other potential customers in different industry.

OUTLOOK

Looking ahead, the recovery pace of the global economy in 2022-2023 will still be affected by those factors such as the outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic, the Sino-American relations and the Russia-Ukraine conflict. The Group will continue to assess the aforesaid factors and the latter's impacts on the operations and financial performance of the Group, and make further announcements to the Group's various stakeholders when appropriate.

Although there is still a possibility of economic downturn in China and an uncertainty about the impact of the outbreak of the COVID-19, we remain positive about the prospects, we will strengthen our existing smart manufacturing solution business, and continue to capture the opportunities in equipment manufacturing and system construction services. I am of the view that entering into the Service Agreement is in line with the Group's development strategy and is in the interests of the Company and its shareholders as at whole.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board and management, I would like to take this opportunity to express my sincere gratitude to our shareholders, all staff, business partners and customers for their ongoing support and contributions to the Group.

Mr. Huang Minzhi

Chairman

Hong Kong, 27 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a smart manufacturing solution provider focusing on precision 3D testing solutions and precision machining solutions in China. The Company provides smart manufacturing solutions to serve the needs of high-end equipment manufacturers which require a high level of precision in the manufacture of their industrial products. Its solutions comprise and integrate various equipment and services, ranging from solution concept and design, procurement of machinery, auxiliary tools and software and system installation and debugging to provision of aftersales services such as technical support and training.

For the year ended 31 March 2022, the Group continued to devote great efforts in expanding the market scopes, approaching new customers in various industries and regions, and maintaining the productive relationships with existing customers. Benefited from its sales efforts, the Group obtained a total of 19 new projects. 17 new projects together with 6 projects which were carried forward from prior years, were completed during the year. As at 31 March 2022, the Group had 4 on-going projects, which were all precision 3D scanning solutions projects.

The Group had been persisting in developing new technology, including new auxiliary tools design and relevant software applications. As of 31 March 2022, the Group has 16 registered patents, including 6 invention patents and 10 utility model patents as well, and 8 invention patents in the registration process.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2022, the Group recorded revenue of approximately HK\$31.5 million, representing a decrease of approximately 21.1% comparing with that of approximately HK\$40.0 million for the year ended 31 March 2021.

The decrease in revenue was mainly due to the outbreak of the COVID-19 pandemic and the slowdown of China's economic growth, the potential customers hold up their budget for the investment in the smart manufacturing solution.

Cost of sales

Cost of sales decreased by 19.7% to HK\$18.9 million for the year ended 31 March 2022 from HK\$23.6 million for the year ended 31 March 2021. The cost of sales decrease in line with revenue for the year.

Gross profit and gross profit margin

Gross profit decreased by 23.3% to HK\$12.6 million for the year ended 31 March 2022 from HK\$16.4 million for the year ended 31 March 2021, which was primarily due to decrease in revenue for the year.

Gross profit margin keeps stable at 39.9% for the year ended 31 March 2022 (2021: 41.0%).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses

Selling and marketing expenses decreased by 18.7% to HK\$4.3 million for the year ended 31 March 2022 from HK\$5.3 million for the year ended 31 March 2021, which was mainly due decrease in staff cost, entertainment, consultancy fee and travelling expenses.

Administrative expenses

Administrative expenses slightly decreased by 0.5% to HK\$18.3 million for the year ended 31 March 2022 from HK\$18.4 million for the year ended 31 March 2021. The effect of increase in staff cost, depreciation and amortisation set off with decrease in professional fees, and research and development expenses.

Income tax credit

The Group had an income tax credit of HK\$0.1 million (2021: HK\$3.1 million) for the year ended 31 March 2022.

Loss for the year

Loss for the year increased by 176.9% to HK\$9.2 million for the year ended 31 March 2022 from HK\$3.3 million for the year ended 31 March 2021. Such increase was mainly attributable to the decrease in gross profit and income tax credit by HK\$3.8 million and HK\$2.9 million respectively.

GEARING RATIO

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio represents the ratio of net debts (total borrowings and advance from related parties net of cash and cash equivalents and restricted cash) divided by total equity as 31 March 2022 was 10.0% (2021: 8.1%).

As at 31 March 2022, the Group had a one year credit loan of HK\$2.5 million with annual interest rate at 4.05%, which to be repaid within 1 year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The net cash generated from operating activities was approximately HK\$6.5 million for the year ended 31 March 2022. As at 31 March 2022, the Group has current bank borrowings of HK\$2.5 million and advance from related parties of HK\$7.4 million to support operation.

As at 31 March 2022, the net current assets of the Group were approximately HK\$32.5 million (2021: HK\$50.0 million). The decrease was mainly attributable to repayment of borrowings of HK\$6.1 million and decrease in trade receivables of HK\$22.0 million.

As at 31 March 2022, the cash and cash equivalents of the Group was approximately HK\$3.7 million (2021: HK\$2.7 million). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, bank facilities and equity financing.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2022, the Group did not have any capital commitments.

PLEDGE OF ASSETS

As at 31 March 2022, save for the restricted cash of HK\$0.5 million (2021: HK\$0.5 million), the Group did not have any pledge on its assets.

EXCHANGE RATE RISK EXPOSURE

For the operating entities of the Company that are incorporated in Hong Kong and the British Virgin Islands, their functional currencies are United States dollars (“**US\$**”). As certain trade and other receivables, bank balances, lease liabilities, trade and other payables of overseas entities are denominated in Hong Kong dollars (“**HK\$**”) or Euro (“**EUR**”) or Renminbi (“**RMB**”), currencies other than the functional currencies of the entities may cause the foreign exchange risk. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to US\$, the Board considers that there is no significant foreign exchange risk with respect to HK\$. Therefore, the foreign exchange risk mainly arises from the monetary assets and liabilities denominated in EUR and RMB, which the Board considers as not significant to the Group. The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

Because of the fluctuation in the exchange rate of the functional currencies of the group entities, mainly RMB and US\$, to the Group’s presentation currency, HK\$, the Group recorded a gain in other comprehensive income of HK\$2.4 million for the year ended 31 March 2022.

PROSPECTS

On 18 May 2022, Shenzhen City Min Fu Intelligence Manufacture Co., Ltd. (“**Min Fu Intelligence Manufacture**”), an indirect wholly-owned subsidiary of the Company, and Huanggang Buddhist Culture (Huanggang Buddhist Culture, together with Min Fu Intelligence Manufacture, the “**Parties**”) entered into an equipment manufacturing and system construction service agreement (the “**Service Agreement**”) in respect of (i) the design and construction of an intelligent columbarium in Huilongshan Cemetery; and (ii) the setup of the system for digital smart tourist attractions in the Huilong Mountain area.

Pursuant to the Service Agreement, Min Fu Intelligence Manufacture shall design and construct an intelligent columbarium in Huilongshan Cemetery and build the system for digital smart tourist attractions in the Huilong Mountain area. Min Fu Intelligence Manufacture shall be responsible for the procurement, installation, commissioning, integration, implementation and maintenance of hardware devices and software systems for the intelligent cremains storing services in Huilongshan Cemetery and digital smart tourist attractions in the Huilong Mountain area. The total contract sum payable by Huanggang Buddhist Culture to Min Fu Intelligence Manufacture is RMB20,000,000 and all the contract works shall be completion within two years from the date of the Service Agreement.

The Group and Huanggang Buddhist Culture are keen on establishing a long-term strategic partnership through close communication, cooperation, resources sharing and complimentary advantages of each other and to jointly promote the extension and development of the Parties’ technology and services.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS

Change of Controlling Shareholder and Mandatory Unconditional Cash Offer

On 18 November 2021, Tecway Technology Limited, Zhang Zhilong, Theia Vision Capital Limited (collectively, the **"Purchasers"** or **"Joint Offerors"**), IFG Swans Holding Ltd. (the **"Vendor"**) and Mr. Wu Di (the **"Guarantor"**) entered into the sales and purchase agreement (the **"S&P Agreement"**) pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to acquire a total of 254,340,000 shares (the **"Sale Shares"**) of the Company, representing 63.585% of the issued share capital of the Company as at the date of the S&P Agreement for a total cash consideration of HK\$47,688,750 (equivalent to HK\$0.1875 per Sale Share) (the **"Change of Controlling Shareholder"**). The S&P Agreement was completed on 29 November 2021 (the **"S&P Completion"**). The Vendor and the Guarantor provided the revenue and profit guarantee in favour of the Purchasers under the S&P Agreement.

Immediately before the S&P Completion, the Purchasers and the parties acting in concert with it were not interested in any shares of the Company (the **"Shares"**). Immediately upon the S&P Completion, the Purchasers and the parties acting in concert with it are interested in 254,340,000 Shares, representing 63.585% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the **"Takeovers Code"**), the Joint Offerors were therefore required to make a mandatory unconditional cash offer (the **"Offer"** or the **"Mandatory Unconditional Cash Offer"**) for all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and the parties acting in concert with it).

The Offer was made in compliance with the Takeovers Code on the basis of HK\$0.1875 in cash for every Share not already owned by the Joint Offerors and parties acting in concert with it (the **"Offer Shares"**). The price of HK\$0.1875 per Offer Share payable by the Joint Offerors to the shareholders of the Company for each Offer Share accepted under the Offer is the same as the price per Sale Share paid by the Purchasers under the S&P Agreement. The Offer was unconditional in all respects. The Offer was closed on 6 January 2022 and was not revised or extended by the Joint Offerors.

Details of the Change of Controlling Shareholder and Mandatory Unconditional Cash Offer were disclosed in the joint announcements of the Company and the Joint Offerors dated 25 November 2021, 29 November 2021, 16 December 2021 and 6 January 2022, and the composite document issued by the Company and the Joint Offerors dated 16 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2022, the Group did not hold any significant investments.

OTHER FINANCIAL ASSETS

As at 31 March 2022, other financial assets held by the Group comprise:

- Trade receivables of HK\$15.9 million;
- Cash at banks and on hand of HK\$3.7 million; and
- Other receivables of HK\$1.4 million.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2022, the Group did not have any plans for material investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2022, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

THE COVID-19 PANDEMIC'S IMPACT

During the year ended 31 March 2022, the outbreak of COVID-19 pandemic has posed significant impacts on global economy and business environment, certain countries and regions have implemented various travel restrictions and border controls against the COVID-19 pandemic in an effort to contain the spread of the pandemic.

As at the date of this annual report, there was no material negative impact on the business for the Group due to the outbreak of COVID-19. The Directors will continue to closely monitor the development of the COVID-19 and assess its impact on the financial position, and operational results of the Group. At present, the Group does not foresee any material change in its exposures to credit risk and liquidity risk. The Group has remained to be financially stable as at 31 March 2022 and experienced no material recovery problem.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The principal business of the Group is to provide smart manufacturing solutions to its customers on a project basis. As the Company does not have any long-term contractual arrangements with its customers, there is no assurance that the Company will continue to secure new contracts or maintain or increase its current level of business activities with existing or future customers in the future. Therefore, the Group is increasing its sales and marketing efforts, expanding its sales force, sales spots and sales coverage, aiming to continuously get new tenders and secure contracts from more customers.

The Group's major customers are high-end equipment manufacturers in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries. The market for smart manufacturing solutions is characterised by rapidly changing technologies and evolving developments. The success of its business is dependent upon its ability to continuously develop, in a timely manner, new technological applications through research and development and introduce new solution designs to cater its customers' requirements. Therefore, the Group intends to increase its research and development efforts, establish its own research and development centers, recruit more technical staff, so as to hold its edges in terms of technology.

Other risks are as follows:

Credit risk

Credit risk mainly arises from cash at banks, restricted cash, trade and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Interest rate risk

The Group's interest-bearing asset and liability are borrowings and cash at banks. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Directors consider the interest rate risk with respect to cash at banks to be insignificant to the Group.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The Group met cash flow needs through internally generated cash flows from operation and borrowings from financial institutions.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Huang Minzhi (“Mr. Huang”) aged 35, is the Chairman and an executive Director of the Company. He was appointed as executive Director on 16 December 2021 and as the Chairman with effect from 7 January 2022. Mr. Huang is primarily responsible for strategic planning and business development of the Group’s business operations.

Mr. Huang has over nine years of investment and management experience in tourism and cultural real estate, cemetery real estate and industrial park. He worked in OCBC Wing Hang Bank and Bank of Ningbo. He is currently an executive director of Shenzhen Min Fu Cultural Development Co., Ltd.# (深圳市民富文化發展有限公司), where he is responsible for the design and management of humanities memorial park, research and development of data management system and funeral services. He obtained bachelor’s degree from Guangzhou Sport University in Guangdong, the PRC in 2009 and is a postgraduate of Concordia University Wisconsin, the US.

Mr. Zeng Weijin (“Mr. Zeng”) aged 40, is the Chief Executive Officer and an executive Director of the Company. He was appointed as executive Director on 16 December 2021 and as the Chief Executive Officer with effect from 7 January 2022. Mr. Zeng is overseeing the overall management, and corporate policy making of the Group’s business operations.

Mr. Zeng has over five years of investment and management experience in tourism and cultural real estate, cemetery real estate and industrial park. He is currently an executive director and the chief risk officer of Shenzhen Min Fu Cultural Development Co., Ltd.# (深圳市民富文化發展有限公司), where he is responsible for the research and development and promotion of intelligent, digital management system. He was an executive director of Shenzhen Qianhai Min Fu Asset Management Co., Ltd.# (深圳市前海民富資產管理有限公司) in 2018, where he was responsible for asset management and investment management. In 2007, he had worked in OCBC Wing Hang Bank for over ten years. He graduated from Zhaoqing University in Guangdong, the PRC in 2006. He is a registered fund practitioner with the Asset Management Association of China.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Ms. Ye Jialing (“Ms. Ye”), aged 35, was appointed as non-executive Director on 7 January 2022.

Ms. Ye has over five years of investment and management experience in tourism and cultural real estate, cemetery real estate and industrial park. She is currently the chief operating officer of Shenzhen Min Fu Cultural Development Co., Ltd.# (深圳市民富文化發展有限公司), where she is responsible for the design and management of humanities memorial park, research and development of digital management system and funeral services. She is currently also the investment consultant of Shenzhen Qianhai Min Fu Asset Management Co., Ltd.# (深圳市前海民富資產管理有限公司), where she is responsible for property investment and cemetery investment. She graduated from Guangdong Academy of Literature and Art# (廣東文藝藝術學院) in Guangdong, the PRC in 2008.

Mr. Zhou Ruizhao (“Mr. Zhou”), aged 36, was appointed as non-executive Director on 7 January 2022.

Mr. Zhou has over five years of experience in investment management. He is currently an executive director of Shenzhen Min Fu Cultural Development Co., Ltd.# (深圳市民富文化發展有限公司), where he is responsible for the design and management of humanities memorial park, research and development of digital management system and funeral services. He was an executive director and the general manager of Hunan branch of Shenzhen Tianheng Financial Services Co., Ltd.# (深圳市天恒金融服務有限公司) from June 2016 to September 2018, where he was responsible for financial consultancy, financial services, financial outsourcing services entrusted by financial institutions, entrusted asset management and investment management. He obtained his Certificate in geological engineering from Wuhan University of Engineering Science in Wuhan, the PRC in December 2018.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Gavin L. (“Mr. Leung”), aged 47, was appointed as an independent non-executive Director of the Company on 7 January 2022.

Mr. Leung has over 15 years of audit and company secretarial experience. He is currently the financial controller and the company secretary of Archikris Holding Limited, where he is responsible for supervising financial affairs and corporate secretarial matters of the group. Since December 2003, he has worked in Grey DPI Group as an accountant and left with his last position as finance director in April 2017. Between May 2017 and August 2017, he joined China Oil Gangran Energy Group Holdings Limited (currently known as Century Energy International Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8132), as the personal assistant to chairman in board of directors. He then joined International Resources (TSC) Pte Ltd as a financial controller between March 2018 and December 2019. Mr. Leung obtained his Diploma in accounting from the University of Hong Kong School of Professional and Continuing Education in November 2000; and his Bachelor’s degree of commerce, accounting and finance from Curtin University of Technology in Australia in February 2006. He has been a fellow member of Certified Practising Accountant Australia (CPA Australia) since January 2019. He has also been a member of Hong Kong Institute of Certified Public Accountants since May 2020.

Mr. Ning Jie (“Mr. Ning”), aged 39, was appointed as an independent non-executive Director of the Company on 7 January 2022.

Mr. Ning has more than 15 years of experience in the legal sector. He is currently a senior partner of Guangdong Ganglian Law Firm (廣東港聯律師事務所). Since September 2020, he has been an executive director of Pak Tak International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2668). Mr. Ning obtained his Bachelor’s degree in law and his second Bachelor’s degree in accounting from Southwest University of Political Science and Law in Chongqing, the PRC in July 2005. Mr. Ning was qualified as a lawyer in the PRC in 2013.

Dr. Zhou Wenming (“Dr. Zhou”), aged 40, was appointed as an independent non-executive Director of the Company on 7 January 2022.

Dr. Zhou has over seven years of experience in investment management and risk management. He is currently the chief risk management officer of Szu PhD Investment Management Co., Ltd., where he is responsible for the investment management, and establishment, supervision and implementation of risk management and control system. He is currently also the associate dean of Longhua Bioindustry and Innovation Research Institute, Shenzhen University, where he is responsible for technology transformation and other areas. He worked in Shenzhen University Graduate School from August 2008 to December 2017, where he was responsible for postgraduate admission, training and management. He obtained his Bachelor’s degree in biotechnology from South China University of Tropical Agriculture (which had merged with Hainan University) in Hainan, the PRC in June 2005; his Master’s degree in biochemistry and molecular biology from Shenzhen University in Shenzhen, the PRC in June 2008; and his Doctorate degree in history of economic thoughts from Shenzhen University in Shenzhen, the PRC in December 2016. He is a registered fund practitioner with the Asset Management Association of China.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Mr. Huang has been appointed as the compliance officer on 7 January 2022. For his biographical information, please refer to the paragraph headed “Executive Directors” above in this section.

COMPANY SECRETARY

Mr. Cheng Wai Hei (“Mr. Cheng”), aged 41, joined our Group in December 2020 as financial controller and was later appointed as the company secretary of our Group on 7 January 2022. Mr. Cheng is responsible for the accounting and financial functions, internal control as well as the company secretary affairs of the Group. Mr. Cheng holds a Master of Business Administration from The Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Mr. Cheng has over 15 years of experience in accounting, auditing and corporate governance.

CORPORATE GOVERNANCE REPORT

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules.

There was a deviation from code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company considers that having Mr. Wu Di acting as both its chairman of the Board and its chief executive officer will provide a strong and consistent leadership to the Group and allow for more effective planning and management for the Group. In view of Mr. Wu Di's extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Company considers that it is beneficial to the business prospects of the Group that Mr. Wu Di continues to act as both its chairman and its chief executive officer.

Due to the changes of control of the Company, Mr. Wu resigned as the Chairman and chief executive officer of the Company on 7 January 2022. Mr. Huang and Mr. Zeng have been appointed as the chairman and chief executive officer of the Company respectively with effective from 7 January 2022.

Save as disclosed above, the Company has complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules for the year ended 31 March 2022.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 108 of the articles of association (the "**Articles**") of the Company, at each annual general meeting (the "**AGM**"), one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors.

In accordance with article 112 of the Articles, any Director so appointed by the Board to fill a casual vacancy of the Board shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at the AGM.

Each of the Directors has been appointed for an initial term of three years until terminated by either party giving not less than three months' written notice to the other. Pursuant to the Articles, Mr. Huang, Mr. Zeng and Ms. Ye Jialing will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Standard of Dealings**"), as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiries of all the Directors, each of the Directors has confirmed that he or she has complied with the required Standard of Dealings for the year ended 31 March 2022.

CORPORATE GOVERNANCE REPORT

DIRECTORS

During the year ended 31 March 2022 and up to the date of this report, the Directors are as follows:

Executive Directors

Mr. Huang Minzhi (*chairman*) (*appointed on 16 December 2021*)

Mr. Zeng Weijin (*chief executive officer*) (*appointed on 16 December 2021*)

Mr. Wu Di (*resigned on 23 March 2022*)

Ms. Liu Zhining (*resigned on 7 January 2022*)

Non-executive Directors

Ms. Ye Jialing (*appointed on 7 January 2022*)

Mr. Zhou Ruizhao (*appointed on 7 January 2022*)

Independent non-executive Directors

Mr. Leung Gavin L. (*appointed on 7 January 2022*)

Mr. Ning Jie (*appointed on 7 January 2022*)

Dr. Zhou Wenming (*appointed on 7 January 2022*)

Mr. Tang Yong (*resigned on 7 January 2022*)

Mr. Xing Shaonan (*resigned on 7 January 2022*)

Mr. Tan Michael Zhen Shan (*resigned on 7 January 2022*)

The brief biographic details of the Directors are set out in the section headed “Directors and Senior Management” on pages 13 to 16 of this annual report.

The Company had complied with the requirements under Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules for the year ended 31 March 2022. The Company considers all independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board’s primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board’s approval. Apart from its statutory responsibilities, the Board approves the Group’s strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group’s financial performance, identifies principal risks of the Group’s business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND PROCEDURES

Board members will be provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Details of the attendance of the Board meetings, audit committee (the "**Audit Committee**") meetings, remuneration committee (the "**Remuneration Committee**") meetings, nomination committee (the "**Nomination Committee**") meetings and general meetings of the Company held during the year ended 31 March 2022 are summarised as follows:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Executive Directors					
Mr. Huang Minzhi (appointed on 16 December 2021)	4/8	N/A	N/A	1/3	1/2
Mr. Zeng Weijin (appointed on 16 December 2021)	4/8	N/A	0/2	N/A	1/2
Mr. Wu Di (resigned on 23 March 2022)	6/8	N/A	N/A	2/3	1/2
Ms. Liu Zhining (resigned on 7 January 2022)	5/8	N/A	2/2	N/A	1/2
Non-executive Directors					
Ms. Ye Jialing (appointed on 7 January 2022)	3/8	N/A	N/A	N/A	1/2
Mr. Zhou Ruizhao (appointed on 7 January 2022)	3/8	N/A	N/A	N/A	1/2
Independent non-executive Directors					
Mr. Leung Gavin L. (appointed on 7 January 2022)	3/8	2/5	N/A	N/A	1/2
Mr. Ning Jie (appointed on 7 January 2022)	3/8	2/5	0/2	1/3	0/2
Dr. Zhou Wenming (appointed on 7 January 2022)	3/8	2/5	0/2	1/3	0/2
Mr. Tang Yong (resigned on 7 January 2022)	5/8	3/5	2/2	2/3	0/2
Mr. Xing Shaonan (resigned on 7 January 2022)	5/8	3/5	2/2	N/A	1/2
Mr. Tan Michael Zhen Shan (resigned on 7 January 2022)	5/8	3/5	N/A	2/3	0/2

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established an Audit Committee on 26 March 2018 in compliance with the GEM Listing Rules. The Company has adopted written terms of reference in compliance with Rule 5.28 and code provision C.3.3 of the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgements contained therein; and oversee financial reporting system, risk management and internal control procedures.

As at 31 March 2022, the Audit Committee consists of three members who are Mr. Leung Gavin L. (an independent non-executive Director and chairman), Mr. Ning Jie and Dr. Zhou Wenming (independent non-executive Directors).

The Audit Committee held 5 meetings for the year ended 31 March 2022. Details of the attendance of the Audit Committee meeting are set out above.

At the meeting, the Audit Committee reviewed risk management and internal control systems of the Group and made recommendations to the Board accordingly.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 26 March 2018 in compliance with the GEM Listing Rules. The Company has adopted written terms of reference in compliance with code provision B.1.2 of the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are mainly to make recommendation to its Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review remuneration proposals of the management with reference to the Board's corporate goals and objectives; and ensure none of its Directors or any of their associates determine their own remuneration.

As at 31 March 2022, the Remuneration Committee consists of three members who are Dr. Zhou Wenming (an independent non-executive Director and chairman), Mr. Ning Jie (an independent non-executive Director) and Mr. Zeng Weijin (an executive Director). The majority of the members of the Remuneration Committee are independent non-executive Directors.

The remuneration of the Directors was determined with reference to, among other things, their duties, responsibilities and performance. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual Directors and the members of senior management.

The Remuneration Committee held 2 meeting for the year ended 31 March 2022. Details of the attendance of the Remuneration Committee meeting are set out above.

At the meeting, the Remuneration Committee reviewed the remuneration packages and performance of the Directors and the senior management and remuneration policy of the Directors and made recommendations to the Board accordingly.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company established a Nomination Committee on 26 March 2018. The Company has adopted written terms of reference in compliance with code provision A.5.2 of the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the selection of individuals nominated for directorships, appointment or reappointment of Directors and succession planning for Directors.

The Nomination Committee consists of three members who are Mr. Huang Minzhi (an executive Director and Chairman), Mr. Ning Jie and Dr. Zhou Wenming (independent non-executive Directors). The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held 3 meeting for the year ended 31 March 2022. Details of the attendance of the Nomination Committee meeting are set out above.

At the meeting, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, formulated the board diversity policy and made recommendations to the Board accordingly.

Nomination policy

The Board of the Company adopted the nomination policy on 25 December 2018 as follows:

1. Goal

- 1.1 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders of the Company (the “**Shareholders**”) for election as Directors at general meetings or appoint as Directors to fill casual vacancies.
- 1.2 The Nomination Committee may nominate suitable number of candidates that it considers to be appropriate for election as Directors at general meetings or nominate the number of candidates who are required to fill casual vacancies.

2. Selection criteria

- 2.1 In assessing the suitability of a proposed candidate, the Nomination Committee would consider the following factors:
 - (a) reputation for integrity;
 - (b) experience in business strategy, management, legal and financial aspects;
 - (c) whether the proposed candidate is able to assist the Board in effective performance of its responsibilities;
 - (d) the perspectives and skills that the proposed candidate is expected to bring to the Board;
 - (e) commitment in respect of available time and relevant interest;

CORPORATE GOVERNANCE REPORT

- (f) diversity in all aspects of the Board, including but not limited to gender, age, cultural background, educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- (g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

- 2.2 The proposed candidate shall submit the required personal data in the agreed format and his/her written consent to be appointed as a Director and agree to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to his/her appointment as a Director.
- 2.3 The Nomination Committee may request the proposed candidate to provide additional information and documents, if considered necessary.

3. Nomination procedure

- 3.1 The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members, if any, for consideration by the Nomination Committee prior to its meeting. Alternatively, the Nomination Committee may approve the nomination by a written resolution.
- 3.2 For filling a casual vacancy on the Board, the Nomination Committee shall recommend candidates for the Board's consideration and approval. For a proposed candidate to stand for election at a general meeting, the Nomination Committee shall make a nomination to the Board for its consideration and recommendation of the proposed candidate to stand for election.
- 3.3 Until the issue of the circular to Shareholders, the proposed candidates shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- 3.4 According to the articles of association of the Company, and without violating its provisions, any one or more shareholders may send a notice indicating that they intend to put forward a proposal on recommendation of selecting someone as a Director without having to be recommended by the Board or nominated by the Nomination Committee.
- 3.5 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

CORPORATE GOVERNANCE REPORT

4. Confidentiality

Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to Shareholders, as the case may be, is issued. Following the issue of the circular by the Company, the Nomination Committee, the company secretary of the Company or other staff member of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

- (1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
- (2) the Nomination Committee will monitor the implementation of the Board diversity policy from time to time to ensure the effectiveness of the Board diversity policy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for a fixed term. Pursuant to the letters of appointment between the Company and the independent non-executive Directors of the Group, the independent non-executive Directors have been appointed for a term of three years which may be terminated by either party by giving three months' written notice. Every Director is subject to re-election on retirement by rotation in accordance with the Articles.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director will receive a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under the statutes and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

All Directors confirmed to comply with the provision of the code provision A.6.5 of the Code in relation to continuous professional development during the year. In doing so, the Directors have undertaken various forms of activities relevant to the Company's business, Directors' duties and responsibilities.

CORPORATE GOVERNANCE REPORT

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors during the year ended 31 March 2022 are summarised as follows:

Name of Directors	Type of trainings
Mr. Huang Minzhi	A, B
Mr. Zeng Weijin	A, B
Ms. Ye Jialing	A, B
Mr. Zhou Ruizhao	A, B
Mr. Leung Gavin L.	A, B
Mr. Ning Jie	A, B
Dr. Zhou Wenming	A, B

A: attending seminars/conferences/forums/training sessions

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and Directors' duties and responsibilities

COMPANY SECRETARY

The Company's company secretary, Mr. Cheng Wai Hei, coordinates the supply of information to the Directors and is the primary contact person within the Company for all matters relating to the duties and responsibilities of the company secretary. All Directors have access to company secretary to ensure that Board procedures and all applicable laws, rules and regulations are followed.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the Shareholders and management. During the year ended 31 March 2022, the company secretary had taken no less than 15 hours of relevant professional training.

For his biographical details, please refer to the section headed "Directors and Senior Management" in this annual report.

COMPLIANCE OFFICER

Mr. Huang Minzhi has been appointed as the compliance officer of the Company on 7 January 2022. For his biographical details, please refer to the section headed "Directors and Senior Management" in this annual report.

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group during the year ended 31 March 2022 falls within the following bands:

	No. of individual
HK\$1,000,000 or below	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in the annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITORS' REMUNERATION

For the year ended 31 March 2022, the total remuneration paid/payable to the Group's external auditors amounted to HK\$950,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors confirmed that during the ordinary course of the Company's business, the Company are exposed to various types of risks, including (i) control risks relating to the Company's overall monitoring system; (ii) regulatory risks in relation to the Company's business; (iii) operational risk; and (iv) credit risks relating to assets.

The Company has designed and implemented risk management policies to address these potential risks identified in relation to its business. The risk management system of the Company sets out procedures to identify, analyse, assess, mitigate and monitor any potential risks. Its chief executive officer is responsible for overseeing the overall risk management system of the Company and each department carries out their own risk management identification exercise and proposes risk response plan according to the Company's overall risk assessment program. Each department is required to set up appropriate risk management strategies based on the risk identified and their proposed risk response plan and is responsible for the implementation and supervision. For material deficiency or risks identified, the relevant departments should report the situation to the Board for further investigation, internal control, review, enhancement and supervision.

For the year ended 31 March 2022, the Group had not experienced any non-compliance incidents that had or would reasonably be expected to have a material financial or operational impact on its business or would negatively affect the Directors' or senior management's ability or tendency to operate in a compliant matter.

CORPORATE GOVERNANCE REPORT

The Directors are responsible for establishing the Company's internal control system and reviewing its effectiveness on an annual basis. In accordance with the applicable laws and regulations, the Company has established procedures for developing and maintaining its internal control system, covering areas such as corporate governance, operations, management, legal, finance and audit. The Company believes that its internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness for its current business operation. To strengthen its internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules), the Company has adopted the following additional internal control measures:

- (1) the Directors will continuously monitor, evaluate and review the internal control system of the Company to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance its internal control system as appropriate;
- (2) the Company will provide training and updates on the legal and regulatory requirements applicable to its business operations to Directors, members of senior management and relevant employees of the Company from time to time;
- (3) if necessary, the Company may consider appointing external PRC legal advisers to advise the Company on matters relating to compliance with the applicable PRC laws and regulations; and
- (4) if necessary, the Company may consider appointing external Hong Kong legal advisers to advise the Company on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

The Company has also adopted relevant procedures and internal controls for the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

In light of the foregoing and based on the findings and recommendations of the work performed by the internal control consultant, the Directors reviewed the Group's risk management and internal control systems during the year ended 31 March 2022 and are of the view that the Group's risk management and internal control systems are adequate and effective.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website (www.minfuintl.com) as a channel to facilitate effective communication with its shareholders and the public. The Company will continue to enhance communications and relationships with its shareholders and investors. A shareholders' communication policy was adopted on 20 April 2018 to comply with code provision E.1.4 of the Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: info@minfuintl.com.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Min Fu International Holding Ltd.

Address: 1807, 18/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong

E-mail: info@minfuintl.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for shareholders to propose a person for election as a Director is posted on the website of the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2022.

DIRECTORS' REPORT

The Company presents herewith this report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 March 2022.

SHARE STRUCTURE

The Company was incorporated in the Cayman Islands as an exempted company on 23 June 2017 with limited liability as a holding company of the Group. The authorised share capital of the Company was 5,000,000,000 ordinary shares of par value of US\$0.0001 each. As at 31 March 2022, the Company has 400,000,000 shares in issue.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is a smart manufacturing solution provider focusing on precision 3D testing solutions in China.

The activities and particulars of the Company's subsidiaries are shown under note 29 to the consolidated financial statements in this annual report.

BUSINESS REVIEW AND FUTURE BUSINESS DEVELOPMENT

The business review and future business development of the Group for the year ended 31 March 2022 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed "Management Discussion and Analysis" on pages 7 to 12 of this annual report. In addition, various financial risks have been disclosed in note 3 to the consolidated financial statements in this annual report.

An analysis using financial key performance indicators

An analysis of the Group's performance during the year ended 31 March 2022 using financial performance indicators is provided in the section headed "Financial Summary" on page 104 of this annual report.

Environmental protection

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavoured to comply with laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections among its staff and employees.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group during the year ended 31 March 2022.

DIRECTORS' REPORT

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company maintained good relationships with its employees and the Company had not experienced any significant disputes with its employees nor had there been any material and adverse disruptions to its business operations as a result of strikes, claims, litigation or other labour disputes.

During the year ended 31 March 2022, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under the individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review of the policies on salary increment, promotion, bonus, allowances and all other related benefits.

The Company maintained good relationships with its customers. The Company believes that delivering quality solutions to its end customers is important to its reputation and to its customer relationships. The Company has implemented stringent quality control measures in every major stage of the project in order to provide high quality smart manufacturing solutions.

The Group also maintained good relationships with its suppliers. During the year ended 31 March 2022, no complaint was received from the suppliers, there were no disputed debts or unsettled debts and all the debts were settled on or before due dates or a later date as mutually agreed.

During the year ended 31 March 2022, the Company did not have any material return to its suppliers or any material return from its customers. In view of the above and as at 31 March 2022, there was no circumstance or any event which would have a significant impact on the Group's business.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 17 employees (2021: 25 employees) (including executive Directors) as at 31 March 2022. The Company relies on its employees to provide smart manufacturing solutions to its customers. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to its staff, including internal promotion opportunities and performance-based bonus. The Company generally has a fixed term employment contract with its employees such as administrative and finance staff and the Company generally renews the employment contract with such employees on a yearly basis.

The Group also reviews the performance of the Group's staff periodically and consider the result of such review for staff's annual bonus, salary review and promotion appraisal. The Company has also adopted a share option scheme, details of which are set out on pages 36 to 37 of this annual report.

The Remuneration Committee shall make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management; review remuneration proposals of the management with reference to the Board's corporate goals and objectives; and ensure none of the Directors or any of their associates determine their own remuneration.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2022 are set forth in the audited consolidated statement of comprehensive income on page 46 of this annual report. The Board did not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: nil).

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 104 of this annual report. This summary does not form part of the audited consolidated financial statements in this annual report.

RESERVES

Movements in reserves of the Group during the year ended 31 March 2022 are set out in the consolidated statements of changes in equity on page 49 of this annual report.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the shareholders of the Company as at 31 March 2022 amounted to HK\$31.3 million.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 March 2022 are set out in the paragraph headed "Share Structure" above and note 21 to the consolidated financial statements in this annual report.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended 31 March 2022 are set out in the note 13 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors during the year ended 31 March 2022 and up to the date of this annual report were:

Executive Directors

Mr. Huang Minzhi (*appointed on 16 December 2021*)

Mr. Zeng Weijin (*appointed on 16 December 2021*)

Mr. Wu Di (*resigned on 23 March 2022*)

Ms. Liu Zhining (*resigned on 7 January 2022*)

Non-executive Directors

Ms. Ye Jialing (*appointed on 7 January 2022*)

Mr. Zhou Ruizhao (*appointed on 7 January 2022*)

Independent non-executive Directors

Mr. Leung Gavin L. (*appointed on 7 January 2022*)

Mr. Ning Jie (*appointed on 7 January 2022*)

Dr. Zhou Wenming (*appointed on 7 January 2022*)

Mr. Tang Yong (*resigned on 7 January 2022*)

Mr. Xing Shaonan (*resigned on 7 January 2022*)

Mr. Tan Michael Zhen Shan (*resigned on 7 January 2022*)

In accordance with the Articles, at each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

DIRECTORS' REPORT



DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with its Company for a term of three years until terminated by not less than three months' notice in writing served by either party on the other, but subject to the termination provisions set out in the service contract. Pursuant to the letters of appointment between the Company and the non-executive Directors/independent non-executive Directors, each of the non-executive Directors/independent non-executive Directors has been appointed for an initial term of three years until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Directors and Senior Management" on pages 13 to 16 of this annual report.

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors during the year ended 31 March 2022 are set out in note 8 to the consolidated financial statements in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS


The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 March 2022 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There had been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year ended 31 March 2022.



DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2022.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 81.0% and sales to the Group's largest customer amounted to approximately 32.8% of the total revenue for the year ended 31 March 2022, respectively. Purchases from the Group's five largest suppliers accounted for approximately 94.3% and purchases from the Group's largest supplier amounted to approximately 25.3% of the total purchases for the year ended 31 March 2022.

To the best knowledge of the Directors, neither the Directors, their close associates (as defined in the GEM Listing Rules), nor any shareholders (which to the knowledge of the Directors) owned more than 5% of the Company's issued shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 March 2022.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year ended 31 March 2022 are disclosed in note 31 to the consolidated financial statements in this annual report. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 March 2022 (2021: nil).

DIVIDEND POLICY

The Board of the Company adopted the dividend policy on 25 December 2018 as follows:

1. Goal

- 1.1 The Board seeks to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy (the "Dividend Policy").
- 1.2 Under the Dividend Policy, provided the Group is profitable and without affecting the normal operations of the Group, the Company may declare and pay dividends to the Shareholders.
- 1.3 The Dividend Policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future development.

DIRECTORS' REPORT

2. Criteria

- 2.1 When proposing to declare dividends, the Board shall consider the followings, inter alia:
- (a) the actual and expected financial results of the Company and the Group;
 - (b) retained earnings and distributable reserves of the Company and each member of the Group;
 - (c) dividends received from subsidiaries of the Company;
 - (d) the debt-to-equity ratio level, return on equity and related financial covenants of the Group;
 - (e) restrictions on payment of dividends that may be imposed by the Group's lenders;
 - (f) the expected working capital requirements and future expansion plans and prospects of the Group;
 - (g) the general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
 - (h) any other factors that the Board deems appropriate.

3. Procedure on declaration of dividends

- 3.1 The Dividend Policy and the declaration and/or payment of the dividends under the Dividend Policy in the future shall depend on whether the Board will continue to affirm the Dividend Policy and the declaration and/or payment of dividends is in the best interests of the Group and the Shareholders, and is compliance with all applicable laws and regulations.
- 3.2 The declaration and payment of dividends shall be approved and conducted in accordance with all applicable laws and regulations and the articles of association (as amended from time to time) of the Company.
- 3.3 The declaration and payment of dividends is at the sole discretion of the Board and there is no assurance that dividends will be paid in any particular amount for any given period.

4. Review of the Dividend Policy

The Board will continually review the Dividend Policy and reserve the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time; and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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 had a material interest, whether directly or indirectly, subsisted during and at the end of the year ended 31 March 2022.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2022.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in shares or underlying shares of the Company

Name of Director	Nature of interest	No. of ordinary shares held	No. of underlying shares held	Total	Percentage of interest
Mr. Huang (<i>Note 1</i>)	Interest in a controlled corporation	144,097,800	–	144,097,800	36.02%

Notes:

- (1) The disclosed interest represents the interest in the Company held by Tecway Technology Limited ("Tecway"). The entire issued share capital of Tecway is wholly owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in the shares held by Tecway.

(II) Long position in shares or underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity	No. of shares held	Percentage of interest
Mr. Huang	Tecway	Beneficial owner	10,000	100%

Save as disclosed above and so far the Directors, As at 31 March 2022, none of the Directors and chief executive of the Company had any interests or short positions in the share, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to the Directors, as at the date of this annual report, the following persons had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Substantial Shareholder	Long/short position	Capacity	Number of shares	Percentage of interest
Tecway	Long position	Beneficial interest	144,097,800	36.02%
Mr. Huang (<i>Note 1</i>)	Long position	Interest in a controlled corporation	144,097,800	36.02%
Theia Vision Capital Limited	Long position	Beneficial interest	52,399,200	13.10%
Ho Chun Kit Gregory (<i>Note 2</i>)	Long position	Interest in a controlled corporation	52,399,200	13.10%
Zhang Zhilong	Long position	Beneficial interest	50,787,000	12.70%
IFG Swans Holding Ltd. ("IFG Swans")	Long position	Beneficial interest	32,460,000	8.12%
Mr. Wu (<i>Note 3</i>)	Long position	Interest in a controlled corporation	32,460,000	8.12%

Notes:

- (1) Tecway is a company incorporated in the Hong Kong and is wholly-owned by Mr. Huang. Mr. Huang is deemed to be interested in all the Shares held by Tecway for the purpose of the SFO.
- (2) Theia Vision Capital Limited is a company incorporated in the British Virgin Islands ("BVI") and is wholly-owned by Ho Chun Kit Gregory. Ho Chun Kit Gregory is deemed to be interested in all the Shares held by Theia Vision Capital Limited for the purpose of the SFO.
- (3) IFG Swans is a company incorporated in the BVI and is wholly-owned by Mr. Wu. Mr. Wu is deemed to be interested in all the Shares held by IFG Swans for the purpose of the SFO.

Save as disclosed above, as at 31 March 2022, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 26 March 2018 which took effect on the Listing Date. The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise the Participants (as defined below) who have contributed to the Group and to provide the Participants an opportunity to have a personal stake in the Company.

2. Who may join

The Directors may, at their discretion, invite Directors (including non-executive Directors and independent non-executive Directors) and employees and any advisers, consultants, suppliers, customers and agents who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the “**Participants**”) to take up options at the subscription price.

3. Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of its Company of HK\$1.00 by way of consideration for the grant thereof, is received by its Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for shares may be accepted in respect of less than the number of shares for which it is offered provided that it is accepted in respect of a board lot for dealing in shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

4. Maximum number of shares

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 40,000,000 shares (the “**Scheme Limit**”), excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of its Company). The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the “**Cancelled Shares**”), to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

DIRECTORS' REPORT

5. Subscription price of the shares

The subscription price of a shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a shares.

6. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by the shareholders of the Company (the "**Adoption Date**"). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

No options were granted, exercised, cancelled or lapsed and there were no outstanding options from the date of the adoption of the Share Option Scheme to 31 March 2022.

Further particulars of the Share Option Scheme are set out in the section headed "Statutory and General Information — 13. Share Option Scheme" in Appendix IV to the Prospectus.

INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2022, none of the Directors, controlling shareholder or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

DIRECTORS' REPORT

DEED OF NON-COMPETITION

IFG Swans and Mr. Wu Di (the “**Covenantors**”), have entered into a deed of non-competition in favour of the Company (the “**Deed of Non-Competition**”). Each of the Covenantors has undertaken under the Deed of Non-Competition not to directly or indirectly engage in the business which competes or may compete with the Group, on terms or conditions as disclosed in the Prospectus. Details of the Deed of Non-Competition have been disclosed in the section headed “Relationship with the Controlling Shareholders – Non-Competition Undertaking” of the Prospectus.

Immediate after the S&P Completion, the Covenantors ceased to be the controlling shareholders of the Company and the Deed of Non-Competition become invalid.

Each of the Covenantors has confirmed his or its compliance with the terms of the Deed of Non-Competition for the year. Meanwhile, the independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition given by the Covenantors and were of the view that each of the Covenantors has complied with the Deed of Non-Competition.

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee has been established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Company has adopted a Share Option Scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed “Share Option Scheme” of this report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its Directors and officers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2022, the Company had not entered into any connected transaction or continuing connected transactions which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 27 of this annual report.

DIRECTORS' REPORT



SUFFICIENCY OF PUBLIC FLOAT

Save for period from 6 January 2022 to 22 February 2022, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules during the year ended 31 March 2022.

Details of the matter regarding the insufficiency of public float were disclosed in the announcements of the Company dated 6 January 2022 and 22 February 2022.

AUDITOR

The consolidated financial statements for the year ended 31 March 2022 have been audited by Moore Stephens CPA Limited, who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

The consolidated financial statements of the Group for the years ended 31 March 2021 and 2020 have been audited by the former auditors PricewaterhouseCoopers (“PwC”). On 22 April 2022, PwC resigned as the auditor of the Company and Moore Stephens CPA Limited was appointed as the auditor of the Company to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or the Group after 31 March 2022 and up to the date of this annual report.

On behalf of the Board

Mr. Huang Minzhi

Chairman

Hong Kong, 27 June 2022



INDEPENDENT AUDITOR'S REPORT



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大華馬施雲
會計師事務所有限公司

**Independent Auditor's Report to the Shareholders of
Min Fu International Holding Limited (formerly known as Zhicheng Technology Group Ltd.)**

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Min Fu International Holding Limited (formerly known as Zhicheng Technology Group Ltd.) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 103, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Impairment of trade receivables

Key audit matter	How our audit addressed the key audit matter
<p>Refer to Notes 3.1.2, 4(b) and 17 to the consolidated financial statements.</p> <p>As at 31 March 2022, the Group had net trade receivables of HK\$15,942,000. The Group had recognised an expected credit loss ("ECL") on trade receivables of approximately HK\$11,000 during the year.</p> <p>The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for trade receivables. Management estimated the ECL rate of trade receivables individually by considering the market conditions, their knowledge about the customers (including their reputation, financial capability and payment history), and the current and forward-looking information on macroeconomic factors that relevant to determine the ability of customers to settle the receivables in the future. Management also considered the ageing profile and the subsequent settlement of each customer.</p> <p>Impairment of trade receivables is considered as a key audit matter to our audit because of the management's judgements involved in the impairment assessment and the significance of the trade receivables balance to the Group's consolidated financial statements.</p> <p>The judgements and estimations are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of ECL of trade receivables is considered relatively higher due to uncertainty of significant assumptions used.</p>	<p>Our key audit procedures in relation to management's assessment on the impairment of trade receivables included:</p> <ul style="list-style-type: none"> Assessed the design and implementation of the key controls in place over management's assessment on ECL and ageing analysis review of the trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; Obtained the documentation of management's assessment on ECL of trade receivables. We discussed with management to understand the ECL model and estimates used to assess the ECL rate. We evaluated management's estimated ECL by considering the reputation and financial capability of the customers against the publicly available information, and the cash collection performance against the historical payment records. We also considered and evaluated the appropriateness of the impairment model adopted by management; Evaluated whether management's assessment on the current and forward-looking macroeconomic factors that impact on the ability of customers to settle the receivables in the future was appropriate by considering the external market information; Tested, on a sampling basis, the accuracy of the trade receivables ageing report prepared by management by examining related supporting documents including sales contracts, shipping documents, sales invoices or acceptance notes from customers; and Checked subsequent settlement of trade receivables on a sampling basis to the relevant bank receipts.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of non-financial assets

Key audit matter	How our audit addressed the key audit matter
<p>Refer to Notes 4(c), 13, 14, 15 and 19 to the consolidated financial statements.</p> <p>As at 31 December 2021, the Group had property and equipment, right-of-use assets, intangible assets and prepayments of approximately HK\$10,137,000, HK\$41,000, HK\$6,748,000 and HK\$33,220,000 respectively.</p> <p>The management of the Company had performed an impairment review in accordance with Hong Kong Accounting Standard 36 <i>Impairment of Assets</i> in relation to the Group's non-financial assets.</p> <p>The recoverable amounts of non-financial assets required exercise of significant judgements and high level of estimation uncertainty by management concerning the estimated future cash flows and other key inputs.</p> <p>Accordingly, we have identified management's impairment assessment of non-financial assets as a key audit matter.</p>	<p>Our key audit procedures in relation to assessing the impairment assessment of non-financial assets included:</p> <ul style="list-style-type: none"> • Assessed the design and implementation of key internal controls over the prepayment processes; • Discussed with, and where applicable, sought corroborative supporting information from management of the Company and the independent valuer engaged by the Company (the "Valuer") regarding the reasonableness of the valuation methodologies being adopted and the key inputs and assumptions used; • Discussed with management of the Company and the Valuer about the assumptions used in the cash flow projections and challenged the relevance and reasonableness of key assumptions based on our knowledge of the business and industry; • Assessed the competency and experience of the Valuer; • Discussed with the Group's management the performance of prepaid outsourced research and development expenses, on a sample basis, and assessing information underlying the assumptions adopted, including agreements, project progress, correspondence with customers, and by considering the historical outcomes for similar contracts; • Reviewed the impact of management's sensitivity analysis on key input data on recoverable amount; and • Reviewed the subsequent utilisation after the year end and any correspondence with customers about expected utilisation.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 24 May 2021.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee of the Company is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

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

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Moore Stephens CPA Limited

Certified Public Accountants

Hung, Wan Fong Joanne

Practising Certificate Number: P05419

Hong Kong, 27 June 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	6	31,514	39,962
Cost of sales	7	(18,946)	(23,582)
Gross profit		12,568	16,380
Selling and marketing expenses	7	(4,345)	(5,345)
Administrative expenses	7	(18,338)	(18,425)
Net (provision for)/reversal of impairment on financial assets		(11)	32
Other income	9	230	609
Other gains/(losses) – net	9	823	455
Operating loss		(9,073)	(6,294)
Finance income	7	4	15
Finance costs	7	(286)	(112)
Finance costs – net	7	(282)	(97)
Loss before income tax		(9,355)	(6,391)
Income tax credit	10	110	3,052
Loss for the year attributable to owners of the Company		(9,245)	(3,339)
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operation		2,383	2,682
Other comprehensive income for the year, net of income tax		2,383	2,682
Total comprehensive loss attributable to owners of the Company		(6,862)	(657)
Loss per share – Basic and diluted (HK\$)	11	(0.02)	(0.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment	13	10,137	467
Right-of-use assets	14	41	329
Intangible assets	15	6,748	7,873
Prepayments	19	7,340	9,241
Deferred tax assets	16	–	923
		24,266	18,833
Current assets			
Trade receivables	17	15,942	37,941
Other receivables	18	1,431	3,486
Prepayments	19	25,880	25,343
Restricted cash	20	506	514
Cash at banks and on hand	20	3,738	2,660
		47,497	69,944
Total assets		71,763	88,777
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	312	312
Other reserves	22	58,027	55,038
(Accumulated losses)/retained earnings		(1,946)	7,905
Total equity		56,393	63,255

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	23	–	5,567
Lease liabilities	24	–	18
Deferred tax liabilities	16	368	–
		368	5,585
Current liabilities			
Trade payables	25	1,600	8,755
Other payables	26	10,452	6,077
Contract liabilities	27	423	198
Borrowings	23	2,467	2,724
Current income tax liabilities		41	1,884
Lease liabilities	24	19	299
		15,002	19,937
Total liabilities		15,370	25,522
Total equity and liabilities		71,763	88,777

These consolidated financial statements on pages 46 to 103 were approved by the board of directors of the Company on 27 June 2022 and were signed on its behalf.

Huang Minzhi
Director

Zeng Weijin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital <i>HK\$'000</i> <i>(Note 21)</i>	Other reserves <i>HK\$'000</i> <i>(Note 22)</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2020	312	52,356	11,244	63,912
Comprehensive loss				
– Loss for the year	–	–	(3,339)	(3,339)
– Other comprehensive income	–	2,682	–	2,682
Total comprehensive loss	–	2,682	(3,339)	(657)
Balance at 31 March 2021 and 1 April 2021	312	55,038	7,905	63,255
Comprehensive loss				
– Loss for the year	–	–	(9,245)	(9,245)
– Other comprehensive income	–	2,383	–	2,383
Total comprehensive loss	–	2,383	(9,245)	(6,862)
Transfer to statutory reserve	–	606	(606)	–
Balance at 31 March 2022	312	58,027	(1,946)	56,393

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from/(used in) operations	28(a)	7,209	(15,419)
Interest income received		4	15
Interest paid		(279)	(97)
Offshore sourced income taxes received		–	1,115
Income tax paid		(482)	(617)
Net cash generated from/(used in) operating activities		6,452	(15,003)
Cash flows from investing activities			
Purchases of equipment	(a)	(7,490)	(384)
Purchases of intangible assets	(a)	–	(3,566)
Net cash used in investing activities		(7,490)	(3,950)
Cash flows from financing activities			
Proceeds from borrowings	28(b)	–	8,291
Repayment of borrowings	28(b)	(6,081)	–
Advance from related parties	28(b)	7,425	–
Principal element of lease rental paid	28(b)	(312)	(265)
Interest element of lease rental paid	28(b)	(7)	(15)
Net cash generated from financing activities		1,025	8,011
Net decrease in cash and cash equivalents		(13)	(10,942)
Cash and cash equivalents at beginning of the year		2,660	13,147
Exchange gains on cash and cash equivalents		1,091	455
Cash and cash equivalents at end of the year		3,738	2,660

Note:

(a) Non-cash transactions:

During the year, additions of property and equipment and intangible assets of approximately HK\$2,532,000 (2021: nil) and HK\$989,000 (2021: nil), respectively, were prepaid in prior years and the amounts were transferred from prepayments (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1 GENERAL INFORMATION

Min Fu International Holding Limited (formerly known as Zhicheng Technology Group Ltd.) (the “Company”) was incorporated in the Cayman Islands on 23 June 2017 as an exempted company with limited liability. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 April 2018. The address of its registered office is Offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Following the passing of the special resolution approving the Proposed Change of Company Name by the Shareholders at the Extraordinary General Meeting held on 2 March 2022, the name of the Company was changed from Zhicheng Technology Group Ltd. to Min Fu International Holding Limited with effect from 8 March 2022.

The holding company of the Company previously was IFG Swans Holding Ltd. (“IFG Swans”), a company incorporated in the British Virgin Islands (“BVI”) and 100% owned by Mr. Wu Di (“Mr. Wu”). Mr. Wu was the ultimate controlling shareholder of the Company previously. In November 2021, Mr. Wu agreed to sell 63.585% of issued share of the Company to the joint offerors. Immediately after the completion of the change of the shareholding of the Company, in the opinion of the directors of the Company, the Company does not have any ultimate holding company.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service in the People’s Republic of China (the “PRC”).

These consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the Company’s functional currency, and all values are rounded to the nearest thousand unless otherwise stated. These financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 27 June 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Companies Ordinance (Cap. 622) and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “Listing Rules”)

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the Listing Rules.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 April 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these amendments have had a material effect on how the Group's financial performance and financial position for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

(d) New standards, amendments to standards and interpretations not yet adopted

The following new standards, amendments to existing standards and interpretations have been issued but are not yet effective for the accounting period beginning 1 April 2021 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSS	Annual Improvements to HKFRSS 2018-2020	1 January 2022
Amendment to AG 5 (Revised)	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts and related amendments	1 January 2023
Amendments to HKAS 1 (Revised)	Classification of Liabilities as Current or Non-current and related amendments to HK Interpretation 5 (2020)	1 January 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) New standards, amendments to standards and interpretations not yet adopted *(Continued)*

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 (Revised) and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28" following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Interests in subsidiaries

Interests in subsidiaries are accounted for at cost less impairment (see Note 2.8), if any. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within finance income/costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within other gains/(losses) – net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On the disposal of a foreign operation, all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2.6 Property and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property and equipment *(Continued)*

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and office equipment	4 – 5 years
Inspection equipment	10 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the profit or loss.

2.7 Intangible assets

Intangible assets represent software and patents

Separately acquired computer software and patents are shown at historical cost. The computer software and patents have a finite useful life and are carried at cost less accumulated amortisation and impairment (Note 2.8), if any.

Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful lives, as follows:

Patent	10 years
Software	5 years

2.8 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and measurement

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

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Trade and other receivables that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) – net, if any, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(d) Impairment of financial assets

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1.2 for further details. For other receivables, the Group applies either 12-month ECL or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.9 for further information about the Group's accounting for trade receivables and the Group's impairment policies.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks. Bank deposits which are restricted for use are included in "restricted cash". Restricted cash are excluded from cash and cash equivalents included in the consolidated statement of cash flows.

2.13 Share capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other payables

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

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

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to these plans are expensed as incurred.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the group company in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the group company and its employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

(b) Housing funds, medical insurances and other social insurances

Employees of the group companies in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these funds are expensed of as incurred.

(c) Bonus entitlements

The expected cost of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of goods

Sales of goods are recognised when control of the products has been transferred to the customers and the collectability of the related receivables is reasonably assured.

(b) Rendering of services

The Group provided technical services to external parties. Service fee is recognised as revenue when services are rendered.

2.20 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.21 Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example, term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Research and development

Research expenditures are recognised as expenses or cost of sales as incurred. Costs incurred on development projects (relating to the design and developing of new or improved utility models and utility patents) are recognised as intangible assets if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognised as expenses or cost of sales when incurred. Development costs previously recognised as expenses or cost of sales are not recognised as an asset in a subsequent period.

2.24 Dividend distribution

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

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 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 applies:-
- (i) the entity and the Group are members of the same group;
 - (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) the entity and the Group 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 employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the Board.

3.1.1 Market risk

(a) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The PRC entity of the Group operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB") and certain transactions denominated in foreign currencies, comprising United States dollar ("US\$") and Euro ("EUR").

For the operating entities that are incorporated in Hong Kong and the BVI, their functional currencies are US\$. Certain transactions of these entities are denominated in HK\$ or EUR, currencies other than the functional currencies of the entities. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to US\$ and limited transactions are denominated in EUR, the directors of the Company consider that there is no significant foreign exchange risk with respect to HK\$ and EUR.

Therefore, the Group's foreign exchange risk arises from the monetary assets and liabilities denominated in foreign currencies other than the functional currency of relevant group entities.

The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk *(Continued)*

(a) Foreign exchange risk *(Continued)*

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	RMB HK\$'000	US\$ HK\$'000	EUR HK\$'000	Total HK\$'000
As at 31 March 2022				
Monetary assets				
– Cash and cash equivalents	32	963	14	1,009
Monetary liabilities				
– Lease liabilities	(8)	–	–	(8)
As at 31 March 2021				
Monetary assets				
– Cash and cash equivalents	–	1	15	16
Monetary liabilities				
– Trade payables	–	–	(17)	(17)
– Lease liabilities	(93)	–	–	(93)

As at 31 March 2022, if RMB, EUR and US\$ had weakened/strengthened by 4% (2021: 4%) against the functional currency of relevant group entity with all other variables held constant, loss before income tax for the year would have increased/decreased (2021: decreased/increased) by HK\$40,000 (2021: HK\$4,000).

(b) Cash flow interest rate risk

The Group's interest-bearing asset and liabilities are borrowings and cash at banks. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The directors of the Company consider the interest rate risk with respect to cash at banks to be insignificant to the Group.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

Credit risk mainly arises from cash at banks, restricted cash and trade and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Majority of the Group's bank balances are placed in banks incorporated in the PRC which are reputable listed commercial banks or state-owned bank and listed banks incorporated in Hong Kong. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

In respect of trade and other receivables, periodical credit evaluations are performed taking into account market conditions, the customers' reputation, financial capacity, payment history, and other factors. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Normally, the Group does not obtain collateral from customers.

The Group applies HKFRS 9 and measures ECL based on a lifetime expected loss allowance for all trade receivables.

The Group uses provision matrix to calculate ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The estimated ECL loss rates are estimated based on the Group's historical settlement experience of various groups of debtors that have similar loss patterns and are adjusted 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 Group has identified the gross domestic product in the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

On that basis, the loss allowance for trade receivables as at 31 March 2022 and 2021 was determined as follows:

	Expected loss rate	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>	Net carrying amount <i>HK\$'000</i>
Ageing based on the invoice date				
As at 31 March 2022				
Within 30 days	0.1%	7,536	(11)	7,525
1 to 6 months	0.1%	844	(1)	843
6 months to 1 year	0.5%	1,125	(6)	1,119
1 to 2 years	4.3%	6,748	(293)	6,455
		16,253	(311)	15,942
As at 31 March 2021				
Within 30 days	0.1%	22,468	(20)	22,448
1 to 6 months	0.1%	7,944	(9)	7,935
6 months to 1 year	0.6%	694	(4)	690
1 to 2 years	3.4%	6,835	(230)	6,605
2 to 3 years	9.9%	292	(29)	263
		38,233	(292)	37,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk

To manage 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 mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operation and borrowings from financial institutions.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2022			
Trade payables	1,600	–	1,600
Other payables (excluding payroll payables and other tax payables)	8,989	–	8,989
Borrowings	2,507	–	2,507
Lease liabilities	19	–	19
	13,115	–	13,115
As at 31 March 2021			
Trade payables	8,755	–	8,755
Other payables (excluding payroll payables and other tax payables)	2,697	–	2,697
Borrowings	2,998	5,719	8,717
Lease liabilities	306	18	324
	14,756	5,737	20,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

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

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio represents the ratio of net debts (total borrowings and amounts due to related parties net of cash at banks and on hand and restricted cash) divided by total equity as of the end of the respective year.

	2022 HK\$'000	2021 HK\$'000
Total borrowings	2,467	8,291
Amounts due to related parties	7,425	–
Less: cash at banks and on hand restricted cash	(3,738) (506)	(2,660) (514)
Net (cash)/debts	5,648	5,117
Total equity	56,393	63,255
Net gearing ratio	10%	8%

3.3 Financial instruments by category

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	15,942	37,941
Other receivables	1,431	3,486
Restricted cash	506	514
Cash at banks and on hand	3,738	2,660
Total	21,617	44,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Financial instruments by category *(Continued)*

	2022 HK\$'000	2021 HK\$'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	1,600	8,755
Other payables (excluding other taxes payables and payroll payables)	8,989	2,697
Borrowings	2,467	8,291
Lease liabilities	19	317
Total	13,075	20,060

3.4 Fair value estimation

The Group's financial assets and financial liabilities are mainly receivables and payables, respectively, which are carried at amortised cost. The fair values of these financial instruments approximate their carrying amount due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revenue recognition

The Group generates revenue principally through the sales of equipment and provision of technical supporting services in relation to the equipment. Management considered that revenue recognition is critical for these consolidated financial statements because operating profit or loss may be significantly affected by the timing of revenue recognition and the contract sum allocation to sales of equipment and provision of technical services.

Generally, the Group recognises revenue of sales of equipment when control of the products has been transferred to the customers. Technical services comprised mainly technical support, guidance for installation of the equipment and training, which are recognised when the services have been rendered and accepted by customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Revenue recognition *(Continued)*

The Group concluded that the Group acts as the principal for the sales of equipment as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide and install of equipment in the customers' specified location. The Group has discretion in establishing the price for the sales of equipment with the customers. The Group has also inventory risk and bears the loss if the customers are not satisfied the quality of the equipment. When the Group satisfies the performance obligation, the Group recognises revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

(b) Impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the expected credit losses of trade and other receivables. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(c) Impairment of non-financial assets

Determining whether non-financial assets is impaired requires an estimation of the recoverable amounts of non-financial assets. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the other non-financial assets 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 December 2021, the carrying amounts of the Group's property and equipment, right-of-use assets, intangible assets and prepayments are approximately HK\$10,137,000 (2021: HK\$467,000), HK\$41,000 (2021: HK\$329,000), HK\$6,748,000 (2021: HK\$7,873,000) and HK\$33,220,000 (2021: HK\$34,584,000) respectively.

(d) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. 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 income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company, who are the CODM and are responsible for allocating resources and assessing performance of the operating segment.

The Group is principally engaged in the provision of smart manufacturing solutions of precision testing, which comprises the sales of precision testing equipment as well as the provision of technical services. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions. Revenue and loss before income tax are the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

All of the Group's revenue was derived in the PRC during the years ended 31 March 2022 and 2021.

All of the Group's non-current assets were located in the PRC as at 31 March 2022 and 2021.

6 REVENUE

Revenues from contracts with customers within the scope of HKFRS 15 recognised at a point of time:

	2022 HK\$'000	2021 HK\$'000
Precision 3D testing solutions		
– Sales of equipment	27,569	39,805
– Technical services	3,945	157
	31,514	39,962

Revenues from transactions with external customers amounted to 10% or more of the Group's revenues are as follows:

	2022 HK\$'000	2021 HK\$'000
Customer A	10,339	8,424
Customer B	5,659	Not applicable*
Customer C	3,242	Not applicable*
Customer D	3,229	Not applicable*
Customer E	Not applicable*	6,990
Customer F	Not applicable*	4,864
Customer G	Not applicable*	4,200

*Note**: The revenue of each customer for the year is less than 10% of the Group's revenue for the respective year.

The Group does not disclose information about remaining unsatisfied performance obligations for the year as permitted under the practical expedient in accordance with HKFRS 15 as their original expected duration is less than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7 EXPENSES BY NATURE

	2022 HK\$'000	2021 HK\$'000
Cost of goods sold	18,805	23,051
Outsourced research and development expenses*	3,595	5,648
Staff costs (including directors' emoluments) (Note 8)	6,865	5,580
Professional Fees	2,766	4,513
Entertainment expenses	2,037	2,900
Depreciation and amortisation, included in administrative expenses		
– property and equipment (Note 13)	481	72
– right-of-use assets (Note 14)	289	244
– intangible assets (Note 15)	2,274	1,739
Travelling expenses	841	1,192
Auditors' remuneration	950	1,009
Other expenses	2,726	1,404
Total cost of sales, selling and marketing expenses and administrative expenses	41,629	47,352
Interest income from bank deposit	(4)	(15)
Finance income	(4)	(15)
Interest on bank loans	279	97
Interest on lease liabilities	7	15
Finance costs	286	112
Finance costs - net	282	97

* For the year ended 31 March 2022, no outsourced research and development expenses have been recognised as intangible assets (2021: nil).

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK\$'000	2021 HK\$'000
Salaries, wages, bonuses and other benefits	6,370	5,477
Contribution to pension scheme	495	103
	6,865	5,580

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments

Directors' emoluments paid or payable disclosed pursuant to the Listing Rules and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 March 2022

	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors					
Mr. Huang Minzhi (Note (i))	–	352	–	6	358
Mr. Zeng Weijin (Note (ii))	–	316	–	6	322
Mr. Wu (Note (iii))	29	296	–	28	353
Ms. Liu Zhining (Note (iv))	14	289	44	27	374
Non-executive directors					
Ms. Ye Jialing (Note (v))	84	–	–	–	84
Mr. Zhou Ruizhao (Note (v))	84	–	–	–	84
Independent non-executive directors					
Mr. Leung Gavin L. (Note (vi))	28	–	–	–	28
Mr. Ning Jie (Note (vi))	12	–	–	–	12
Dr. Zhou Wenming (Note (vi))	12	–	–	–	12
Mr. Tang Yong (Note (iv))	138	–	–	–	138
Mr. Xing Shaonan (Note (iv))	138	–	–	–	138
Mr. Tan Michael Zhen Shan (Note (iv))	138	–	–	–	138
	677	1,253	44	67	2,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2021

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Wu	30	161	7	198
Ms. Liu Zhining	18	318	7	343
Independent non-executive directors				
Mr. Tang Yong	180	–	–	180
Mr. Xing Shaonan	180	–	–	180
Mr. Tan Michael Zhen Shan	180	–	–	180
	588	479	14	1,081

Notes:

- (i) Mr. Huang Minzhi was appointed as an executive director of the Company with effect from 16 December 2021. He was further appointed as the chairman of the Company with effect from 7 January 2022.
- (ii) Mr. Zeng Weijin was appointed as an executive director of the Company with effect from 16 December 2021. He was further appointed as the chief executive officer of the Company with effect from 7 January 2022.
- (iii) Mr. Wu was the chairman and the chief executive officer of the Company and resigned these positions with effect from 7 January 2022 and remained as an executive director of the Company. On 23 March 2022, he resigned as an executive director of the Company.
- (iv) These directors resigned as directors of the Company with effect from 7 January 2022.
- (v) These directors were appointed as directors of the Company with effect from 7 January 2022.

Fees, salaries, other benefits in kind and discretionary bonus paid to or for the executive directors of the Company are generally emoluments paid or receivable in respect of the executive directors' services in connection with the management of the affairs of the Company and the Group. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals

For the year ended 31 March 2022, the five individuals whose emoluments were the highest in the Group included four directors (2021: one director) whose emoluments is reflected in the analysis presented above. The emoluments paid to the remaining individual during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, wages, bonuses and other benefits	340	1,085
Contribution to pension scheme	6	25
	346	1,110

The emoluments of the remaining individuals of the Group fell within the following band:

	Number of individuals	
	2022	2021
Nil-HK\$1,000,000	1	4

(c) Benefits and interests of directors

During the year ended 31 March 2022, none of the directors of the Company waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil).

For the year ended 31 March 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors of the Company; nor are any payable (2021: nil). No consideration was provided to or receivable by third parties for making available directors' services. There are no loans, quasi-loans or other dealings in favour of the directors of the Company, their controlled bodies corporate and connected entities (2021: nil).

No directors of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year ended 31 March 2022 or at any time during the reported year (2021: nil).

When an employee leaves the Group, the Group will cease to make contribution on behalf of such employee to the pension scheme. Meanwhile, the contributions that have already been made by the Group on behalf of such employee remain with the pension scheme and would not become forfeited. The Group's contribution obligations would not be reduced as well.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

9 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	2022 HK\$'000	2021 HK\$'000
Other income		
– Government grant	16	605
– Others	214	4
	230	609
Other gains/(losses) – net		
– Exchange differences	843	455
– Other operating loss	(20)	–
	823	455

10 INCOME TAX CREDIT

	2022 HK\$'000	2021 HK\$'000
Current income tax		
– PRC corporate income tax	248	318
Over-provision in respect of prior years		
– PRC corporate income tax	(1,646)	–
– Hong Kong Profits Tax	–	(2,590)
Deferred income tax (<i>Note 16(b)</i>)	1,288	(780)
	(110)	(3,052)

No income tax relating to components of other comprehensive income was charged for the year ended 31 March 2022 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

10 INCOME TAX CREDIT (Continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using income tax rate applicable to loss of the consolidated entities as follows:

	2022 HK\$'000	2021 HK\$'000
Loss before income tax	(9,355)	(6,391)
Tax calculated at applicable tax rate on loss before income tax	825	(1,400)
Tax effect of preferential tax rate (Note (a))	(330)	560
Tax calculated on deemed profit basis (Note (b))	245	320
Expenses not deductible for tax purposes	295	299
Additional deduction on research and develop expenses	(297)	(241)
Tax effect of tax losses not recognised	798	–
Over-provision in prior years	(1,646)	–
Offshore sourced income tax refund (Note (d))	–	(2,590)
	(110)	(3,052)

Notes:

- (a) Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") and the Implementation Rules of the CIT Law in the PRC, the standard tax rate is 25% for the Group's subsidiaries and operations in the PRC.

On 11 December 2017, Quick Tech Corporation Ltd. ("Quick Tech"), the Group's subsidiary incorporated in the PRC, was awarded the High and New Technology Enterprise which effective for three years commencing on 1 January 2017 and is entitled to preferential income tax rate of 15% for these three years. In 2020, Quick Tech had successfully renewed and granted this preferential tax treatment of 15% for three years. Accordingly, tax rate of 15% (2021:15%) has been applied for the current income tax and deferred income tax for the year ended 31 March 2022.

- (b) Hong Kong Cheng Phong Technology Limited ("Hong Kong Cheng Phong"), Bow Chak Industry (HK) Limited ("Bow Chak") and MGW Swans Ltd. ("MGW Swans") are the Group's subsidiaries incorporated in Hong Kong and the BVI. However, their principal businesses for the years ended 31 March 2022 and 2021 were carried out in the PRC and the related income was subject to PRC corporate income tax. Hong Kong Cheng Phong, Bow Chak and MGW Swans were approved by the PRC in-charge tax bureau to pay PRC income tax on a "deemed profit basis", according to which their taxable income was calculated at 15% (2021:15%) of revenue for the year ended 31 March 2022.

- (c) The statutory Hong Kong Profits Tax rate is 16.5% (2021:16.5%). No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from Hong Kong during both years.

- (d) For Hong Kong incorporated companies, Hong Kong Cheng Phong and Bow Chak are obligated to file their profits tax returns to Inland Revenue Department. In their tax filing for years before 2016, these companies have reported their income as onshore sourced and taxable under Hong Kong Profits Tax and paid Hong Kong Profits Tax. However, these companies had also paid the PRC corporate income tax as mentioned in Note (b) above. After reviewing the companies' operations, these companies have reported their income as offshore sourced and not subject to Hong Kong Profits Tax with effect from year 2017.

During the year ended 31 March 2021, the Inland Revenue Department had issued final assessments for the year of assessment from 2017/18, resulting in an over-provision in Hong Kong Profits Tax of prior years of HK\$2,590,000.

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

The Company's subsidiaries in the BVI were incorporated under the International Business Companies Act of the BVI and are exempted from the BVI income tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Loss for the year (<i>HK\$'000</i>)	(9,245)	(3,339)
Weighted average number of ordinary shares in issue (<i>number of shares</i>)	400,000,000	400,000,000
Basic loss per share (<i>HK\$</i>)	(0.02)	(0.01)

Diluted loss per share is the same as the basic loss per share as there were no potentially dilutive ordinary shares issued during the year ended 31 March 2022 (2021: nil).

12 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 March 2022 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

13 PROPERTY AND EQUIPMENT

	Furniture and office equipment <i>HK\$'000</i>	Inspection equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020			
Cost	375	–	375
Accumulated depreciation	(229)	–	(229)
Net book amount	146	–	146
Year ended 31 March 2021			
Opening net book amount	146	–	146
Additions	384	–	384
Depreciation charge	(72)	–	(72)
Currency translation differences	9	–	9
Closing net book amount	467	–	467
At 31 March 2021 and 1 April 2021			
Cost	778	–	778
Accumulated depreciation	(311)	–	(311)
Net book amount	467	–	467
Year ended 31 March 2022			
Opening net book amount	467	–	467
Additions	10	10,012	10,022
Depreciation charge	(144)	(337)	(481)
Currency translation differences	18	111	129
Closing net book amount	351	9,786	10,137
At 31 March 2022			
Cost	814	10,123	10,937
Accumulated depreciation	(463)	(337)	(800)
Net book amount	351	9,786	10,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14 RIGHT-OF-USE ASSETS

	2021 HK\$'000	2020 HK\$'000
Leased building	41	329

The movement of right-of-use assets is shown in the table below:

	Leased building HK\$'000
At 1 April 2020	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 March 2021	
Opening net book amount	–
Additions	581
Depreciation charge	(244)
Currency translation differences	(8)
Closing net book amount	329
At 31 March 2021 and 1 April 2021	
Cost	581
Accumulated depreciation	(252)
Net book amount	329
Year ended 31 March 2022	
Opening net book amount	329
Depreciation charge	(289)
Currency translation differences	1
Closing net book amount	41
At 31 March 2022	
Cost	581
Accumulated depreciation	(540)
Net book amount	41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14 RIGHT-OF-USE ASSETS *(Continued)*

The Group leases a office building and staff quarters, with lease terms of 2 years (2021: 2 years). The lease terms are negotiated on an individual basis. The lease agreements do not impose any extension and termination options.

15 INTANGIBLE ASSETS

	Patent HK\$'000	Software HK\$'000	Total HK\$'000
At 1 April 2020			
Cost	371	6,470	6,841
Accumulated amortisation	(118)	(675)	(793)
Net book amount	253	5,795	6,048
Year ended 31 March 2021			
Opening net book amount	253	5,795	6,048
Additions	–	3,566	3,566
Disposal	(61)	–	(61)
Amortisation charge	(32)	(1,707)	(1,739)
Currency translation differences	20	39	59
Closing net book amount	180	7,693	7,873
At 31 March 2021 and 1 April 2021			
Cost	335	10,118	10,453
Accumulated amortisation	(155)	(2,425)	(2,580)
Net book amount	180	7,693	7,873
Year ended 31 March 2022			
Opening net book amount	180	7,693	7,873
Additions	–	989	989
Amortisation charge	(35)	(2,239)	(2,274)
Currency translation differences	8	152	160
Closing net book amount	153	6,595	6,748
At 31 March 2022			
Cost	349	11,297	11,646
Accumulated amortisation	(196)	(4,702)	(4,898)
Net book amount	153	6,595	6,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16 DEFERRED TAXATION

(a) The analysis of deferred tax (liabilities)/assets is as follows:

	2022 HK\$'000	2021 HK\$'000
Deferred tax (liabilities)/assets	(368)	923

(b) The movements in deferred tax (liabilities)/assets during the year is as follows:

	Provisions for credit losses on trade receivable HK\$'000	Expense in excess of allowance HK\$'000	Tax loss HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Total HK\$'000
At 1 April 2020	49	59	–	–	108
Tax credited to the profit or loss (Note 10)	(9)	16	773	–	780
Currency translation differences	4	6	25	–	35
At 31 March 2021 and 1 April 2021	44	81	798	–	923
Tax credited to the profit or loss (Note 10)	2	–	(278)	(1,012)	(1,288)
Currency translation differences	1	2	8	(14)	(3)
At 31 March 2022	47	83	528	(1,026)	(368)

17 TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	16,253	38,233
Less: provision for credit losses	(311)	(292)
Trade receivables – net	15,942	37,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17 TRADE RECEIVABLES (Continued)

- (a) As at 31 March 2022, ageing analysis of gross trade receivables based on invoice date is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 30 days	7,536	22,468
1 to 6 months	844	7,944
6 months to 1 year	1,125	694
1 to 2 years	6,748	6,835
2 to 3 years	–	292
	16,253	38,233

- (b) As at 31 March 2022, trade receivables of HK\$3,482,000 (2021: HK\$4,667,000) were overdue. These related to a number of independent customers for whom there were no recent history of default. Based on management's assessment, the overdue amounts could be recovered. As at 31 March 2022, ageing analysis of trade receivables based on due date, net of provision for credit losses, is as follows:

	2022 HK\$'000	2021 HK\$'000
Current	12,460	33,274
Past due:		
Within 30 days	–	–
1 to 6 months	599	1,504
6 months to 1 year	2,865	–
1 to 2 years	18	3,163
	15,942	37,941

- (c) As at 31 March 2022, management made assessment on the expected credit losses of trade receivables. The provision for impairment of trade receivables as at 31 March 2022 and 2021 reconciles to the opening provision as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of the year	292	324
Provision for/(reversal of) impairment of trade receivables	11	(32)
Currency translation differences	8	–
At end of the year	311	292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17 TRADE RECEIVABLES *(Continued)*

(d) Trade receivables were denominated in:

	2022 HK\$'000	2021 HK\$'000
– RMB	11,617	28,639
– US\$	4,325	9,302
	15,942	37,941

(e) The fair value of trade receivables approximated to its carrying amounts as at 31 March 2022 and 2021 due to their short maturities.

18 OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Advances to employees	1,106	2,385
Tendering deposits	18	494
Others	58	596
Amount due from a related party <i>(Note 31(c))</i>	249	11
	1,431	3,486

(a) Other receivables were denominated in:

	2022 HK\$'000	2021 HK\$'000
– RMB	1,413	3,150
– US\$	18	336
	1,431	3,486

(b) The fair value of other receivables approximated to their carrying amounts as at 31 March 2022 and 2021 due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

19 PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Prepayments to suppliers	23,106	14,972
Prepaid outsourced research and development expenses	10,114	19,612
	33,220	34,584
Included in non-current assets:		
– Prepayments to suppliers	7,340	–
– Prepaid outsourced research and development expenses	–	9,241
	7,340	9,241
Included in current assets:		
– Prepayments to suppliers	15,766	14,972
– Prepaid outsourced research and development expenses	10,114	10,371
	25,880	25,343
Total prepayments	33,220	34,584

As at 31 March 2022, non-current prepayments to suppliers of approximately HK\$7,340,000 (2021: nil) represent prepayment to independent software developers, that are for developing software for the Group's self-use.

Current prepayments to suppliers as at 31 March 2022 of approximately HK\$15,766,000 (2021: HK\$14,972,000) represent prepayment to independent equipment manufacturer, that are for purchasing equipment for sales to the Group's customers. The Group also prepaid outsourced research and development expenses of approximately HK\$10,114,000 (2021: HK\$19,612,000) to independent software developers for technological solutions and development required to meet customer's unique requirements on the equipment acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

20 RESTRICTED CASH AND CASH AT BANKS AND ON HAND

Restricted cash represent bank deposits denominated in RMB, pledged to banks as security for issuance of letter of guarantee.

	2022 HK\$'000	2021 HK\$'000
Cash at banks and on hand were denominated in:		
– RMB	2,714	2,146
– US\$	963	400
– HK\$	47	99
– EUR	14	15
	3,738	2,660

As at 31 March 2022, there was approximately HK\$2,680,000 (2021: HK\$2,083,000) denominated in RMB and deposited with banks in the PRC that the conversion of these balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

21 SHARE CAPITAL

	Number of ordinary shares	Share capital US\$	Share capital HK\$
Authorised:			
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	5,000,000,000	500,000	3,905,000
Issued and fully paid:			
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	400,000,000	40,000	312,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

22 OTHER RESERVES

	Share premium <i>HK\$'000</i> <i>(Note(a))</i>	Capital reserve <i>HK\$'000</i> <i>(Note(b))</i>	Statutory reserve <i>HK\$'000</i> <i>(Note(c))</i>	Exchange reserve <i>HK\$'000</i> <i>(Note(d))</i>	Total <i>HK\$'000</i>
Balance at 1 April 2020	51,640	163	2,461	(1,908)	52,356
Other comprehensive income	-	-	-	2,682	2,682
Balance at 31 March 2021 and 1 April 2021	51,640	163	2,461	774	55,038
Other comprehensive income	-	-	-	2,383	2,383
Transfer to statutory reserve	-	-	606	-	606
Balance at 31 March 2022	51,640	163	3,067	3,157	58,027

(a) Share premium

Share premium includes the premium arising from the issue of new shares pursuant to the share offering net of listing expenses and capitalisation issue.

(b) Capital reserve

Capital reserve included 1) the then combined capital of the operating companies of the Group amounting to HK\$552,000 before the listing of the Company; and 2) the deemed distribution to Mr. Wu, the then controlling shareholder representing the cash consideration of HK\$389,000 (equivalent to RMB331,200) paid to Mr. Wu for acquisition of the 97% equity interest of Quick Tech during the reorganisation for the preparation for the listing of the Company.

(c) Statutory reserve

In accordance with relevant rules and regulations in the PRC, all the PRC companies that operated exclusively with foreign capitals are required to transfer an amount of not less than 10% of profit after taxation calculated under PRC accounting standards and regulations to the reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

(d) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Company's functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

23 BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Bank borrowings	2,467	8,291
Included in non-current liabilities:		
– Bank borrowings	–	5,922
Less: current portion of non-current liabilities	–	(355)
	–	5,567
Included in current liabilities:		
– Bank borrowings	2,467	2,369
Add: current portion of non-current liabilities	–	355
	2,467	2,724
Total borrowings	2,467	8,291

The bank borrowings bear annual weighted average effective interest rates of 4.05% (2021: 3.98%).

As at 31 March 2022 and 2021, all the Group's bank borrowings were denominated in RMB and were unsecured. As at 31 March 2021, the Group's bank borrowings of RMB5,000,000 (equivalent to HK\$5,922,000) were also guaranteed by Mr. Wu.

(a) At 31 March, the borrowings were repayable as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	2,467	2,724
Over 1 year but within 2 years	–	5,567
	2,467	8,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

24 LEASE LIABILITIES

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

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

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets	41	329
Lease liabilities		
Current	19	299
Non-current	–	18
	19	317

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

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2022 HK\$'000	2021 HK\$'000
Depreciation charge of right-of-use assets	289	244
Expense for short term leases	281	585
Interest expense (included in finance costs)	7	15

(c) **Amounts included in the consolidated statement of cash flows**

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 HK\$'000	2021 HK\$'000
Within operating cash flows	281	585
Within financing cash flows	319	280
Total cash flows	600	865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

24 LEASE LIABILITIES *(Continued)*

- (d) Lease payments and present value of lease liabilities as at 31 March 2022 and 2021 are shown in the table below:

	2022 HK\$'000	2021 HK\$'000
Lease payments in relation to lease liabilities are payable as follows:		
Less than 1 year	19	306
Between 1 and 2 years	–	18
Minimum lease payments	19	324
Future finance charges	–	(7)
Total lease liabilities	19	317

	2022 HK\$'000	2021 HK\$'000
The present value of lease liabilities is as follows:		
– Less than 1 year	19	299
– Between 1 and 2 years	–	18
	19	317

- (e) Movements of lease liabilities for the years ended 31 March 2022 and 2021 are shown in the table below:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	317	–
Lease payments	(319)	(280)
Accrued interest	7	15
Addition of lease	–	581
Exchange difference	14	1
At the end of the year	19	317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25 TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	1,600	8,755

(a) As at 31 March 2022, ageing analysis of trade payables based on invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	643	8,655
Over 1 year	957	100
	1,600	8,755

(b) Trade payables were denominated in:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
– RMB	1,274	6,802
– US\$	326	1,936
– EUR	–	17
	1,600	8,755

(c) The fair value of trade payables approximated to their carrying amounts as at 31 March 2022 and 2021 due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

26 OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Accrued expenses	1,564	2,697
Other tax payables	318	2,450
Payroll payables	1,145	930
Amounts due to related parties (Note 31(c))	7,425	–
	10,452	6,077

(a) Other payables were denominated in:

	2022 HK\$'000	2021 HK\$'000
– HK\$	9,240	486
– RMB	1,212	5,591
	10,452	6,077

(b) The fair value of other payables approximated to their carrying amounts as at 31 March 2022 and 2021 due to their short maturities.

27 CONTRACT LIABILITIES

Contract liabilities represent cash received from customers in advance for which the goods and services are yet to be delivered.

Movement in the contract liabilities balance during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	198	181
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(198)	(181)
Increase of receipts in advance from customers	423	198
At the end of the year	423	198

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28 CASH FLOW INFORMATION

(a) Cash generated from/(used in) from operations

Reconciliation of loss before income tax to cash generated from/(used in) operations is as follows:

	2022 HK\$'000	2021 HK\$'000
Loss before income tax	(9,355)	(6,391)
Adjustments for:		
– Depreciation of property and equipment (<i>Note 13</i>)	481	72
– Depreciation of right-of-use assets (<i>Note 14</i>)	289	244
– Amortisation of intangible assets (<i>Note 15</i>)	2,274	1,739
– Finance costs	286	112
– Finance income	(4)	(15)
– Provision for impairment of trade receivables (<i>Note 17</i>)	11	–
– Exchange gain arising from operations	(843)	(455)
	(6,861)	(4,694)
Changes in working capital		
– Trade receivables	23,768	(1,272)
– Prepayments	(1,288)	(12,782)
– Other receivables	2,159	(751)
– Trade payables	(7,595)	4,685
– Contract liabilities	222	17
– Other payables	(3,214)	(236)
– Restricted cash	18	(386)
Cash generated from/(used in) operations	7,209	(15,419)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

28 CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Borrowings	Lease liabilities	Amounts due to related parties, included in other payables
	<i>HK\$'000</i> <i>(Note 23)</i>	<i>HK\$'000</i> <i>(Note 24)</i>	<i>HK\$'000</i> <i>(Note 26)</i>
At 1 April 2020	–	–	–
Changes from financing cash flows:			
Proceeds from new bank loans	8,291	–	–
Principal element of lease rental paid	–	(265)	–
Interest element of lease rental paid	–	(15)	–
Total changes from financing cash flows	8,291	(280)	–
Other changes:			
Interest expenses <i>(Note 7)</i>	97	15	–
Interest paid included in operating activities	(97)	–	–
Addition of lease	–	581	–
Currency translation differences	–	1	–
Total other changes	–	597	–
At 31 March 2021 and 1 April 2021	8,291	317	–
Changes from financing cash flows:			
Repayment of bank loans	(6,081)	–	–
Principal element of lease rental paid	–	(312)	–
Interest element of lease rental paid	–	(7)	–
Advance from related parties	–	–	7,425
Total changes from financing cash flows	(6,081)	(319)	7,425
Other changes:			
Interest expenses <i>(Note 7)</i>	279	7	–
Interest paid included in operating activities	(279)	–	–
Currency translation differences	257	14	–
Total other changes	257	21	–
At 31 March 2022	2,467	19	7,425

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For the year ended 31 March 2022

29 SUBSIDIARIES

Name of company	Place of incorporation, kind of legal entity	Particulars of issued share capital/ registered capital	Equity interest held	Principal activities and place of operation
Directly held				
CPT Asia-Pacific Holding Ltd.	BVI, limited liability company	US\$1	100%	Investment holding
BCI East Asia Holding Ltd.	BVI, limited liability company	US\$1	100%	Investment holding
MG Pacific Holding Ltd.	BVI, limited liability company	US\$1	100%	Investment holding
ZHP Orient Holding Ltd.	BVI, limited liability company	US\$1	100%	Investment holding
Min Fu Investment Holding Limited	BVI, limited liability company	US\$1	100% (2021: N/A)	Investment holding
Indirectly held				
Hong Kong Zhi Phong	Hong Kong, limited liability company	HK\$1	100%	Investment holding
Hong Kong Cheng Phong	Hong Kong, limited liability company	HK\$100	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
Bow Chak	Hong Kong, limited liability company	HK\$100	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
MGW Swans	BVI, limited liability company	US\$100	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
Quick Tech [#]	The PRC, wholly foreign owned enterprise	RMB10,750,000	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
Min Fu Technology (Hong Kong) Limited	Hong Kong, limited liability company	HK\$1	100% (2021: N/A)	Investment holding
Min Fu Investment (Nanjing) Limited [#]	The PRC, wholly foreign owned enterprise	US\$5,000,000	100% (2021: N/A)	Investment holding
Min Fu Holding (Shenzhen) Limited [#]	The PRC, wholly foreign owned enterprise	RMB10,000,000	100% (2021: N/A)	Inactive

[#] Registered as wholly foreign owned enterprise under PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 LEASE COMMITMENTS

The Group as a lessee, had the following non-cancellable short-term lease commitments:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	198	281

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party

Name	Relationship
Mr. Wu	Shareholder of IFG Swans
Tecway Technology Limited	Shareholder of the Company
IFG Swans	Shareholder of the Company

(b) Key management compensation

	2022 HK\$'000	2021 HK\$'000
Fees, salaries bonuses and other benefits	2,314	1,372
Contribution to pension scheme	73	32
Total	2,387	1,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

31 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related party

	Maximum outstanding during the year ended 31 March		Balance as at 31 March	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other receivables				
– Mr. Wu	249	368	249	11

Other receivables represented advances to Mr. Wu as employee. Such amounts were unsecured, interest-free and repayable on demand.

	2022	2021
	HK\$'000	HK\$'000
Other payables		
– Tecway Technology Limited	1,500	–
– IFG Swans	5,925	–
Total	7,425	–

Other payables represented advances from Tecway Technology Limited and IFG Swans as shareholders of the Company, which are non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	31,118	31,118
Amounts due from subsidiaries	6,219	–
	37,337	31,118
Current assets		
Cash and cash equivalents	33	15
Amounts due from subsidiaries	–	7,860
Prepayments	2	75
	35	7,950
Total assets	37,372	39,068
EQUITY		
Equity attributable to owners of the Company		
Share capital	312	312
Other reserves (Note (a))	70,783	70,783
Accumulated losses (Note (a))	(39,498)	(34,807)
Total equity	31,597	36,288
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	2,915	2,316
Other payables	2,860	464
Total liabilities	5,775	2,780
Total equity and liabilities	37,372	39,068

The Company's statement of financial position was approved by the board of directors of the Company on 27 June 2022 and was signed on its behalf.

Huang Minzhi
Director

Zeng Weijin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Reserve movement of the Company

	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2020	70,783	(31,522)	39,261
Loss and total comprehensive loss for the year	–	(3,285)	(3,285)
Balance at 31 March 2021 and 1 April 2021	70,783	(34,807)	35,976
Loss and total comprehensive loss for the year	–	(4,691)	(4,691)
Balance at 31 March 2022	70,783	(39,498)	31,285

Note: Other reserve includes premium arising pursuant to the reorganisation arrangements undergone by the Company for the listing of the Company's shares on GEM, and share premium arising from the issue of new shares pursuant to the share offering net of listing expenses and capitalisation issue.

33 COMPARATIVE FIGURES

To conform with the presentation for the current year, interest element of lease rental paid included in cash flows from operating activities for the year ended 31 March 2021 has been included in cash flows from financing activities.

Also, to conform with the presentation for the current year, finance income has been adjusted before the changes in working capital under cash generated from/(used in) operations and interest income received has been separately presented in cash flows from operating activities for the year ended 31 March 2021.

FINANCIAL SUMMARY

A five-year summary of the consolidated results and the consolidated assets and liabilities of the Group, and as extracted from the Group's audited consolidated financial statements contained in published annual reports, is set out below:

	Year ended 31 March				
	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	48,405	52,397	54,892	39,962	31,514
Gross profit	31,115	27,270	31,132	16,380	12,568
(Loss)/Profit before income tax	(7,472)	9,371	6,199	(6,391)	(9,355)
(Loss)/Profit for the year	(11,235)	7,311	3,138	(3,339)	(9,245)

	As at 31 March				
	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total assets	54,792	70,004	79,266	88,777	71,763
Total liabilities	(50,031)	(7,310)	(15,354)	(25,522)	(15,370)
Net assets	4,761	62,694	63,912	63,255	56,393
Current ratio	1.09	9.39	4.75	3.51	3.17

This report is published in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.