Echo International Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8218

ANNUAL REPORT 2022

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*This report, for which the directors (the "**Directors**") of Echo International Holdings Group 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.*

Content

Corporate Information

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 3207A, 32/F Cable TV Tower 9 Hoi Shing Road Tsuen Wan Hong Kong
Company website	http://www.echogroup.com.hk
Executive directors	Mr. Lo Yan Yee *(Chairman)* Ms. Cheng Yeuk Hung *(appointed as Chief Executive Officer on 20 May 2022)* Mr. Tansri Saridju Benui Ms. Chan Wan Shan, Sandra
Independent non-executive directors	Mr. Leung Yu Tung, Stanley Mr. Lee Kwok Po (resigned on 23 August 2021) Mr. Chow Yun Cheung Mr. Lam Kwok Leung Roy (appointed on 23 August 2021)
Compliance officer	Mr. Tansri Saridju Benui
Company secretary	Ms. Lui Wing Shan *HKICPA*
Members of the Audit Committee	Mr. Leung Yu Tung, Stanley *(Chairman)* Mr. Lee Kwok Po (resigned on 23 August 2021) Mr. Chow Yun Cheung Mr. Lam Kwok Leung Roy (appointed on 23 August 2021)
Members of the Remuneration Committee	Mr. Leung Yu Tung, Stanley *(Chairman)* Ms. Cheng Yeuk Hung Mr. Lee Kwok Po (resigned on 23 August 2021) Mr. Lam Kwok Leung Roy (appointed on 23 August 2021)
Members of the Nomination Committee	Mr. Leung Yu Tung, Stanley *(Chairman)* Mr. Tansri Saridju Benui Mr. Lee Kwok Po (resigned on 23 August 2021) Mr. Lam Kwok Leung Roy (appointed on 23 August 2021)
Authorised representatives	Ms. Lui Wing Shan Mr. Tansri Saridju Benui

Corporate Information

Principal bankers	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong
	Bank of Communications (Hong Kong) Limited 368 Hennessy Road Wanchai, Hong Kong
	DBS Bank (Hong Kong) Limited 11/F., The Center 99 Queen's Road Central Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 9, HSBC Main Building 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office	**SMP Partners (Cayman) Limited** Suite 3204, Unit 2A, Block 3 Building D, P.O. Box 1586 Gardenia Court, Camana Bay Grand Cayman, KY1-1100 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Auditors	**HLB Hodgson Impey Cheng Limited** Certified Public Accountants 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Hong Kong Legal Adviser	**Fairbairn Catley Low & Kong** 23/F, Shui On Centre 6–8 Harbour Road Hong Kong
GEM Stock Code	8218

Chairman's Statement

Dear Shareholders,

On behalf of the board of the Directors (the "**Board**") of Echo International Holdings Group Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2022.

In 2021, the Group launched two new products, IONLIFE Anion Air Purifier and TIMER. IONLIFE is an ultra-small negative ion generator that can protect user from chemicals and other substances by wrapping on body with an ion barrier, designed with built-in Lithium-Polymer rechargeable battery, USB charging system and multi-colour LEDs induction, and TIMER is used in air purification system, it is a high accuracy digital electronics timer as a specialized type of clock is used to record specific time intervals and prompt user to change the filter before expiration.

FINANCIAL PERFORMANCE

The impact of the fluctuation of raw material prices and the rise of the statutory minimum wages in the PRC resulted in the financial year ended 31 March 2022 being a difficult and challenging one for the Group's manufacturing business in China. The factories in China faced escalating manufacturing costs and keen competition both domestically and from overseas. As a result, the business of the Group was adversely affected for the financial year ended 31 March 2022.

The Group's revenue for the year ended 31 March 2022 was approximately HK$80.34 million (year ended 31 March 2021: approximately HK$49.35 million), representing approximately 62.79% increase as compared with last year. The Group's net loss for the year ended 31 March 2022 recorded approximately HK$21.85 million (year ended 31 March 2021: net loss of approximately HK$26.68 million), representing approximately 18.10% decrease as compared with last year. The gross profit margin decreased from approximately 18.39% last year to approximately 15.49% for the year ended 31 March 2022.

PROSPECTS

Looking forward, the Group will focus on the business of low risk and higher gross margin with relatively lower inventory level and investment in the catering business. The Group expects that the business operation for the coming years will be more cost effective with reducing working capital requirements and more in-depth management concentration. Accordingly, the Group could better capture the opportunity of growth.

The Board is highly alert to any changes in the present uncertain global economy, and remains confident on and committed to the continuation of our mission to maintain our leading position in the market, through dedication, innovation and expansion. The Group will strictly keep the risks under control, have access to more market resources and further improve its profitability, which will in turn bring more return for its shareholders.

The Company has been developing and operating two e-commerce platforms (https://echkmall.com/ and https://www.yukcuisine.com/shop) selling various products such as watches, jewelry, health care, skin care, food and beverage.

APPRECIATION

Finally, I wish to extend, on behalf of the Board, my gratitude to all shareholders and business partners for their trust and support to us, and express my gratitude to the management and staff for their dedicated efforts and contribution.

Echo International Holdings Group Limited

Lo, Yan Yee
Chairman

Hong Kong, 14 July 2022

Management Discussion and Analysis

BUSINESS REVIEW

Revenue for the year ended 31 March 2022 was approximately HK$80.34 million, representing an increase of approximately 62.79% when compared with last year. Loss attributable to owners of the Company for the year ended 31 March 2022, was approximately HK$21.85 million whilst the loss attributable to owners of the Company last year was approximately HK$26.68 million.

Notwithstanding the challenging market conditions encountered during the year, the Group continues to provide electronics products and subcontracting services on PCB assemblies and manufacturing of electronic products to customers in its principal markets, i.e. the U.S.A. and the European countries including Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom. The Group also operates a catering business in Hong Kong.

In view of the challenging market conditions as mentioned above, while the Group will continue to focus on its core business of the sales of electronic products, it will explore new business opportunities to broaden its source of income and maximise profit and return for the Group and the Shareholders of the Company in the long run. The Group will also endeavour to increase its market share and attract new customers to enlarge its client base through conducting more promotional and marketing activities and designing and developing new electronic products.

Sales of Electronic Products

Revenue from this segment during the year ended 31 March 2022 was approximately HK$47.28 million, representing an increase of approximately 29.77% when compared with last year. The increase in sales of electronics products was mainly due to the increase in sales of the fishing indicator and control board.

Food Catering Services

During the year ended 31 March 2022, the Company has been developing and operating two e-commerce platforms, one (https://echkmall.com/) selling watches, jewelry, health care, skin care, food and beverage and another one (https://www.yukcuisine.com/shop) selling food and beverage, such as Chinese tea, mooncakes and abalone dishes.

Revenue from this segment during the year ended 31 March 2022 was approximately HK$24.56 million, representing a increase of approximately 90.05% when compared with last year. Such increase was mainly due to the renewed tenancy agreement for an existing restaurant serving Chiu Chow cuisine in March 2021 and the operation of a new restaurant serving fusion cuisine since February 2021.

FINANCIAL REVIEW

The Group recorded a loss of approximately HK$21.85 million for the financial year ended 31 March 2022 as compared with the loss of approximately HK$26.68 million for the financial year ended 31 March 2021. The decrease in the loss is mainly due to the impairment of right-of-use assets.

The Group's revenue for the year ended 31 March 2022 was approximately HK$80.34 million (approximately HK$49.35 million for last year), representing an increase of approximately 62.79% when compared with last year. Such increase was mainly due to the increase in the revenue from provision of food catering services and manufacturing and trading of electronic products by 90.05% and 29.65% when compared with last year respectively.

Moreover, the revenue attributable to the top five customers for the year ended 31 March 2022 was approximately HK$46.21 million, which increased from approximately HK$30.36 million for the year ended 31 March 2021, representing an increase of approximately 52.21%.

Throughout the year ended 31 March 2022, some factory fixed costs and indirect costs, such as salaries and rents, have been reduced at the same time. Therefore, the production cost attributable to each product manufactured by the Group decreased.

The overall gross profit margin of the Group decreased from approximately 18.39% for the year ended 31 March 2021 to approximately 15.49% for the year ended 31 March 2022 primarily due to the decrease in sales of the higher margin dishes of the Group's food catering business, namely abalone and shark fin.

Selling and distribution expenses for the year ended 31 March 2022 amounted to approximately HK$1.88 million (approximately HK$1.20 million for the year ended 31 March 2021), representing an increase of approximately 57.10%. Such increase was mainly due to the increase in commission expenses amounting to HK$0.35 million (2021: HK$0.14 million) for the year ended 31 March 2022, and the increase in freight charges and transportation to approximately HK$0.57 million for the year ended 31 March 2022 (approximately HK$0.41 million for the year ended 31 March 2021) respectively.

Administrative and other expenses for the year ended 31 March 2022 amounted to approximately HK$25.25 million (approximately HK$27.17 million for the year ended 31 March 2021), representing a decrease of approximately 7.03%. Such decrease was mainly due to the reversal of obsolete and slow-moving inventories of approximately HK$0.51 million (2021: provision of obsolete and slow-moving inventories of HK$0.35 million) for the year ended 31 March 2022.

Loss attributable to the owners of the Company amounted to approximately HK$21.85 million for the year ended 31 March 2022 (approximately HK$26.68 million for the year ended 31 March 2021). Basic and diluted loss per share attributable to owners of the Company was also approximately HK15.17 cents for the year ended 31 March 2022 (basic and diluted loss per share was approximately HK49.84 cents for the year ended 31 March 2021).

To turnaround the loss for the financial year ended 31 March 2022, the Board intends to develop on its recurring business in providing EMS to international customers while targeting further expansion in its established market, particularly to explore the EMS for consumer electronic products in the PRC market where the Directors consider to have a promising potential. However, the European countries and the United States will still be the principal markets of the Group in the near future.

The Group's strategies are to increase its market share and to enlarge its client base through increasing its marketing activities and introducing new products. The Group is going to launch four to five light security system controller, power management board, illuminated bobbin, multi LED ring and related products to the market in 2022 and the Group will attend and participate in more exhibitions and trade fairs in Hong Kong, the PRC and overseas to promote EMS and buzzer, to attract potential customers. Moreover, in relation to the Group's food catering business, the Group is going to develop more abundant and diversified products on the current e-commerce platform in 2022.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the financial year ended 31 March 2022.

Management Discussion and Analysis

Liquidity, Financial Resources and Capital Structure

The Group continues to adopt a prudent financial management, funding and treasury policy and has a healthy financial position.

As at 31 March 2022, the Group had net current assets of approximately HK$2.62 million (2021: approximately HK$5.61 million) including cash and cash equivalents of approximately HK$4.04 million (2021: approximately HK$3.55 million) and pledged time deposits of approximately HK$2.00 million (2021: approximately HK$2.09 million).

The Group's equity capital and borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 March 2022 was 1.06 (2021: 1.20). Please refer Note 37 to the consolidated financial statements for the Group's gearing ratio as at 31 March 2022 and 2021, respectively.

Save as disclosed below, there has been no material change in the capital structure of the Group during the year ended 31 March 2022. The capital of the Group mainly comprises ordinary shares and capital reserves.

Please refer to Note 32 and Note 42 to the consolidated financial statements for details of changes of capital structure of the Company during the year ended 31 March 2022 and up to the date of this report, respectively.

Significant Investment

The Group did not have any significant investment as at 31 March 2022 (2021: Nil).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2022 (2021: Nil).

Charges over assets

The Group had pledged approximately HK$2.00 million time deposits on DBS Bank (Hong Kong) Limited as at 31 March 2022 (2021: HK$2.09 million time deposits on Industrial and Commercial Bank of China (Asia) Limited).

Capital commitment

The Group did not have any significant capital commitments as at 31 March 2022 (2021: Nil).

Foreign Currency Exposure

As at 31 March 2022, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 March 2022, the Group did not use any financial instruments for hedging purposes.

Employees and Emolument Policy

As at 31 March 2022, the Group employed a total of 158 employees (2021: 155 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK$26.67 million for the year ended 31 March 2022 (2021: HK$21.51 million).

The Group reviews the emoluments of its directors and staff based on the qualification, experience, performance and the relevant market rates to maintain the remunerations of its directors and staff at a competitive level.

IMPACT BY COVID-19 OUTBREAK ON THE GROUP'S PERFORMANCE

The management is in the process of assessing the impact of the COVID-19 outbreak on the Group's performance. However, the COVID-19 outbreak is expected to have short-term impact. With the effective control of the COVID-19 outbreak, all parts of the country are gradually resuming work and production, and downstream needs will be released. In addition, the PRC government will likely introduce measures to stimulate economic growth after the COVID-19 outbreak. The management will continue to speed up cash flow collection, increase the volume of sales agreements with core customers, improve the pace and efficiency of procurement and sales, and improve profitability.

USE OF PROCEEDS

IPO

The Company received IPO net proceeds of approximately HK$25.12 million (the "**Proceeds**").

The details of the utilisation of the Proceeds since 12 May 2017 (date of the latest revision of allocation of the unutilised Proceeds) to 31 March 2022 is summarised as follows:

Intended use	As at 12 May 2017 New allocation of the unutilised Proceeds HK$ million (approximately)	As at 31 March 2022 Utilised amount HK$ million (approximately)	As at 31 March 2022 Unutilised amount HK$ million (approximately)
Strengthening the Group's position in its established markets and expanding its customer base	2.49	1.64	0.85
Working capital and funding for other general corporate purposes	1.30	1.30	–
Total	3.79	2.94	0.85

It is expected that the unutilised IPO Proceeds will be utilised within 1 years after the date of this report.

OTHER FUND RAISING ACTIVITIES DURING THE YEAR

On 21 January 2021, the Company entered into a placing agreement (the "**Placing Agreement**") with Bluemount Securities Limited (the "**Placing Agent**"), pursuant to which the Placing Agent conditionally agreed, on a best effort basis, to place, or procure the placing of, a maximum of 88,000,000 new ordinary shares of HK$0.05 each to certain placees which were expected to be not fewer than six (6) (the "**Placees**") at the placing price of HK$0.30 per placing share (as revised pursuant to a supplemental placing agreement dated 9 April 2021 ("**Supplemental Agreement**")) on the terms and conditions as set out in the Placing Agreement (the "**Placing**").

Having taken into account of (i) the funding need of the Company; and (ii) the benefits of increasing the working capital and strengthening the financial position of the Group without increasing its financing costs and the possibility of lowering the net liabilities of the Group, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

Completion of the Placing took place on 27 May 2021, and the Company issued 88,000,000 ordinary shares at the placing price of HK$0.30 per placing share to not less than six (6) Placees who and whose ultimate beneficial owners (if any) are independent third parties. As a result, the Company received gross proceeds of approximately HK$26.4 million and net proceeds of approximately HK$25.5 million after deduction of related costs and expenses. The net issue price of the placing shares was approximately HK$0.2901 per share, and the aggregate nominal value of the placing shares was HK$4,400,000. The market price of the placing shares was HK$0.33 per share as quoted on the Stock Exchange on 9 April 2021, being the date of the Supplemental Agreement.

The net proceeds from the Placing of approximately HK$25.5 million are intended to be used in the expansion in food catering business and as working capital of the Group, which includes the settlement of the contract price under the renovation contracts and payments under a tenancy agreement, and as at 31 March 2021, all of the net proceeds from the Placing have been utilized for such purposes. For further details of the Placing, please refer to the Company's announcements dated 21 January 2021, 10 February 2021, 31 March 2021, 9 April 2021 and 27 May 2021, and the Company's circular dated 26 April 2021.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for reviewing the effectiveness of the internal control system of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

(1) all material controls, including but not limited to financial, operational and compliance controls;

(2) risks management functions; and

(3) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

The Company has engaged the Independent Internal Control Consultant to review and improve the effectiveness of the Group's internal control system. The Internal Control Consultant has issued an internal control review report to the Company, which has identified a number of internal control issues and deficiencies of the Group. The Board has reviewed the said report and conducted a review of the Group's internal control system, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies found in the internal control review.

The Audit Committee is satisfied with the Group's internal control system. The system is designed in consideration of the nature of business and the organisation structure. The system is designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the GEM Listing Rules and all other applicable laws and regulations.

The Group will continue to engage external independent professionals to review its internal control system and further enhance its internal control as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

Set out below are (i) the major deficiencies identified by the Internal Control Consultant and the Board; and (ii) the Company's actions.

Major deficiencies	Company's actions
• The monthly staff overtime work, annual leave and sick leave record was being reviewed and approved by manager who is included the record.	• The management explained that of the executive director of the Group has reviewed the computations indeed and in future the Group will keep sufficient documentary evidence to support the reviewing process.
• It is noted that the existing staff list have not included all the personal information of employee (e.g. residential address, job position, emergency contact and termination date etc.).	• Management explained that the staff's details and has been kept in different files of the Group's records. In future, the Group will integrate and rationalize the information stored in a consolidated file.
• No evidence that the Group has the master training plan to determine in advance the required training at the beginning of the accounting year to set out the subject areas and level of the training for staff in different department and ranking of position within the Group.	• The management will consider developing an overall training plan for various staff in different functional roles and ranking from the coming year.

After the review of the Group's internal control system, the Directors are of the view that the effectiveness of the Group's internal control system has been improved.

Biographical Details of Directors and Senior Management

The biographical details of the Directors and Senior Management of the Group as at the date of this report are as follow:

EXECUTIVE DIRECTORS

Mr. Lo Yan Yee (勞炘儀), aged 70, is the chairman of the Board as well as the factory general manager of the Group. Mr. Lo Yan Yee was appointed as an executive Director on 27 September 2013. He is the founder of the Group and has approximately 44 years of experience in the electronics industry of which he has spent over 31 years in managing his own business. He is responsible for managing and supervising the production teams and engineering teams in the Group's factory operation to ensure that all the environmental, quality, cost, delivery, budget and administration objectives are well achieved. Mr. Lo Yan Yee is also responsible for providing training to the staffs in the factory to enhance their effectiveness and knowledge so as to maximise production efficiency and utilise the labour force effectively. Mr. Lo Yan Yee commenced the work in the electronics industry in 1978, and prior to establishing Echo Electronics Co ("Echo Co"), a partnership formed in Hong Kong focusing on electronics manufacturing services, in 1989, he worked in the production department in various electronics companies in Hong Kong and acquired extensive experience in production and management. Mr. Lo Yan Yee finished Form One in 1966. Mr. Lo Yan Yee is the spouse of Ms. Cheng Yeuk Hung and the father of Mr. Lo Ding To.

Ms. Cheng Yeuk Hung (鄭若雄), aged 65, has been an executive Director since 21 December 2010 and was appointed and re-designated from the chief operation officer to chief executive officer of the Group with effective from 20 May 2022, she is also a member of the Remuneration Committee, and a director of Gold Treasure Hung Group Limited and Echo Electronics Company Limited, each a subsidiary of the Company. Ms. Cheng is the founder of the Company and has approximately 43 years of experience in the electronics industry of which she has spent over 31 years in managing her own business. She principally oversees the operation of the Hong Kong office. She also regularly communicates with the senior staffs in the factory as well as the suppliers of the Group to understand the trend of procurement. She is responsible for resource allocation in relation to the customers in different market segments. She is also responsible for product pricing management, marketing and business development to manage the profitability of each product manufactured by the Group. Prior to establishing Echo Co in 1989, she had worked in EDAX Industrial Company Limited from 1979 to 1988 as an operation manager whereby she became skilled at business promotion, procurement of raw materials, and resource management in the electronics industry. She has been the Shareholder of Zhumu Company Limited since 15 February 2019. She finished her secondary education in 1975. Ms. Cheng is the spouse of Mr. Lo Yan Yee and the mother of Mr. Lo Ding To.

Mr. Tansri Saridju Benui, aged 57, was appointed as an executive Director on 7 September 2018, and was appointed to be a member of the Nomination Committee of the Board, an authorised representative and compliance officer of the Company on 31 December 2019. He obtained his Bachelor of Science in USA, 1988 and his Diploma in Computer Programming and Systems in Canada, 1987. For the period from May 2010 to November 2015, Mr. Benui was an executive director of Vashion Group Ltd (currently known as Incredible Holdings Limited) ("Vashion Group"), issued shares of which are listed on the Singapore Stock Exchange (Stock Code RDR), and he was/has been an executive director of each of the following companies, which was/has been a subsidiary of the Vashion Group during material times: Switech Systems & Marketing Pte Ltd from May 2010 to September 2020, HiTech Distribution Pte Ltd, and Chemitec Industrial Private Limited (the aforesaid private companies are incorporated in Singapore) since May 2010, and PT. Louis Gianni (a private company incorporated in Indonesia) since April 2013.

Ms. Chan Wan Shan, Sandra (陳韻珊), aged 48, joined our Group in August 2017 and was appointed as an executive Director on 31 March 2020. She is also responsible for supervising and managing the business development of Echo Asia (Hong Kong) Limited, a subsidiary of the Company. She has also been the director of Bluemount Financial Group Limited, Bluemount Asset Management Ltd, Bluemount Capital Limited, Bluemount Commodities Ltd and Bluemount Credit Limited since December 2021 and Bluemount Securities Limited since January 2022. Ms. Chan has been an independent non-executive director of Industronics Berhad, the issued shares of which are listed on the main market of Bursa Malaysia Securities Berhad (stock code: 9393 and stock name: ITRONIC), since November 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Yu Tung, Stanley (梁宇東), aged 46, was appointed as an independent non-executive Director on 30 April 2019, and he is currently the chairman of each of the Remuneration Committee, Nomination Committee and Audit Committee. He has over 20 years' experience in the accounting and finance field. He has acted as an independent non-executive director and the member of each of the remuneration committee, nomination committee and audit committee of Watches.com Limited (Stock Code WVJ) (formerly known as Ntegrator International Ltd.), a company listed in the Singapore Stock Exchange (Stock Code 5HC), since May 2021. He has acted as an independent director and the chairman of audit committee of Incredible Holdings Limited (formerly known as Vashion Group Limited), a company listed in the Singapore Stock Exchange (Stock Code RDR), since October 2017. He has been the financial and accounting manager of Siu Siu Style Company Limited since August 2021. He had been the financial controller of Wewenet Limited served from July 2020 to 31 July 2021. He had been the finance controller of Luen Hing Textile Company Limited, which Mr. Leung has served from September 2013 to November 2019. Prior to that, Mr. Leung worked in the Sweet Dynasty Group as finance manager from January 2012 to September 2013.

Mr. Leung was admitted as a fellow member of The Hong Kong Institute of Certified Public Accountants and fellow member of Association of Chartered Certified Accountants since 2015 and 2010 respectively. He became a Certified Tax Adviser of The Taxation Institute of Hong Kong since 2010. Mr. Leung obtained his Master of Professional Accounting and Bachelor of Arts (Hons) Accountancy from the Hong Kong Polytechnic University in 2010 and 2003, respectively and his Higher Diploma in Accountancy from the City University of Hong Kong in 2000.

Mr. Chow Yun Cheung (周潤璋), aged 42, was appointed as an independent non-executive Director on 29 January 2021, and he is a member of the Audit Committee. He has over 19 years of experience in accounting, corporate finance and compliance of listed companies. He obtained a bachelor's degree in Business Administration from Chinese University of Hong Kong in November 2001, and has been a member of the Hong Kong Institute of Certified Public Accountants since February 2005. He is currently an independent non-executive director of Moody Technology Holdings Limited (stock code: 1400), the issued shares of which are listed on the main board of the Stock Exchange, and an non-independent non-executive director of Industronics Berhad, the issued shares of which are listed on the main market of the Bursa Malaysia Securities Berhad (stock code: 9393 and stock name: ITRONIC). From 20 January to 7 May 2022, Mr. Chow was an independent non-executive director of Hon Corporation Limited (stock code: 8259), the issued shares of which are listed on the GEM of the Stock Exchange.

Mr. Lam Kwok Leung Roy (林國樑), aged 48, has been appointed as an independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 23 August 2021. He has over 18 years of experience in providing technical support to various entities. Mr. Lam has been the senior customer officer of Good Thinking Computer Services, which principally engages in provision of information technology services, since April 2013.

SENIOR MANAGEMENT

Ms. Lui Wing Shan (雷穎珊), aged 42, is the company secretary and the chief financial officer of the Company and she joined the Group in June 2014. She is responsible for the company secretarial function, the review and supervision of the Group's overall internal control systems and accountancy function. She has more than 15 years of experience in accounting, auditing, tax, and consulting and is specialised in auditing and accounting. Ms. Lui holds a bachelor's degree in Business Commerce with a major in Accounting from Hong Kong Shue Yan University in 2005, and is currently a practicing member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Ms. Lui worked for various accounting firms and specialised in auditing and accounting.

Mr. Lo Ding To (勞碇淘), aged 35, was appointed as an executive Director on 27 September 2013 and resigned on 1 November 2017. Mr. Lo Ding To is currently the general manager of the Group and is responsible for overseeing the implementation of the day-to-day manufacturing operations. Mr. Lo Ding To, a son of Mr. Lo Yan Yee and Ms. Cheng Yeuk Hung, has had ample opportunity and is able to gain first hand knowledge and insight into the management and operation of the Group ever since his childhood through observing how the Group has been and is managed under his parents. While learning from his parents the skill and technique of managing and operating the Group's business operation, he also enjoys the benefit of their guidance and advice. Hence, even before Mr. Lo Ding To joined the Group, he is already well versed in the Group's day-to-day management and business operations. He therefore has an extensive understanding of the Group's overall business needs and compliance requirements. When Mr. Lo Ding To joined the Group in 2009 after his graduation from the University of East Anglia, United Kingdom, on the basis of his early learning and experience as aforesaid, he brought in new ideas about business strategy and operational functions, which help to enhance the production and quality assurance systems of the Group. Mr. Lo Ding To supervised a staff team in the then processing factory and 毅高達電子(深圳)有限公司 (Yi Gao Tech Electronics (Shenzhen) Co., Ltd*) and has been responsible for product development, quality control, production planning, logistics, shipping, warehouse and inventory management, as well as vendor management activities. Mr. Lo Ding To obtained a Bachelor of Science in business management from the University of East Anglia, United Kingdom in 2009.

Ms. Tai Shan Yu, Yoko (戴珊瑜), aged 46, is the purchasing manager of the Group. She has over 23 years of procurement and material control experience. She joined the Group in 1996 as the procurement and material control executive and was promoted to the purchasing manager of the Group in January 2011. She currently leads a team of staff to coordinate the customer quotation and the sourcing of raw materials. She is responsible for (i) developing strategies for reducing the cost of raw materials; (ii) handling supply chain issues and maintaining good relationship with suppliers; (iii) preparing reports on the trend of cost of raw materials; and (iv) monitoring the trends of EMS industry and keeping abreast of the technology changes. Prior to joining the Group, Ms. Tai had worked as a senior clerk in a company engaged in production of chemical products from 1993 to 1995 and was responsible for the procurement of chemical materials. Ms. Tai finished Form Four in 1992. She has been the director and shareholder of Zhumu Company Limited since 15 February 2019.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also enhancing corporate performance and accountability.

The Company has complied with the code provisions of the Code throughout the year ended 31 March 2022 (the "**Financial Year**").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as it own code governing securities transactions of the Directors. The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the standard set out in the Model Code throughout the year ended 31 March 2022.

BOARD OF DIRECTORS

The Board during the year and up to the date of this report comprises:

Executive Directors:	Mr. Lo Yan Yee *(Chairman)*
	Ms. Cheng Yeuk Hung
	Mr. Tansri Saridju Benui
	Ms. Chan Wan Shan, Sandra
Independent Non-executive Directors:	Mr. Leung Yu Tung, Stanley
	Mr. Lee Kwok Po (resigned on 23 August 2021)
	Mr. Chow Yun Cheung
	Mr. Lam Kwok Leung, Roy (appointed on 23 August 2021)

The biographical details of the Directors and other senior management are set out on pages 13 to 15 of this report.

THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rule 5.05(2) of the GEM Listing Rules during the Financial Year relating to the requirement that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. During the Financial Year, the Company has complied with Rules 5.05A and 5.05(1) of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board. Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

DIRECTORS' ATTENDANCE AT BOARD/GENERAL MEETINGS

During the year ended 31 March 2022, the Company has held two general meetings (including an extraordinary general meeting on 12 May 2021 and the annual general meeting on 30 July 2021). The individual attendance record of each Director at the meetings of the Board and general meetings is as follows:

Name of directors	Number of Board meetings attended/held	Number of general meetings attended/held
Mr. Lo Yan Yee	8/9	2/2
Ms. Cheng Yeuk Hung	9/9	2/2
Mr. Tansri Saridju Benui	9/9	2/2
Ms. Chan Wan Shan, Sandra	9/9	2/2
Mr. Leung Yu Tung, Stanley	8/9	2/2
Mr. Lee Kwok Po (resigned on 23 August 2021)	3/4	1/2
Mr. Chow Yun Cheung	8/9	2/2
Mr. Lam Kwok Leung, Roy (appointed on 23 August 2021)	3/3	0/0

Pursuant to code provision A.6.7 of the Code, independent non-executive directors should attend general meetings.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The management is delegated with the authority and the responsibility by the Board for the day-to-day management, administration and operation of the Group. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision C.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are segregated and performed by Mr. Lo Yan Yee and Mr. Cheng Kwing Sang, Raymond (up to 3 May 2022)/Ms. Cheng Yeuk Hung (since 20 May 2022), respectively.

RELATIONSHIP BETWEEN THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng Yeuk Hung and Mr. Lo Yan Yee are spouses. Mr. Lo Ding To is a son of Ms. Cheng Yeuk Hung and Mr. Lo Yan Yee. Mr. Cheng Kwing Sang, Raymond is the elder brother of Ms. Cheng Yeuk Hung.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every 3 years.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung); (ii) 7 September 2018 (in respect of Mr. Tansri Saridju Benui); and (iii) 31 March 2020 (in respect of Ms. Chan Wan Shan, Sandra) which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 30 April 2019 (in respect of Mr. Leung Yu Tung, Stanley); (ii) 29 January 2021 (in respect of Mr. Chow Yun Cheung); and (iii) 23 August 2021 (in respect of Mr. Lam Kwok Leung, Roy), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

Pursuant to the code provision C.1.8 of the Code, the Company should arrange appropriate insurance coverage in respect of legal action against its Directors. The Company has arranged the directors and officers liability insurance for its Directors during the Financial Year.

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors, namely Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Tansri Saridju Benui, Ms. Chan Wan Shan, Sandra, Mr. Leung Yu Tung, Stanley, Mr. Lam Kwok Leung, Roy and Mr. Chow Yun Cheung participated in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board during the Financial Year. A record of the training for the respective Directors are kept and updated by the company secretary of the Company.

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 27 September 2013. The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment. During the Financial Year, the Company adopted a whistleblowing policy in order to allow our employees or other stakeholders (e.g. suppliers and customers) of the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Leung Yu Tung, Stanley, Mr. Lam Kwok Leung, Roy and Mr. Chow Yun Cheung. Mr. Leung Yu Tung, Stanley is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

During 1 April 2021 up to the date of this report, the Audit Committee had reviewed the first quarterly results and report of the Company for the three months ended 30 June 2021, the interim results and report of the Company for the six months ended 30 September 2021, the third quarterly results and report of the Company for the nine months ended 31 December 2021 and the annual results and report of the Company for the year ended 31 March 2022. The Audit Committee also reviewed the Group's internal control system for the year. All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported regularly to the Board. During the Financial Year, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this report under the GEM Listing Rules. The Group's annual results for the year ended 31 March 2022 had been reviewed by the Audit Committee prior to the submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

The attendance records of each member of the Audit Committee meeting during the Financial Year are set out as follows:

Name of members of Audit Committee	Number of meetings attended/held
Mr. Leung Yu Tung, Stanley	4/5
Mr. Lee Kwok Po (resigned on 23 August 2021)	2/3
Mr. Chow Yun Cheung	5/5
Mr. Lam Kwok Leung, Roy (appointed on 23 August 2021)	2/2

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 27 September 2013. The Remuneration Committee currently consists of the two independent non-executive Directors Mr. Lam Kwok Leung, Roy, Mr. Leung Yu Tung, Stanley and one executive Director, Ms. Cheng Yeuk Hung. Mr. Leung Yu Tung, Stanley is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Remuneration Committee include consulting the Board about the remuneration proposals for all Directors and senior management, making recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management. The Remuneration Committee has adopted the approach under E.1.2(c)(ii) of the code provisions of the Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The attendance records of each member of the Remuneration Committee during the Financial Year are set out as follows:

Name of members of Remuneration Committee	Number of meetings attended/held
Mr. Lam Kwok Leung, Roy (appointed on 23 August 2021)	0/0
Ms. Cheng Yeuk Hung	2/2
Mr. Leung Yu Tung, Stanley	2/2
Mr. Lee Kwok Po (resigned on 23 August 2021)	0/0

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 27 September 2013. The Nomination Committee currently consists of the two independent non-executive Directors Mr. Lam Kwok Leung, Roy, Mr. Leung Yu Tung, Stanley and one executive Director Mr. Tansri Saridju Benui. Mr. Leung Yu Tung, Stanley is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

During the Financial Year, the Board adopted the Nomination Policy, which sets out the key selection criteria and nomination procedures of the Nomination Committee in making recommendations to Board on the appointment of Directors and succession planning for Directors.

In assessing the suitability of the candidate to the Board regarding the appointment or re-appointment of any existing Director(s), the Nomination Committee will consider the following factors: (a) commitment for responsibilities of the Board in respect of available time and effort; (b) qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in; (c) reputation for integrity; (d) experience in the Company's principal business and/or the industry in which the Company operates, (e) (in the case of an independent non-executive Director) independence requirements set out in the GEM Listing Rules; and (f) diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and the number of directorships in other listed/public companies, and in the case of independent non-executive Directors, the length of service, where an independent non-executive Director serving more than nine years could be relevant to the determination of a non-executive Director's independence.

The Nomination Committee shall convene a meeting to invite nominations of candidates from Directors (if any) or it may also nominate candidates for its consideration. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee will review the Nomination Policy periodically to ensure that it fulfils the Company's needs and complies with the regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The attendance records of each member of the Nomination Committee are set out as follows:

Name of members of Nomination Committee	Number of meetings attended/held
Mr. Lee Kwok Po (resigned on 23 August 2021)	0/0
Mr. Leung Yu Tung, Stanley	1/1
Mr. Tansri Saridju Benui	1/1
Mr. Lam Kwok Leung, Roy (appointed on 23 August 2021)	0/0

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties according to the code provision A.2.1 of the Code, which include:

(1) developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board;

(2) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(3) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

(4) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) reviewing the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

During the Financial Year, the Board reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company to comply with the Code and the GEM Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements. Lastly, the Board reviewed the Company's compliance with the Code and the disclosure of the corporate governance report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review on the system of internal controls of the Group, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies. The major deficiencies of the Group's internal control system and the Company's actions are set out on page 12 of this report.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and minimise risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditors' Report.

Auditors' Remuneration

During the Financial Year, the fees paid to the Company's auditors is set out as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Audit services	600
Non-audit services	7

The accounts for the Financial Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

During the Financial Year, the Board adopted a board diversity policy ("**Board Diversity Policy**") setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. In summary, the Board Diversity Policy sets out that selection and appointment of new directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, ethnicity, professional ethnicity, skills, knowledge, length of services and such qualities and attributes that may be required by the Board. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Currently, members of the Board has a balanced mix of experience including overall management, brand enhancement, business development, legal, financial, audit and accounting experience. The ages of the Directors range from 42 to 70 years old and their educational and work experience backgrounds range from accounting, business administration, science and computer programming to electronics industry.

As of the date of this report, we have seven Directors, two of whom are female, and three senior management members, two of whom is female; the gender ratio of our employees as of 31 March 2022 is approximately 66 males per 92 females. The Company will strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level and the Company is committed to provide career development opportunities for female staff so that it will have a pipeline of female senior management and potential successors to the Board in near future. The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

The Nomination Committee shall review the Board Diversity Policy established for implementing diversity on the Board periodically. It will discuss any revisions to the Board Diversity Policy and make recommendation to the Board for approval.

COMPANY SECRETARY

Ms. Lui Wing Shan ("**Ms. Lui**") was appointed as the company secretary of the Company on 1 June 2014. The biographical details of Ms. Lui are set out under the section headed "Biographical Details of Directors and Senior Management".

Ms. Lui has been informed of the requirement of Rule 5.15 of the GEM Listing Rules, and she confirmed that she had attained no less than 15 hours of relevant professional training during the Financial year.

DIVIDEND POLICY

The Company has a dividend policy to set out the approach by the Board in recommending dividends, to allow the shareholders of the Company to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

Determination Mechanism: The Board has discretion to declare and distribute dividends to the shareholders of the Company. The Board shall take into account the following factors of the Group when considering the declaration and payment of dividends:

- the Group's current and future operations and earnings;
- the Group's liquidity position and future commitments at the time of declaration of dividend;
- any contractual restrictions on payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the general market conditions; and
- any other factors that the Board deems appropriate.

Review: The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and it shall in no way constitute a legally binding commitment by the Company in respect of its future dividends and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, be signed by the requisitionist(s) and deposited to the Board or the company secretary of the Company at the Company's principal place of business at Room 3207A, 32nd Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the Articles and the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

RIGHT TO PUT ENQUIRIES TO THE BOARD

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

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Articles for including a resolution at an EGM. The requirements and procedures are set out above.

The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include annual general meetings and other general meetings or other proper means. In compliance with the requirements of GEM Listing Rules, the Company issued annual, interim and quarterly reports, notices, announcements and circulars which will be posted on the websites of the Company and the Stock Exchange in a timely manner, and shareholders can get the latest information of the Company through these publications of the Company. Based on the Company's review of the initiatives taken by the Company, it is of the view that the implementation of the Shareholders' communication policy is satisfactory and effective during the Financial Year.

For the Financial Year, there had been no change in the Company's constitutional documents.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 March 2022.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands.

Pursuant to the pre-listing reorganisation of the Group ("**Reorganisation**") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 14 March 2013. Details of the Reorganisation were set out in the paragraph head "Reorganisation" in the section headed "History and development" in the Prospectus.

Following the capitalisation issue of 130,000,000 Shares and the placing of 60,000,000 Shares at a price of HK$0.60 per Share, the Company was listed on the GEM on 11 October 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of electronic products and accessories. The principal activities of its principal subsidiaries are set out in Note 26 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Financial Year.

An analysis of the Group's performance for the year by segments is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2022 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 77 to 174.

The Board does not recommend the payment of any final dividend for the year ended 31 March 2022.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2022 is set out in the section headed "Management Discussion and Analysis" on the pages 6 to 12 of the annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place of various business units to monitor our environmental performance. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that had a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus employee management focuses on recruiting and nurturing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Our Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between our Group and its business partners.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 175.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in Note 32 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 March 2022.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 March 2022 are set out in Note 39 and Note 36 to the consolidated financial statements and the consolidated statement of changes in equity on page 80, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company's did not have reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The amount represents the net of Company's contribution reserve, share premium, and accumulated losses, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue for the year ended 31 March 2022 attributable to the Group's major customers and the percentages of purchases for the year ended 31 March 2022 attributable to the Group's major suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 57.52% of the Group's total revenue. The amount of revenue from the Group's largest customer represented approximately 31.15% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 26.74% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 6.43% of the Group's total purchases.

None of the Directors nor any of their close associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 March 2022.

Report of the Directors

DIRECTORS

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

Executive Directors
Mr. Lo Yan Yee *(Chairman)*
Ms. Cheng Yeuk Hung
Mr. Tansri Saridju Benui
Ms. Chan Wan Shan, Sandra

Independent non-executive Directors
Mr. Leung Yu Tung, Stanley
Mr. Lee Kwok Po (resigned on 23 August 2021)
Mr. Chow Yun Cheung
Mr. Lam Kwok Leung, Roy (appointed on 23 August 2021)

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 15 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Group within one year without payment of a compensation, other than the statutory compensation. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 30 April 2019 (in respect of Mr. Leung Yu Tung, Stanley); (ii) 29 January 2021 (in respect of Mr. Chow Yun Cheung); and (iii) 23 August 2021 (in respect of Mr. Lam Kwok Leung, Roy) which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. The appointment of the Directors is subject to the provisions of the Articles in force from time to time including, but not limited to, the removal provisions and provisions on retirement by rotation and re-election.

Pursuant to the Articles, Mr. Lam Kwok Leung, Roy shall hold office until the forthcoming annual general meeting, Ms. Cheng Yeuk Hung, Ms. Chan Wah Shan, Sandra and Mr. Leung Yu Tung, Stanley shall retire from their offices as Directors in the forthcoming annual general meeting. They will offer themselves for re-election as the Directors in the forthcoming annual general meeting.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

None of the Directors nor the controlling shareholder of the Company had any material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2022.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Financial Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

SHARE OPTIONS SCHEMES

The Company has two share option schemes namely, the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the share option scheme (the "**Share Option Scheme**") which were both adopted on 27 September 2013.

Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 27 September 2013 under which the Company has granted options to certain Directors of the Group to subscribe for an aggregate of 80,000,000 shares of the Company with an exercise price of HK$0.15, which is equal to the placing price as defined in the Prospectus.

As at 31 March 2022, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2021	Outstanding as at 31 March 2022	Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
Mr. Lo Yan Yee	1,140,000	1,140,000	11 October 2016– 11 October 2023	2.19%
Ms. Cheng Yeuk Hung	1,140,000	1,140,000	11 October 2016– 11 October 2023	2.19%
Directors	2,280,000	2,280,000		4.38%
Employees	1,720,000	1,720,000	11 October 2016– 11 October 2023	3.31%
	4,000,000	4,000,000		7.69%

Share Option Scheme

During the year ended 31 March 2022, no option was granted, exercised or lapsed under the Share Option Scheme.

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

As at 31 March 2022, the interests and short positions of the Directors and the chief executive 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, Laws of Hong Kong) ("**SFO**") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

(i) Long positions in the shares of the Company

Name of Director/Chief Executive	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Personal interest	4,878,000	3.09%
Mr. Lo Yan Yee	Interest of spouse	4,878,000	3.09%

Note: Mr. Lo Yan Yee is the executive Director and the spouse of Ms. Cheng Yeuk Hung, and is deemed under the SFO to be interested in those 4,878,000 shares in which Ms. Cheng Yeuk Hung is interested.

(ii) Long position in underlying shares of the Company

Name	Capacity	Description of equity derivatives	Number of underlying shares
Mr. Lo Yan Yee	Personal interest	Options	1,140,000
(executive Director)	Interest of spouse	Options	1,140,000
			2,280,000
Ms. Cheng Yeuk Hung	Personal interest	Options	1,140,000
(executive Director and chief executive officer)	Interest of spouse	Options	1,140,000
			2,280,000

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

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

As at 31 March 2022, so far as is known to the Directors, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company 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 which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Total	Percentage of the Company's issued share capital
Siu Hiu Ki Jamie (formerly known as Ms. Siu Yik Tung Jamie)	Beneficial owner	14,621,948	6,263,559 (Note 1)	20,885,507	13.23%
Siu Wa Kei	Interest of a controlled corporation	1,297,800		1,297,800	
	Beneficial owner	13,123,468	1,478,773 (Note 1)	14,602,241	
		14,421,268		15,900,041	10.07%
Lissington Limited	Beneficial owner	9,867,486	3,549,647 (Note 1)	13,417,133	8.50%
Zheng Zeli	Interest of a controlled corporation	9,867,486 (Note 3)	3,549,647 (Note 1, 3)	13,417,133	8.50%
Lam Sau Man	Beneficial owner	14,222,507	–	14,222,507	9.01%
Kwok Hang Yau Heilesen Henrick	Beneficial owner	14,220,000	–	14,220,000	9.01%

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Total	Percentage of the Company's issued share capital
Yeung Tong Seng Terry	Beneficiary of a trust (other than discretionary interest)	5,060,000 (Note 2)	3,679,245 (Notes 1 & 2)		
	Beneficial owner	–	1,551,812 (Note 1)		
		5,060,000	5,231,057 (Note 1)	10,291,057	6.52%
Bluemount investment Fund SPC — Bluemount investment Fund SP	Trustee (other than a bare trustee)	5,060,000	3,679,245 (Note 1)	8,739,245 (Note 2)	5.54%

Notes:

1. These underlying Shares are Shares to be issued to holders of the convertible bonds of the Company.

2. These shares were held by Bluemount investment Fund SPC — Bluemount investment Fund SP as trustee of Mr. Yeung Tong Seng Terry.

3. The entire issued share capital of Lissington Limited is beneficially owned by Ms. Zheng Zeli.

Save as disclosed above, as at 31 March 2022, the Directors are not aware of any other persons (other than a director or chief executive 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 and the Stock Exchange 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 under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in Note 13 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

A remuneration committee is set up 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 practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performances.

CONFIRMATION OF INDEPENDENCE

Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The material related party transactions entered into by our Group are set out in Note 40 to the consolidated financial statements to this annual report. Save as disclosed below, the material related party transactions do not constitute connected transactions of the Company for the year ended 31 March 2022.

The rental paid to Mobile Computer Land Limited and the remuneration to the Directors as disclosed in Note 40 to the consolidated financial statements constituted continuing connected transactions under Chapter 20 of the GEM Listing Rules, and each of the finance cost paid to, the payment for website development made to and the loan advanced from Fuka Meito Group Limited (formerly known as Industronics Technology Limited) as disclosed in Note 40 to the consolidated financial statements constituted connected transaction under Chapter 20 of GEM Listing Rules, but all of the foregoing transactions are fully exempted from shareholders' approval, annual review and all disclosure requirements under the GEM Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

COMPETING BUSINESS

For the year ended 31 March 2022, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 26 of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the subsequent events occurring after the reporting period of the Group are set out in Note 42 to the financial statements.

AUDITORS

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Lo Yan Yee
Chairman

Hong Kong, 14 July 2022

Environmental, Social and Governance Report

1. OUR REPORT

1.1. Overview

This environmental, social and governance report ("**Report**") elucidates in full the performance of Echo International Holdings Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**" or "**We**") (listed on the GEM of The Stock Exchange of Hong Kong Limited, stock code: 8218) with respect to the environment, society and governance from 1 April 2021 to 31 March 2022 (the "**Reporting Period**" or the "**Year**"). Disclosures made in this Report is in compliance with the "**comply or explain**" provisions and the "**Mandatory Disclosure Requirements**" set out in the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 to the Rules Governing the Listing of Securities on the Hong Kong Exchanges and Clearing Limited.

1.2. Reporting scope

The Group is principally engaged in the manufacturing and trading of electronic products and accessories, and has also commenced its catering business in Hong Kong in recent years. The scope of disclosure in this Report covers the following four operating locations, based on the principle of contributing the majority of the Group's business revenues during the Reporting Period and the significant implication with the environment:

(1) Hong Kong — office of headquarters

(2) Hong Kong — two Chinese restaurants ("**Yuk Cuisine**")

(3) Shenzhen — manufacturer of electronics products (毅高電子(深圳)有限公司)

1.3. Feedback Mechanism

We welcome comments and suggestions from readers on this Report. All of the comments and suggestions from our customers, business partners, the public, the media or social groups will help determine and reinforce the Group's future sustainability strategies. Please feel free to give us feedbacks through the following ways:

Echo International Holdings Group Limited
Address: Room 3207A, 32nd Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong
Telephone: (852) 2412 0878
Facsimile: (852) 2415 4249
Email address: info@echogroup.com.hk

2. REPORTING PRINCIPLES

- **Materiality:** The Group strives to align itself with local and international sustainability standards in the same industry by regularly benchmarking itself against these standards. Meanwhile, our regular communications with various stakeholders will help identify the sustainability issues that are of most concern and importance to the Group. Such sustainability issues are also incorporated into the Group's development approach under the overall tone of the Group's operations. During the Year, the Group also conducted stakeholder surveys to identify their expectations on the Group and developed appropriate strategies in response to their views and requirements.

- **Quantitative:** The Group is committed to quantifying and disclosing key performance indicators and data in respect of environmental and social aspects. Where appropriate and feasible, methods of data collection and calculation will be elaborated to enhance data transparency.

- **Balance:** In order to maintain a balanced report, fair disclosures are made to provide the public with unbiased information regarding the sustainability performance and challenges that concern the Group and its stakeholders.

- **Consistency:** The Group follows the Hong Kong Stock Exchange's "Environmental, Social and Governance Reporting Guide" for disclosure purposes. Under the same framework, the Company is able to make meaningful year-on-year comparisons of past performance and to disclose updated calculations of relevant data where necessary.

3. BOARD'S OVERSIGHT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

The Board of Directors of the Group ("**we**") oversees the relevant environmental, social and governance (ESG) issues under the framework of the current business strategy in order to ensure that operations continue to follow and comply with local laws and regulations in the jurisdiction where our business operates, thereby safeguarding the interests of the Group and its stakeholders, as well as enhancing the brand image of the Company.

The Group collects ESG information on a regular basis through different committees and working groups before consolidating, analysing and disclosing the performance in the ESG report. At the annual meeting of the Board of Directors, the board members will review the ESG performance disclosed in the Report, evaluate the suitability and compliance of the Group's business strategy and identify the sustainability issues that are material to the Group and its stakeholders, so as to make appropriate decisions and realignments to the relevant strategies as necessary.

ESG Governance Structure

Board of Directors

- Formulate and manage ESG strategies
- Conduct risk management on ESG issues

↓

Policy Committee

- Report to the Board on material ESG issues
- Recommend ESG policies and targets to the Board for approval

↓

Executive Steering Group

- Organise with the relevant Policy Committee to coordinate and implement relevant practices
- Coordinate with relevant employees to involve in and fulfill the defined targets

The Board will evaluate potential risks disclosed from the ESG information, prioritise the management of the ESG issues that cause material impacts, and formulate effective preventive and control measures in order to ensure the sustainable development of the Group, the scope of which may include but not be limited to:

- Establishment of a budget for new facilities related to environmental protection (e.g., exhaust/dust filtration, and wastewater treatment facilities)
- Increase in use of renewable energy (e.g., solar energy) through the procurement of new equipment
- Approval of budgets, targets and assessment results related to sustainable development

The Board of Directors will conduct annual evaluation, subject to the current business challenges, over those ESG measures to be improved. Based on the Board's evaluation for the Year, it was confirmed that the Group has met compliance requirements at the relevant ESG level, effectively mitigated the ESG risks in the relevant operations and successfully implemented the directional targets for emissions reduction and use of resources, subject to further efforts to enrich environmental education for its employees to meet local policies and market requirements in the jurisdiction where our businesses operate.

On the other hand, the Board believes that major factors affecting the Group's ESG performance in the coming year will continue to be geopolitical disputes, as well as global economic downturn and supply chain strain caused by the COVID-19 pandemic. Consequently, the Group aims to sharpen the competitive edges of its products and services, particularly aligning ourselves with the market trend for pursuing environmental practices, so that the performance of energy efficiency and emissions reduction can be further improved. Moreover, we will cement the partnership with suppliers of core materials to address challenges posed by the chip shortage, and strive to establish reliable and stable supply of materials. As anticipated by the Group, with the environmental and other compliance risks posed by the global response to climate change taken into account, the Board will formulate relevant policies or targets, the progress and performance of which will be regularly reviewed to align with the Group's sustainable development direction.

4. COMMUNICATION WITH STAKEHOLDERS

In order to strengthen the Group's business development and corporate social responsibility, we actively listen to the opinions of all stakeholders and continuously obtain an understanding of and respond to the concerns of different stakeholders, so as to build a relationship based on mutual trust and mutual benefit with our stakeholders to promote sustainable development. Set forth below are the principal communication channels we used to communicate with our stakeholders.

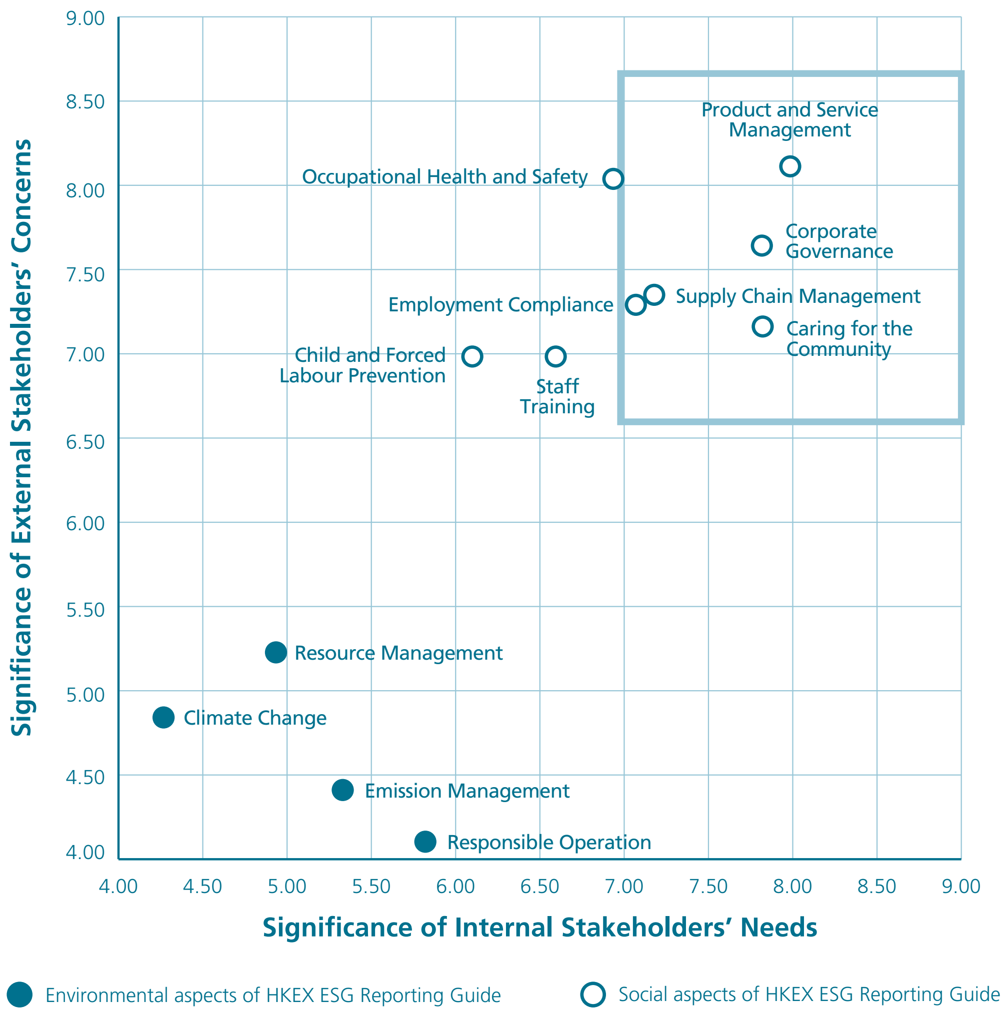
Key stakeholders	Principal communication channels
Shareholders	• Company's website • Annual reports, interim reports and quarterly results report • Annual general meetings and other general meetings • Press releases, announcements, financial and other information in relation to the Company and its business
Staff	• Newsletters to the staff • Company's intranet
Customers	• Visits and meetings • Telephone conferences • Customer surveys • Exhibitions
Suppliers and contractors	• Tendering process • Regular meetings
Community	• Charity and donation events • working with other non-profit organizations

5. MATERIALITY ASSESSMENT

In order to better understand the awareness and expectations of our stakeholders as to the ESG aspects, in addition to the above stakeholder communication channels, the Group conducted a stakeholder survey during the Year and adopted the following three steps to prepare and conduct the materiality assessment:

Step 1 Identify ESG issues	The stakeholder survey is formulated in accordance with the HKEX's Environmental, Social and Governance Reporting Guide, which is part of the framework for materiality assessment, and in reference to factors such as corporate development strategies, industry trends, regulatory and market requirements. The survey identifies 12 sustainability issues in four categories: environmental protection, employment and labour management, operating practices and community investment.
Step 2 Identify stakeholders and draw up surveys	The stakeholders identified as utmost important to the Group include our customers, suppliers and employees. According to their respective perceptions and expectations, specific contents of the issues were created in their respective surveys. The surveys were then distributed to the sampled stakeholders, whose feedback was collected within the specified timeframe.
Step 3 Evaluate and identify material issues	Through statistical analysis of survey feedback from external stakeholders, as well as review of the Group's strategies and the priorities of internal stakeholders, data of both external and internal demands were consolidated for plotting the "ESG Materiality Matrix". Among the aforesaid 12 ESG issues, the ESG material issues of the Group were identified in **italic** texts in the diagram below, and within the **blue** square in the upper right corner of the matrix.

ESG Materiality Matrix



Environmental Protection	Employment and Labour Management	Operating Practices	Community Investment
Emissions Management Resource Management Responsible Operations Climatic Change	*Employment Compliance* Occupational Health and Safety Employee Training Prevention of Use of Child Labour and Forced Labour	*Product and Service Management* *Corporate Governance* *Supply Chain Management*	*Community Concerns*

6. ENVIRONMENTAL PROTECTION

The Group has been committed to and has devoted great efforts to practising environmental protection and promoting sustainable development to fulfill its social responsibility as a corporate citizen. We have endeavored to reduce irrecoverable damages to the environment resulted from the Group's operations by implementing environmental management measures covering various aspects such as carbon emissions reduction, energy saving and green procurement. Meanwhile, in order to achieve a beautiful green life, we have established a sound environmental management system, with an aim to achieve the goals of complying with regulations, improving environmental performance and preventing environmental pollution.

The Group strictly complies with all applicable environmental laws and regulations. During the Reporting Period, there was no case of material non-compliance of environmental laws.

6.1. Responsible Operations

6.1.1 Directional Targets on Environmental Protection

To fulfill its corporate social responsibility, the Group actively integrates environmental protection concepts into its daily operations to ensure environmentally responsible operations, prevent pollution and reduce resource consumption. In addition, the following targets for its electronics manufacturing business have been established to mitigate the environmental impacts arising from the operation of its factory in Shenzhen.

Environmental targets	Directional statements	Measures taken during the Year
Energy use efficiency	1. Use of energy-efficient equipment	1a. "Air-source water heaters" were installed to provide hot water in staff quarters, saving approximately 1,000 kWh throughout the year
		1b. For the temperature control of plastic injection moulding machines, we replaced the air cooling system with a more energy-efficient water cooling system
	2. New energy-saving equipment	2. We purchased a new "variable frequency air compressor" for the plastic injection moulding department of our factory in Shenzhen, saving 57% in energy consumption compared to the old machine that was replaced

Environmental targets	Directional statements	Measures taken during the Year
Emissions reduction	1. Adoption of energy-saving equipment to reduce greenhouse gas emissions in the energy indirect category (scope 2) generated by purchased electricity	1. The use of the above-mentioned equipment (air-source water heaters, water cooling system, air compressors) improved energy efficiency, thereby reducing the indirect greenhouse gas generated by power consumption
	2. Adoption of equipment that can reduce direct greenhouse gas emissions (scope 1)	2. Electric forklifts were used to replace diesel-powered forklifts in some of warehouse operations at our factory in Shenzhen, thus reducing the direct greenhouse gas emissions generated from diesel consumption
	3. Adoption of appropriate filtration equipment to reduce the impact of exhaust emissions on the environment in the production process	3. The exhaust generated during the production of soldering and electroplating must be filtered by the relevant equipment before being discharged outside the factory
Waste reduction	1. Application of devices or technologies that achieve waste reduction	1. The manufacturing process of circuit board cleaning was removed thus sewage discharge was reduced effectively
	2. Upcycling of raw materials from non-conforming products or wastes	2. Some of the plastic waste, after being pulverised and processed, was reused as raw materials, thus saving approximately 20 tonnes of plastic materials throughout the year
	3. Reduction of paper-based waste	3. Electronic operation and file management were strengthened to reduce paper consumption
Water use efficiency	1. Reuse of wastewater that was treated and met the specified standards after sewage treatment for non-production purposes	1. The treated production wastewater will enter the recycling system for cooling equipment to save fresh water

6.1.2 Environmental compliance monitoring

The Group conducts external environmental assessments and monitoring in accordance with applicable laws and regulations in the localities where our business operates, including emissions of noise levels, wastewater, exhaust, dust and specified pollutants on the boundaries. By monitoring the environmental impacts of the business, the Group can implement necessary improvement measures in a timely manner.

6.1.3 Management of natural resources

As the Group's operation consumes much more paper as compared to other natural resources, so the feasibility of recycling is explored over the course of our business. Where appropriate, employees are required to use double-sided paper for printing.

Furthermore, we have set up our company e-mail, adopted enterprise resource planning (ERP) system and human resources system, and developed network communications through creating corporate WeChat groups. Meanwhile, we have also established a file server for storing all internal information and statistics, which can be accessed by our staff with authorisation of the Company. By implementing the above control measures, it is believed that the use of paper can be reduced and a paperless office can be realized.

6.1.4 Environmental promotion and training

The Group promotes its environmental protection related policies through internal trainings and bulletin boards, aiming to raise the staff's awareness of environmental protection, as well as the capability to effectively carry out the relevant environmental measures of the Group.

6.2. Pollution control

6.2.1 Exhaust emission control

The Group operates a catering business in Hong Kong as part of its major business operations, which involves cooking in the kitchen during the course of operation. Oily fumes generated from the use of the stove will be filtered before being emitted to the external environment, which is in compliance with the requirements of the Environmental Protection Department under the Air Pollution Control Ordinance.

In addition, certain emissions are from the vehicles owned by the Group's offices in Hong Kong. The Group is committed to reducing use of vehicles by substituting video, teleconference or other electronic communication means for travels for meetings, thereby reducing exhaust emissions from fuel consumption due to use of vehicles.

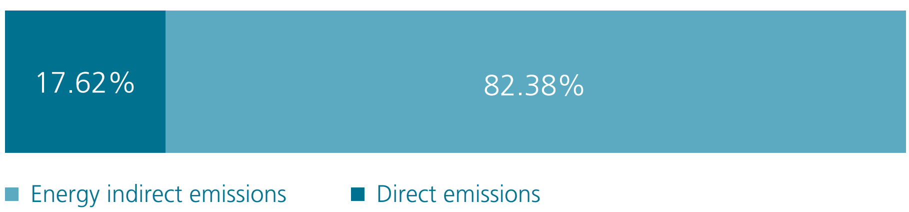
6.2.2 Greenhouse gas emission control

Despite insignificant emissions as mentioned above, the Group understands that greenhouse gases are generated from consumption of fuels used for transportation and electricity in its operations. As greenhouse gases are commonly considered as a major cause of climate change, the Group strives to implement relevant control measures. In addition to the environmental targets as described in section 6.1.1, the Group has also developed the following measures to reduce greenhouse gas emissions from its operations:

- Give priority to environmental procurement, including prioritizing use of local supplies to reduce fuels required for transportation;
- Strive for centralised purchases that reduce the frequency of transportation during the same period so as to minimise greenhouse gas emissions generated from fuel consumption;
- Adopt administrative measures, including requiring the employees to turn off energy-consuming equipment when not in use.

The following graph illustrates the Group's total greenhouse gas emissions during the Reporting Period, more than 80% of which were generated by energy indirect emissions:

Total greenhouse gas emissions (tonnes of carbon dioxide equivalent)



Total greenhouse gas emissions[1]	Direct emissions (scope 1)[2] Greenhouse gas emissions	Energy indirect emissions (scope 2)[3] Greenhouse gas emissions
	(tonnes of carbon dioxide equivalent)	
603.31	106.29	497.02

1 Global Warming Potential (GWP) adopted in calculating greenhouse gas is based on the values disclosed in the Sixth Assessment Report (AR6) of Intergovernmental Panel on Climate Change (IPCC).

2 Direct greenhouse gas emissions are mainly originated from gasoline combustion by vehicles, and gas consumption of catering operations. The method of calculation is based on "2006 IPCC Guidelines for National Greenhouse Gas Inventories".

3 Energy indirect greenhouse gas emissions are originated mainly from indirect emissions from consumption of purchased electricity and gas. Calculation of indirect emissions from electricity in China is based on the regional grid baseline emission factor values issued by the National Development and Reform Commission (NDRC) in the People's Republic of China, while calculation of energy indirect emissions in Hong Kong is based on the emission factor values published by the power companies and gas companies in their sustainability reports/environmental, social and governance reports.

6.2.3 Waste management

The Group attaches great importance to waste management. For the management of non-hazardous waste, the Group adopts the 5R (i.e. Refuse, Reduce, Reuse, Repair and Recycle) management strategy with an aim of realising "zero" emission, so that our waste management commitment can be met.

Our domestic factory in Shenzhen has strictly complied with the provisions of the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes". The wastes are treated in a harmless manner and classified and recycled based on the Group's Solid Waste Management Measures. Furthermore, the hazardous wastes listed in the "National Hazardous Waste List" based on the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes" will be properly stored and labeled. We will engage companies which are qualified to process and recycle hazardous solid waste when the amount of waste stored reaches a certain level. During the Reporting Period, relevant orders that may contain potential hazardous substances were rejected in accordance with and complied with the national environmental protection policy for the year. Therefore, no hazardous waste has been generated from the electronic product manufacturing factory in Shenzhen and the non-hazardous waste was mainly cartons, adhesive tapes, plastics and other domestic wastes, which, where appropriate, will be collected by the factory and delivered to a qualified third-party organization for recycling.

In terms of the catering business operations, all the food wastes of the restaurants will be properly stored and disposed in accordance with the requirements of the Environmental Protection Department, while the non-hazardous waste was mainly kitchen waste. Furthermore, the Group will engage companies which are qualified to process and recycle waste when the amount of hazardous waste to be stored reaches a certain level.

Set forth below is the total amount of waste produced by the operating places covered by this report during the Reporting Period:

Hazardous waste	Non-hazardous waste
0 tonne	38.60 tonnes

6.2.4 Wastewater discharge reduction

The Group strives to deal with sewage discharge in a responsible manner. During the Reporting Period, our factory in Shenzhen optimised the manufacturing process so that the circuit boards no longer need cleaning; as a result, sewage discharge was reduced effectively. When there is a need for sewage discharge, we will discharge the sewage into the municipal sewage pipes in compliance with the requirements of environmental protection laws. In addition, our restaurants is committed to optimizing the process to effectively reduce the generation of sewage and have also set up water management policies to reduce water consumption and effectively control water pollution.

In addition, the factory in Shenzhen outsourced its staff canteen due to its limited floor space during the Year, thereby resulting in a significant decrease in water consumption compared to last year.

6.3. Making good use of resources

The Group has been managing our resources in a prudent way. The resources used in our daily operations are mainly electrical energy. We actively consider and adopt different methods to reduce the use of existing resources. We have formulated a series of policies for energy and water resource management to provide our staff with more specific advices and measures on energy and water saving management.

6.3.1 Energy management

As a socially responsible company, the Group always adheres to the business philosophy of "green operation, energy conservation".

The Group's factory in Shenzhen continued to implement a number of energy-saving measures in respect of three aspects, including environmental equipment, process improvement and administrative measures:

- Environmental equipment — Use of environment-friendly water heaters: use "air-source water heaters" to provide hot water for staff quarters, as no burned gas such as carbon dioxide will be emitted during working due to their working principle of just transferring the heat in the surrounding air to the water, which will reduce the impact of emissions on the environment as compared with gas water heaters. The power consumption of such equipment featured by high efficiency and energy saving is much less than that of electric water heaters with the same water volume, which significantly reduces energy consumption. In addition, in terms of lighting fittings, energy-saving luminaires such as LED fixtures are used, thus reducing greenhouse gas emissions caused indirectly by the energy;

- Energy-saving process improvement: For the cooling process of plastic injection moulding machines, we replaced the air cooling system with water cooling system to increase and accelerate the cooling effect with lesser energy consumption;

- Administrative measures: We examine the status of each of our equipment on a regular basis so that repairing and maintenance works can be conducted in a timely manner, hence, the energy waste due to ageing machinery can be reduced.

The restaurants engaging in the catering business have also taken a number of measures to reduce electricity consumption:

- Control the air conditioning system to an appropriate temperature to reduce unnecessary energy consumption;
- Require that air-conditioning, lighting and other power-consuming equipment be turned off during non-office hours;
- Regularly inspect and maintain the relevant energy consumption equipment to reduce additional energy consumption caused by operating anomalies.

6.3.2 Cherish water resources

Water is one of our most important natural resources. In order to cherish the precious water resources, the Group makes every effort to maximise the water resources used in its business operations. We have actively introduced the concept of water conservation to our staff and reinforced the maintenance, inspections and management of water-consuming equipment, with an aim to achieve the objective of water conservation. We will carry out inspections in the water-consuming areas of the factory area from time to time to prevent water wasting due to facility damages. The Group will also monitor and analyse its monthly water consumption condition on a regular basis for formulating more effective water conservation plans and measures to ensure that its water conservation goals will be achieved. During the Reporting Period, the electronic product manufacturing factory in Shenzhen reduced use of fresh water by reusing treated wastewater from the reusable water for the water recycling system of the cooling equipment. In addition, some equipment, such as flush cistern, will use those water-saving models where possible.

6.3.3 Consumption of packaging materials

Packaging materials consumed by the Group are by and large used for the packaging process in the electronic product manufacturing plant based in Shenzhen and for protecting products during the related transportation. Currently, packaging materials used are mainly comprised of plastic and paper. Compared to last year, consumption of plastic packaging materials for the Year reduced by approximately onefold from last year, while consumption of paper materials increased approximately twofold, mainly due to use of plastic packaging boxes for most of the product series produced last year and use of paper packaging colour boxes for most of product series for the Year.

On the other hand, the Group's factories strived to cooperate with their suppliers to save packaging-related resources by recycling packaging/carrying materials such as boxes and plastic trays provided by the suppliers and returning them to the suppliers for reuse in the next delivery, thereby increasing the utilization rate of these resources.

During the Reporting Period, major types of resources consumed by the operating places covered by this Report are set out in the following table:

Resources[4]	Unit	Hong Kong Office	Catering business[5]	Electronics manufacturing business	Total consumption
Purchased electricity	kilowatts-hour	21,607.00	394,965.00	317,445.00	734,017.00
Gasoline (consumed by cars)	liters	1,281.00	0.00	0.00	1,281.00
Municipal water	cubic meters	0.00[6]	6,430.62	3,703.00	10,133.62
Gas	megajoules	0.00	1,937,040.00	0.00	1,937,040.00
Plastics (used for packaging)	tonnes	0.00	0.17	10.70	10.87
Paper (used for packaging)	tonnes	0.00	0.34[7]	21.60	21.94

6.4. Preparation and responses to climate change

The Group understands that greenhouse gases are the main cause of climate change, and formulates budgets where appropriate to improve facilities or technologies to reduce greenhouse gas or pollution emissions. Since the main business of the Group is the manufacture of electronic products and production plants are involved in the operation process, the Group regularly assesses the following risks of extreme weather and related disasters caused by climate change on the plant, its infrastructure and production processes:

- Whether the plant and its infrastructure are located in areas threatened by rising sea level caused by climate change (such as low-altitude coastal areas);

- The impact of potential heat wave caused by climate change on the production processes (such as the operation of air conditioners and automatic machines);

- Whether climate change has an impact on the interruption of supply chains of individual material and the raw material procurement (such as price and quantity);

- Whether the resource shortage caused by climate change requires a plan to change the material mix.

4 There is no statistics on the consumption of packaging wood for the Year, as the type of wood disclosed last year was wooden pallets, which are not considered as disposable consumables and can be recycled as they are used to facilitate shipment and transportation rather than as a packaging material for products. Therefore, such wood was not treated as consumable packaging materials in the Year.

5 Two Chinese restaurants in the catering business decided their business suspension due to the severity of the COVID-19 outbreak in March 2022, therefore, the resources (electricity, gas and water) consumed in the catering business for the Year does not include the data of March 2022.

6 As the water facilities of the Group's Hong Kong office are managed by the building where they are located, our water consumption data does not include the Group's total water consumption during the Reporting Period.

7 Paper resources were used for paper towels and paper straws provided to customers during catering operations.

As for the identified emergency situations that may be caused by extreme weather (such as flooding), the Group issues relevant documents for disaster risk management strategies and measures to control flooding risks near production and warehouse facilities, and develops emergency plans to prevent damage caused by extreme weather, including the deployment of the following facilities and measures:

- Install flood gates to resist higher flood water levels;
- Strengthen the plant structure to make it more resistant to super typhoons;
- Gradually replace by super-strong windshield glass in the operating places where are more likely to be affected by typhoons;
- Consolidate (e.g., use ropes) outdoor equipment or machinery before the super typhoon;
- Take protective measures (e.g., building debris protection dams) for the plant areas close to natural slopes or man-made slopes to reduce the damage caused by landslides.

In addition, in order to ensure that employees have relevant prevention and response knowledge, the Group provides trainings on disaster prevention knowledge and trainings on emergency response. For example, all windows shall be ensured to close before typhoons; and windows shall be checked on a regular basis to response to extreme weather.

7. EMPLOYMENT AND LABOUR PRACTICES

Management principles and policies

The Group is firmly committed to fulfilling its social responsibilities in the course of business development. The Group understands that the absorption, retention and cultivation of talents will enable the Group to maintain its market competitiveness. We are dedicated to providing our employees and customers with the best possible offers, and adhere to the principles of "anti-discrimination" and "diversification". With an aim of providing the safest and most reliable working environment, we also implement various plans and measures. We encourage work-life balance and provide career development training to achieve the goal of becoming "An Excellent Employer".

7.1. Growth on win-win basis

7.1.1 Management principles and policies

We have always been aiming for "An Excellent Employer" and committed to providing our employees with a harmonious and safe working environment where each of them will be respected. We have also arranged training courses and provided career development opportunities to our employees as appropriate so that they can pursue excellence at work. Besides, we review and improve relevant policies on a regular basis to ensure that we comply with local laws and industry standards.

During the Reporting Period, there were no material irregularities or complaints in relation to discrimination or recruitment being discovered or received by the Group.

7.1.2 Employee and employment data

The total number of employees of the Group in the operating places covered by this report was 158[8], of which Hong Kong employees worked for Hong Kong office and restaurant operations and Shenzhen employees worked for electronics manufacturing business. All employees were full-time employees, except for part-time workers who were temporarily employed in the Shenzhen factory during the Reporting Period[9].

7.1.3 Equal opportunity and diversity

We have a set of clear and transparent processes of employees recruitment and promotion, and emphasize the principle of equal opportunity. Applicants are assessed based on their qualifications, personal talents and work experience, and will not be refused for their gender, age, nationality, religious beliefs or sexual orientations. However, in order to ensure compliance with the local laws in the place where the business operates, the human resources department will review the applicants' identity documents during the recruitment process to ensure that they reach the legal minimum age.

7.1.4 Rights and interests protection

We have entered into employment contracts with our employees according to the local employment laws and regulations to protect employees' statutory rights and interests, and have provided our employees with medical insurance and minimum wages according to the requirements of the laws. Our employees are also entitled to benefits such as paid holidays, sick leave, work-related injury leave and maternity leave. In addition, the Group has established a set of comprehensive compensation system and annual salary adjustment system. We regularly assess and adjust the range of starting salary and salary adjustment for different ranks with reference to market conditions, the Group's performance and annual staff appraisal to ensure that our employees can be rewarded for their contributions and share the results of the Group.

[8] The total number of the employees of the Group included the chief executive officer, chief operating officer, general manager, plant general manager in Hong Kong, and other directors/members of the Board (e.g., executive directors, non-executive directors and independent non-executive directors). The overall headcount is based on the average monthly full-time headcount for the operating area covered by this Report.

[9] In response to the demand of factory orders, 10 and 7 casual workers were hired in October and December in 2021, respectively. On average, about 1 casual worker was hired monthly throughout the whole year. Other statistics and calculations in this Report do not include the number of casual workers with other work nature and number of persons taken into account.

In terms of the dismissal policy, the Group has set up a rigorous and prudent dismissal process in accordance with the "Labour Law of the People's Republic of China" and the "Hong Kong Employment Ordinance". If the employees of the Group have committed gross dereliction of duty or serious violations of laws and regulations or the rules and regulations of the Group, the Group may terminate their employment contract.

7.1.5 Employee benefits

The Group considers its employees as the most important family members. Providing employees with a work-life balanced environment is part of our commitment to its employees, and we hope that they can work together with the Group in a safe and stable environment to achieve success in the future. In addition to basic statutory rights and interests, the Group, subject to the requirements for each operating area, prepared comprehensive benefit package for our employees. The following table sets out certain employee benefits in electronic product manufacturing factory of the Group in Shenzhen, which aims to provide a comprehensive employee care package.

Welfare	• Prepare birthday presents for our employees' birthday • Provide our employees with living quarters for free • Provide free meals and offer various kinds of cooling drinks such as dessert soup and Chinese herbal tea depending on seasons and weather
Additional marriage and parenting benefits	• Provide 170 days of maternity leave for our female employees giving birth • Provide 15 days of paternity leave for our male employees who are going to have new born babies
Benefits for personal safety and insurance	• Purchase additional inpatient medical insurance for our employees to enable them to enjoy medical services at lower cost and purchase social insurance for our employees working at domestic factories in the PRC • Purchase pension insurance for our current employees so that they can maintain their retirement life with the monthly pensions paid when they retire • We provide additional pension to retired employees who have worked for 20 years or more in recognition of their contributions over the years
Life balance	• Our employees are not encouraged or forced to work overtime so that they can maintain balance between family and work • Our mainland factories are equipped with recreational facilities such as basketball courts and badminton courts so that our employees can enjoy better life in their spare time • We have adopted employee caring measures such as organizing group tours, arranging extra meals on festivals and holidays and providing psychological counselling services, so as to help them ease working pressure and enhance their sense of belonging to the Company

7.1.6 Employee communication

The Group understands that cohesiveness among employees is an important driving force for enterprise development. Establishing a good communication channel network is the cornerstone of the relationships between employees and the Group. Therefore, the Group welcomes and values its employees' opinions. The Group's employees can make suggestions for the Company at any time via suggestion boxes, mail boxes, telephones and WeChat. We will also meet with employees who have decided to resign to collect their feedback and make improvements accordingly. During the Year, the Group did not receive any significant complaints from employees regarding the employment system.

7.2. Occupational health and safety

7.2.1 Management principles and policies

The Group fully recognizes the importance of occupational health and safety to the manufacturing and catering industry. Therefore, we strive to create the best working environment for our valued employees. We have advocated and upheld the idea of "Safety First" and strived in achieving the goal of zero industrial accident. We have formulated a set of suitable safety management plan in accordance with the laws and regulations, including the "Occupational Health System", "Fire Safety System" and "Employee Operation Guidelines", to regulate the Group's management work on occupational safety and health, so as to reduce and control potential occupational safety and health hazards in business operations.

During the Reporting Period, the Group was not aware of any cases involving material violation of local regulations related to occupational health and safety, or any situations involving our employees' loss of lives due to work. In the past three years (including this Year), there were no work-related fatalities; however, there were a total of 20 working days lost in two restaurants of the catering business due to one injury incident in each of the said restaurants during the Year.

7.2.2 Safety management for our plants

The workshop area in our plants is the core region for our production and also the principal work place for our employees. To ensure that our employees can work in a safe environment and reduce the accident rate, we adopt the most stringent management measures. We identify the level of risk and the occurrence possibility of risks through work risk assessment reports, thereby providing appropriate measures, such as providing employees with the necessary work safety equipment, facilities and tools. In addition, a clear policy has also been developed to guide the work arrangements in the event of a typhoon and rainstorm warning.

7.2.3 Occupational health and safety inspection

In order to effectively review our occupational health and safety performance, the Group arranges designated personnel for the safety matters within our plants, including regular inspection of plant environment and workshop equipment. Condition of personal protective equipment is examined and relevant warning labels are posted at high-risk areas. Meanwhile, we have installed forced exhaust system, vacuum cleaning equipment, heat insulation layer and forced ventilation system, cleaned the air-conditioning system regularly and conducted pest control to protect our employees' health and create a more ideal working environment. In addition, for some posts in the factory that are potentially hazardous to health, medical examinations will also be arranged for employees when necessary to confirm the risk status of occupational diseases.

7.2.4 Training on safety

We actively promote workplace safety culture. We provide employees with adequate training on occupational health and safety to keep up employees' awareness against workplace health and safety, thereby minimising work-related risks, preventing the occurrence of accidents in operation and reducing occupational hazards. Moreover, in order to enable our employees to understand and practice the contingency measures in case of emergency, in addition to posting fire escape route map on office and work area, we arrange different emergency drills every year, such as fire drills and integrated emergency drills. During the Year, the Group's Hong Kong office involved our employees in training sessions on fire safety, including fire prevention, escape and other emergency responses. Certain employees were also required to attend seminars organised by the Occupational Safety and Health Council, which covered topics on healthy workplaces.

7.2.5 Occupational safety and health management for our restaurants

The number of industrial accidents occurred in the catering industry rank first among all industries in Hong Kong. Therefore, the Group maintains constant vigilance in this regard and strives to enhance the occupational safety and health standards and culture within our restaurants. We have been sharing with our staff the information on occupational safety and health in the catering industry issued by the Occupational Safety and Health Council to provide preventive advice on different workplace safety risks and minimize the possibility of injury.

7.2.6 Safety management at office

We provide our employees with suitable facilities in our office such as adjustable chairs with handles and regular risk assessment of using display devices. In addition to provision of equipment, the Group will provide the newly recruited employees with training on safety at office, so as to raise our employees' safety awareness.

7.2.7 Measures to prevent and control the novel coronavirus outbreak (COVID-19)

To manage health risks brought by the COVID-19 outbreak against employees, the Group has put in place measures:

- Employees are advised to take their body temperature before going to work;
- Employees are required to wear masks properly, including keeping hands clean before and after removing masks;
- Employees are required to stay home if they have respiratory symptoms;
- Employees are required to seek immediate medical attention and self-isolation in the event of fever or other symptoms.

In addition, for the operation of the catering business, the Group has fulfilled the disease prevention and control regulations on the catering business, and the relevant restaurants have registered the installation of "High Efficiency Particulate Arrestance (HEPA) filter equipment" with the Food and Environmental Hygiene Department.

7.3. Career development

7.3.1 Management principles and policies

The Group believes that acquisition of new knowledge and technology can enable the Group to maintain its competitiveness. Therefore, we encourage our employees to be lifelong learners to grow together with the Group and foster a continuous learning culture to enhance the value of teams and the professionalism of employees, thus helping the Group sustain its success.

In order to assist our newly recruited employees to adapt to the Group's work culture and environment, we usually provide pre-employment introduction that provide knowledge to them about our corporate culture and code of conduct. Where there are other functional requirements for certain positions, including job skills (technology, customer service, sales skills, management skills, etc.), knowledge of new products and relevant safety knowledge, relevant environmental protection policies of the Company and anti-corruption/anti-degeneration, the Group will arrange the respective training sessions. To effectively equip new hires with the required job skills, we usually provide on-the-job training programs, under which experienced employees will guide new hires to improve their efficiency.

In addition, for some courses that provide employees with the latest skills and knowledge, employees may apply for relevant courses held by relevant units or colleges. The Company will consider internal promotion for those employees with good performance when they finish their courses.

7.3.2 Employee training performance

The Group recorded the training statistics[10] in respect of the operating places within the reporting scope, the average percentage of trained employees[11] and the average number of training hours per employee[12] during the Reporting Period.

7.4. Rights and interests protection

7.4.1 Management principles and policies

The Group has been committed to protecting its employees' rights and interests and creating a fair working environment for them. Therefore, the Group strictly prohibits the recruitment of child labour and illegal labour, as well as the use of any forms of forced labour, including unpaid prison labour, indentured servitude, and bonded labour. Furthermore, original identity cards of our employees never are withheld, nor are employees required to pay any security deposit. No employment-related costs or expenses are deducted from employees' salaries, including visa, health checks, work permit, and recruitment agency/employment agency fees.

7.4.2 Preventative controls

During job recruitment, the Group will check every applicant's identification card and other valid documents for age verification to prevent use of child labour. We strictly verify the identification of each applicant to ensure that relevant information complies with local laws.

To prevent forced labour, the Group ensures that all employees work on a voluntary basis and that no forced work in any form, such as debt labour and involuntary labour, is involved. All employees have the right to resign under the reasonable notice period stipulate in the employment or labour contract. In the electronic product manufacturing factory in Shenzhen, in case overtime work is needed for completing their tasks, employees will fill in overtime application sheets after being informed of the overtime working tasks to ensure that they work on voluntary basis and under the principle of fairness, and that no overtime work will exceed the local legal requirements. In case of any violation, the Group will immediately conduct an investigation. In addition, employees are permitted to move around freely within the workplace during work hours, and leave such workplace during the meal break and off-work hours of their own volition.

In case of an incident of child labour or forced labour, the Group will address and resolve the relevant violations in accordance with the local laws in the jurisdiction where such an incident takes place. During the Reporting Period, no case involving violation of the laws related to the employment of child labour or forced labour was identified by the Group.

[10] Data are based on the number of attendees and hours of training classes offered, and data of on-the-job training and guidance are excluded

[11] Calculation formula: Percentage of the number of trainees in a specific category = total number of trainees in a specific category / total number of employees in a specific category x 100%

[12] Calculation formula: average training hours per employee = total training hours of employees in a specific category / total number of employees in a specific category

8. OPERATIONAL COMMITMENT

8.1. Supply chain management

8.1.1 Management principles and policies

The steady development of the Group's business is dependent on the reliable support of its suppliers. Suppliers are one of the important stakeholders in the Group's business value chain, and our relationship with them is close and inseparable. The Group is also fully committed to building a good partnership with our suppliers. To promote the business and cooperation with suppliers, the Group has stipulated internal rules to regulate the process of public tender and quotation. The Group will also explain our principles and expectations to our partners and establish effective mechanisms to ensure that both parties will strictly act in accordance with laws and regulations.

8.1.2 Suppliers' engagement and assessment

The Group has formulated supplier management measures, which require assessments to be conducted over suppliers that are newly appointed and in current partnership to ensure that such suppliers comply with local laws in the jurisdiction where our business operates and the requirements of the Group.

Before entering into transactions with newly appointed suppliers, the Group generally conducts online surveys to understand their company background and past governance performance, and obtains corporate documents and records from them to assess their business compliance, technical capabilities, and supply quality, on-time delivery status, after-sales services, relevant certifications and professional qualifications, etc.

On the other hand, the suppliers that are in current partnership are generally subject to assessment once a year. The Group will review their performance records over the past year to determine the retention of qualified individual suppliers on the procurement list.

For certain supply materials that have a significant impact on the Group's products, the Group will also consider implementing the following rigorous assessment measures:

- Prototype testing: to confirm that the supplied materials comply with the required specifications and relevant regulations

- On-site inspection: to verify that the supplier has the appropriate equipment, operating site, technology, etc.

8.1.3 Geographic distribution of suppliers

With the measures in place following the above assessments, as at 31 March 2022, a total of 20 suppliers were engaged for the catering business, of which 18 are located in Hong Kong except for two based in Mainland China. In addition, the electronic manufacturing business of the Group engaged a total of 410 suppliers, of which 337 are located in Hong Kong with the remnants are from Mainland China. During the Year, 8 of these suppliers were new suppliers who had passed the relevant assessment process of the Group prior to procurement. Furthermore, all suppliers in current partnership with us have passed the annual assessment.

8.1.4 Monitoring of environmental and social risks in the supply chain

The Group's assessment of suppliers covers their emissions to the external environment, pollution or other negative impacts. Meanwhile, their operational compliance will be taken into consideration so as to assess the relevant social risks involving them, including employment compliance and safety compliance. Therefore, when engaging certain suppliers involved in the relevant environmental and social risks, the Group further considers the following criteria to strengthen its management and control in respect of supplier selection:

i. Permits issued by regulatory bodies (e.g. sewage discharge permits)

ii. Qualification test reports (e.g. RoHS testing) or material safety data sheets (MSDS) of the supplied materials

iii. Environmental certificates (e.g. ISO 14001) or other relevant qualifications so obtained

iv. Suppliers who comply with local laws (e.g. no child labour)

v. Social responsibility certificates (e.g. SA8000) or other related awards so obtained

For the electronic product manufacturing business, the Group requires all suppliers to comply with the "Code for Suppliers" prepared by the Group, and conduct annual assessments over such suppliers to confirm their continuing compliance with the requirements of the said code regarding their corporate social responsibility, product quality, and service commitments.

To control the risk of ingredients involved in the catering business, suppliers are required to provide safety or hygiene certificates for relevant ingredients wherever required, such as health/hygiene certificates for imported meat products.

On the other hand, as exposed to supply disruptions due to the COVID-19 pandemic and geopolitical tensions, the Group has taken commensurate preparatory measures, including appropriately increasing inventories before the peak production seasons, as well as confirming approved alternative materials in advance with customers.

8.1.5 Procurement Prioritised Based on Green Applications

In accordance with the above-mentioned supplier selection criteria, the Group will give priority to materials, products and services that cause no significant environmental risks. Subject to operational requirements, priority will be given to targets based on the following standards:

i. selection of energy-consuming equipment that is certified as energy-saving or attached with an energy-efficient label

ii. appointment of suppliers that have obtained environmental certification including ISO 14001

iii. procurement of materials that contain environmental nature or certification

iv. procurement from local suppliers (to reduce greenhouse gas emissions from overseas transportation)

<u>8.1.5.1 Environmental compliance of materials</u>

For the electronic products manufacturing business of the Group, the key raw materials in use shall be in compliance with international trade requirements such as the Restriction of Hazardous Substances Directive (RoHS), as well as the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), a European Union regulation on chemicals. The Group requires testing of suppliers' materials (such as raw materials for plastic pellets) to confirm that they meet the content requirements of relevant hazardous substances, including but not limited to cadmium (Cd), lead (Pb), mercury (Hg), hexavalent chromium (Cr (VI)), polybrominated Biphenyls (PBB), and polybrominated diphenyl ethers (PBDE). When considering the purchase of key materials, including lead-free tin materials (such as solder wire and solder paste), the Group believes a qualified hazardous substance test report or other proof of compliance as part of the important selection criteria.

In addition, when confirming that there is a necessity of exercising control over the course of risk assessment, the Group requires suppliers to sign letters of guarantee, which include REACH Guarantee and RoHS Guarantee as part of the terms of the procurement contracts governing environmental protection, to ensure the materials they provided are in compliance with relevant environmental laws and the Group's environmental policy. We hope that the implementation of environmental protection policies and measures in the supply chain will raise stakeholders' awareness of environmental protection.

Committed to promoting the culture of sustainable food, the catering business also strives to incorporate environmental protection concepts into its procurement policy, including use of paper straws. In any proper circumstances, priority is given to use of comparatively environmental ingredients, including seafood with sustainable labels and organic certified vegetables.

8.1.5.2 Local procurement

The Group has crafted a local procurement policy as part of its green procurement initiatives, pursuant to which precedence is given to local suppliers (in Mainland China and Hong Kong) to reduce distance and fuel consumption during transportation, thereby reducing generation of additional greenhouse gases, provided that they are of the same quality. During the Reporting Period, all of the Group's suppliers were located in Mainland China and the Hong Kong region.

8.2. Production management

8.2.1 Management principles and policies

The Group has been upholding the operating philosophy of "Quality First", and has been committed to providing customers with high quality, professional and excellent products and services. Therefore, we are committed to providing customers with quality, healthy and safe products and services in compliance with applicable local and international laws. The Group's electronic product manufacturing factory has been accredited with the international management standards of the quality management system (ISO 9001) for many years, which is sufficient to prove the stability and reliability of the Group's production process. During the Reporting Period, no case involving material violation of the laws related to product liability was identified by the Group.

8.2.2 Customer services and feedback handling

Customer satisfaction has always been the key to the success of the Group. We strive to exceed our customers' expectations by improving the performance of all aspects of our business. We have developed the code of practices for employees to improve customer service processes. Furthermore, we have established relevant procedures to deal with customer comments and complaints. When quality and safety problems arise in our products or services, the Group will immediately conduct an in-depth investigation to identify the causes, and at the same time, the Group will formulate corresponding mitigation measures to reduce the impact of the problems and prevent re-occurrence of the same problems.

During the Year, 4 customer complaints were lodged in the electronic product manufacturing business, all of which were attributed to product quality. With the causes analysed, the relevant department identified negligent acts during production and transportation, as well as deficiencies in certain processes of the quality inspection. Based on these findings, we developed the following solutions to resolve all cases successfully during the Reporting Period:

- To educate workers about personal protective equipment
- To strengthen production and assembly quality control
- To increase efforts to train the relevant personnel for the quality inspection capability

Saving for the above complaint, the Group had not received any reported cases of product recalls for safety and health reasons during the Reporting Period.

8.2.3 Product quality and safety verification

The Group provides customers with accurate and true information about product quality and safety. For electronic products, the products provided by us are subject to quality inspection and the product quality, such as the ionic cleanliness testing of individual electronic products (IPC-TM-650 2.3.25 (TYPE C2001-2)) and other related product safety tests, such as IEC60950 (IEC certification). Safety inspection records can also be provided at the request of individual customers. Quality assurance is given for all of our products.

8.2.4 After-sale services

For applicable electronic products, the Group will provide after-sales service within the specified warranty period. In addition, although the Group's related electronic products have provided customers with detailed product manuals or operating instructions to ensure that customers can understand how to use the product, the Group firmly believes that customer feedback is the major contributor for driving the Group forward, and therefore we maintain good communication with our customers to understand their requirements so as to improve our products and services. Hotline service is also available for customers' enquiries on product details.

8.2.5 Privacy protection for consumers' information

In terms of customer's personal data and confidential documents, the Group manages customers data in accordance with the Personal Data (Privacy) Ordinance in Hong Kong and the applicable laws in the place where the business operates, and personal data collected and held are properly protected by us. In the meanwhile, we also prohibit our employees from disclosing any confidential or proprietary information to third parties without authorization. To prevent leakage of information, the Company's system has installed a protection system, and no employee could access data privately, unless they are authorized to do so.

All of our employees are required to comply with privacy policies regarding personal information and local regulations to protect customers' information. Such policies and requirements are included in the employee handbook and clarified to employees during the on-the-job training.

Where appropriate, relevant confidentiality requirements shall be negotiated and reached an agreement by the Group and suppliers or other business partners when entering into contracts.

During the Reporting Period, no complaint in relation to proven breach of customer privacy or loss of customer information was identified by the Group.

8.2.6 Fair business practices

The Group adopts sound promotion and marketing practices, and any advertisement shall not make a description, claim or explanation that is inconsistent with the facts. We will also formulate our sales and promotional documents in accordance with the relevant laws and codes of practice to ensure that our promotional materials and advertising content are true, fair and reasonable and not misleading, so as to protect the interests of consumers. In terms of electronic products, in order to avoid misleading customers, relevant approval process for information disclosure is required to be conducted for the product introduction content of the Group before release. In the meantime, the Group also regularly provides training for sales and customer service personnel to ensure service quality and a clear explanation of the product for the customers.

8.3. Corporate governance

8.3.1 Corporate governance policies

The Group is committed to building a corporate culture of integrity and business ethics. We will not tolerate any form of corruption, including bribery, extortion, fraud and money laundering. Therefore, in order to establish ethical corporate culture, the Board of the Group is comprised of members from different institutions to jointly monitor the corporate governance of the Company.

During the Reporting Period, neither lawsuits involving corruption filed against the Group or its individual employee nor any cases regarding corruption were identified by the Group.

8.3.2 Employee Code of Conduct and supervision

In order to promote a corporate culture of integrity and anti-corruption, we promote business ethics in the factory to restrict the integrity of employees, including prohibiting employees from soliciting or accepting gifts and other improper benefits from representatives of organizations whom the Group has business dealings with. When there are cases of conflict of interest, they must be reported to the human resources department. If any employee of the Group is involved in any corruption and fraud conduct, we will impose penalties based on the influence and consequence of such conduct according to the corporate rules. If the behaviour violates the law, it will be handled by the judicial authority according to law with zero tolerance.

In addition, the Group appoints an external independent audit agency to conduct financial audits every year to confirm the financial integrity and protect the rights and interests of shareholders and other stakeholders.

8.3.3 Incorruptibility Awareness Promotion and Training

In order to strictly control risks, the Group continued to carry out employee training on integrity and anti-corruption to ensure that all employees understand the Company's policies related to anti-corruption and business ethics, while reminding them of the gravity of incorruptibility and integrity. The Group will also provide anti-corruption trainings to management and procurement department which are facing higher risks of conflict of interest to minimise the risk of participating in corruption and bribery activities.

According to different ranks and job nature of employees, the Group provides different types of training sessions. During the Year, general staff were required to participate in the corruption prevention training provided by the Independent Commission Against Corruption, while directors and senior management were provided with more in-depth training themes related to corporate governance and listing compliance:

- New requirements of the CG Code
- Changes to HKEX's provisions on disciplinary powers and sanctions
- New requirements of the listing regime for overseas issuers

Anti-corruption and corporate governance training		Hong Kong Office	Catering business	Electronics manufacturing business	Total
Number of attendees — directors and senior management	Person(s)	7	0	0	7
Total training hours — directors and senior management	hour(s)	2	0	0	2
Number of attendees — general staff	Person(s)	12	0	106	118
Total training hours — general staff	hour(s)	2	0	212	214

Furthermore, when entering into an agreement with business partners, the Group will also communicate relevant business ethics policies to them. Meanwhile, we have also stipulated an equal, open and fair tendering process for the procurement of products or services, which will be reviewed and approved by personnel at different ranks based on the contracted amounts so as to reduce the risk of participating in corruption and bribery activities.

8.3.4 Whistle-blowing policy

In order to resolutely resist the occurrence of incidents such as corruption and fraud, the Group has whistleblowing policy in place. Employees and all stakeholders can report any suspected inappropriate or illegal behaviour to the Group through confidential ways such as email and telephone. All reported cases are kept confidential to protect the interests of the whistle-blowers. We will not tolerate any behaviour of corruption. Serious cases will be reported to the relevant law enforcement authorities.

9. COMMUNITY CONTRIBUTION

The Group has been in contact with various community stakeholders over the years. By adhering to the corporate core value of fulfilling social responsibility, we seek opportunities to support people in need and related organizations in the community through personal networking in each operating area. Guided by its own philosophy, the Group aims to support those in need, and the scope of community contributions extend to poverty alleviation, visitation in a gesture of consolation, and volunteer services. During the Year, the employees of the Group in Hong Kong joined the "VIMALA Volunteer Team" in holding video/telephone meetings and paying visitations to senior citizens. During the severe pandemic period, masks and other supplies were distributed to senior citizens as a gesture of care and support. During the Year, the volunteers arranged by the Group provided a total of approximately 156 hours of voluntary services.

Summary of data performance

Environmental performance[13]	Unit	
Number of employees	Number of persons	158[14]
Pollutants emissions		
Solid waste		
Hazardous waste	tonnes	0.00
Hazardous waste emission intensity	tonnes per employee	0.00
Non-hazardous waste	tonnes	38.60
Non-hazardous waste emission intensity	tonnes per employee	0.24
Greenhouse gas emissions and intensity		
Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	603.31
Direct (scope 1) emission	tonnes of carbon dioxide equivalent	106.29
Energy-related indirect (scope 2) emissions	tonnes of carbon dioxide equivalent	497.02
Emission intensity	tonnes of carbon dioxide equivalent per employee	3.82
Energy use[15]		
Power purchased	kilowatts-hour	734,017.00
Intensity of power consumed	kilowatts-hour per employee	4,645.68
Gasoline (mobile source)	liters	1,281.00
Intensity of gasoline consumed	liters per employee	8.11
Municipal water	cubic meters	10,133.62
Intensity of water consumed	cubic meters per employee	64.14
Gas	megajoules	1,937,040.00
Intensity of gas consumed	megajoules per employee	12,259.75
Packaging material consumption		
Plastic	tonnes	10.87
Plastic consumption intensity	tonnes per employee	0.07
Paper	tonnes	21.94
Paper consumption intensity	tonnes per employee	0.14

13 The basis for each emission intensity in the table is based on the total average monthly full-time headcount in the operating places covered by this Report.

14 The total number of the employees of the Group included the chief executive officer, chief operating officer, general manager, plant general manager in Hong Kong, and other directors/members of the Board (e.g., executive directors, non-executive directors and independent non-executive directors). The overall headcount is based on the average monthly full-time headcount for the operating area covered by this Report.

15 Two Chinese restaurants in the catering business decided their business suspension due to the severity of the COVID-19 outbreak in March 2022, therefore, the resources (electricity, gas and water) consumed in the catering business for the Year does not include the data of March 2022.

Social performance[16]	Unit	
Employees		
Total number of employees	Number of persons	158[17]
By age		
Aged 18–24	Number of persons	12
Aged 25–34	Number of persons	33
Aged 35–44	Number of persons	38
Aged 45–54	Number of persons	56
Aged 55–64	Number of persons	15
Aged 65 or above	Number of persons	4
By Gender		
Male	Number of persons	66
Female	Number of persons	92
By employment type		
Full-time	Number of persons	158
Part-time/casual[18]	Number of persons	1
By geographical region		
Hong Kong	Number of persons	52
Shenzhen	Number of persons	106
By position		
Senior management	Number of persons	10
Middle management	Number of persons	13
General staff	Number of persons	135
Employee turnover		
Employee turnover rate (average monthly)[19]	percentage	4.69%

16 The relevant headcount statistics in the table are based on the average monthly full-time headcount in the operating places covered by this Report.

17 The total number of the employees of the Group included the chief executive officer, chief operating officer, general manager, plant general manager in Hong Kong, and other directors/members of the Board (e.g., executive directors, non-executive directors and independent non-executive directors). The overall headcount is based on the average monthly full-time headcount for the operating area covered by this Report.

18 In response to the demand of factory orders, 10 and 7 casual workers were hired in October and December in 2021, respectively. On average, about 1 casual worker was hired monthly throughout the whole year. Other statistics and calculations in this Report do not include the number of casual workers with other work nature and number of persons taken into account.

19 Average monthly turnover rate of employees in a specific category= the full-year number of resigned employees in a specific category / 12 / average monthly number of employees in a specific category x 100%.

Social performance[16]	Unit	
Employee turnover rate by age (average monthly)		
Aged 18–24	percentage	17.36%
Aged 25–34	percentage	8.33%
Aged 35–44	percentage	4.82%
Aged 45–54	percentage	1.04%
Aged 55–64	percentage	0.56%
Aged 65 or above	percentage	2.08%
Employee turnover rate by gender (average monthly)		
Male	percentage	4.55%
Female	percentage	4.80%
Employee turnover rate by geographical region (average monthly)		
Hong Kong	percentage	2.08%
Shenzhen	percentage	5.97%
Health and safety		
Number of work-related fatalities	Number of persons	0
Lost days due to work injury	Days	20
Development and training		
Total training hours for the Year	hours	860
Total training hours by training theme		
Job skills	hours	214
Environmental protection	hours	214
Occupational safety and health	hours	216
Integrity and anti-corruption	hours	216

Social performance[16]	Unit	
Percentage of trained employees (by category)[20]		
Male	percentage	63.64%
Female	percentage	90.22%
Senior management	percentage	100.00%
Middle management	percentage	61.54%
General staff	percentage	79.26%
Average training hours per employee (by category)[21]		
Male	hours	4.20
Female	hours	6.34
Senior management	hours	0.80
Middle management	hours	3.85
General staff	hours	5.94
Product responsibility		
Percentage of products required to be recalled for health and safety reasons	percentage	0
Number of complaints on products and services	cases	4
Anti-corruption		
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period	cases	0

[20] Calculation formula: Percentage of the number of trainees in a specific category = total number of trainees in a specific category/total number of employees in a specific category x 100%

[21] Calculation formula: average training hours per employee = total training hours of employees in a specific category/total number of employees in a specific category

HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F Gloucester
Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
ECHO INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Echo International Holdings Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 77 to 174, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on property, plant and equipment and right-of-use assets Refer to Notes 4(d), 15 and 16 to the consolidated financial statements	
The Group has the net carry amounts property, plant and equipment and right-of-use assets of approximately HK$4,472,000 and HK$2,748,000 relating to the provision of food catering services business as at 31 March 2022 respectively. Management performed impairment assessment and concluded that an impairment loss on property, plant and equipment and right-of-use assets of approximately HK$5,373,000 and HK$2,050,000 was recognised respectively. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash-flows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets under operating leases included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Comparing the current year's actual results with prior year's forecast, where applicable, to consider whether any past forecast including any assumptions, with hindsight, had been aggressive; • Assessing the appropriateness of the methodology, key assumptions and research evidence of comparable market transactions for similar properties, based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on sampling basis, the accuracy and relevance of the input data used. Based on the procedures performed, we found the key assumptions were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter

Expected credit loss ("ECL") assessment of trade receivables

Refer to Notes 3, 19 and 38(b) to the consolidated financial statements.

As at 31 March 2022, the Group had trade receivables of gross carrying amount of approximately HK$12,374,000 and allowance for ECL of approximately HK$121,000.

In general, the trade receivable credit terms granted by the Group to the customers ranged between 0–90 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL for the impairment assessment.

We focused on this area due to the impairment assessment of trade receivables under the ECL model involved the use of significant management judgements and estimates.

Our procedures in relation to management's impairment assessment included but not limited to:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2022 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, check historical and subsequent settlement records and other correspondence with the customers; and
- Assessing the appropriateness of the ECL provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECL.

Based on the procedures performed, we consider management's judgement and estimates in the ECL assessment of trade receivable, were supportable by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with 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 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 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 14 July 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**80,338**	49,352
Cost of sales		**(67,895)**	(40,274)
Gross profit		**12,443**	9,078
Other income and other gains or loss, net	7	**2,444**	2,325
Selling and distribution expenses		**(1,882)**	(1,198)
Administrative and other expenses		**(25,254)**	(27,165)
Impairment of property, plant and equipment	15	**(5,373)**	(131)
Impairment of right-of-use assets	16	**(2,050)**	(8,912)
Allowance for expected credit loss recognised in respect of financial assets at amortised cost, net		**(96)**	(6)
Finance costs	8	**(5,623)**	(4,693)
Share of result of associates	17	**3,299**	3,358
Loss before taxation	9	**(22,092)**	(27,344)
Tax credit	10	**240**	664
Loss for the year		**(21,852)**	(26,680)
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**98**	408
Other comprehensive income for the year, net of income tax		**98**	408
Total comprehensive loss for the year		**(21,754)**	(26,272)
Loss for the year attributable to the owners of the Company		**(21,852)**	(26,680)
Total comprehensive loss for the year attributable to the owners of the Company		**(21,754)**	(26,272)
Loss per share			
— Basic and diluted (in HK cents)	12	**(15.17)**	(49.84)

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

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	15	**4,646**	14,465
Right-of-use assets	16	**2,869**	6,025
Interests in associates	17	**23,147**	19,848
Deferred tax assets	31	**14**	4
		30,676	40,342
Current assets			
Inventories	18	**13,330**	11,799
Trade receivables	19	**12,253**	3,714
Deposits, prepayments and other receivables	21	**12,594**	11,859
Financial assets at fair value through profit or loss	22	**110**	561
Pledged time deposits	23	**2,001**	2,094
Cash and cash equivalents	23	**4,038**	3,553
		44,326	33,580
Current liabilities			
Trade payables	24	**3,382**	3,059
Accruals and other payables	25	**4,597**	19,530
Amount due to a related company	20	**62**	29
Contract liabilities	27	**619**	858
Tax payables		**219**	316
Bank and other borrowings	28	**17,814**	157
Lease liabilities	29	**5,536**	4,018
Convertible bonds	30	**9,482**	–
		41,711	27,967
Net current assets		**2,615**	5,613
Total assets less current liabilities		**33,291**	45,955

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Bank and other borrowings	28	**–**	5,614
Lease liabilities	29	**7,818**	11,474
Convertible bonds	30	**20,248**	27,848
Deferred tax liabilities	31	**547**	858
Provision for reinstatement costs	33	**400**	–
		29,013	45,794
Net assets		**4,278**	161
Capital and reserves			
Share capital	32	**7,891**	3,491
Reserves		**(3,613)**	(3,330)
Total equity		**4,278**	161

Approved by the Board of Directors on 14 July 2022 and signed on its behalf by:

Lo, Yan Yee
Executive Director

Cheng, Yeuk Hung
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital	Share premium	Contribution reserve	Capital reserve	Share option reserve	Exchange reserve	Convertible bonds-equity component reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 32		Note 36(a)	Note 36(b)	Note 36(c)	Note 36(d)	Notes 30 and 36(e)		
As at 1 April 2020	2,550	59,326	4,836	(89)	5,794	(3,115)	11,490	(61,549)	19,243
Total comprehensive income/(loss) for the year	–	–	–	–	–	408	–	(26,680)	(26,272)
Issuance of convertible bonds	–	–	–	–	–	–	2,818	–	2,818
Issuance cost on convertible bonds	–	–	–	–	–	–	(91)	–	(91)
Issue of ordinary shares upon conversion of convertible bonds	941	6,082	–	–	–	–	(2,126)	–	4,897
Deferred tax liability arising from issue of convertible bonds	–	–	–	–	–	–	(434)	–	(434)
As at 31 March 2021 and 1 April 2021	3,491	65,408	4,836	(89)	5,794	(2,707)	11,657	(88,229)	161
Total comprehensive income/(loss) for the year	–	–	–	–	–	98	–	(21,852)	(21,754)
Share placing	4,400	22,000	–	–	–	–	–	–	26,400
Issuance cost of share placing	–	(529)	–	–	–	–	–	–	(529)
As at 31 March 2022	**7,891**	**86,879**	**4,836**	**(89)**	**5,794**	**(2,609)**	**11,657**	**(110,081)**	**4,278**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Loss before taxation		**(22,092)**	(27,344)
Adjustments for:			
Bank interest income	7	**(2)**	(11)
Interest income on dividends receivable	7	**(354)**	(346)
Change in fair value of derivative financial assets at fair value through profit or loss	7	**451**	2,542
Share of result of associates	17	**(3,299)**	(3,358)
Interest expenses	8	**5,623**	4,693
Depreciation of property, plant and equipment	9, 15	**5,159**	1,296
Depreciation of right-of-use assets	9, 16	**3,708**	2,959
Impairment of property, plant and equipment	15	**5,373**	131
Impairment of right-of-use assets	16	**2,050**	8,912
Allowance for/(reversal of) for expected credit loss recognised in respect of trade receivables, net	9	**107**	(55)
(Reversal of)/allowance for expected credit loss recognised in respect of deposits and other receivables, net	9	**(11)**	61
(Reversal of)/provision against obsolete and slow-moving inventories	9	**(512)**	346
Provision for reinstatement costs	33	**400**	–
Operating cash flows before movements in working capital		**(3,399)**	(10,174)
Increase in trade receivables		**(8,646)**	(1,250)
Increase in inventories		**(590)**	(219)
Increase in deposits, prepayments and other receivables		**(240)**	(3,698)
Increase in amount due from a related company		**(8)**	–
Increase in amount due from associates		**(43)**	–
Increase/(decrease) in amount due to a related company		**33**	(1)
(Decrease)/increase in accruals and other payables		**(14,973)**	17,801
(Decrease)/increase in contract liabilities		**(239)**	449
Increase in trade payables		**279**	783
Cash (used in)/generated from operations		**(27,826)**	3,691
Income tax paid		**(175)**	(39)
Net cash (used in)/generated from operating activities		**(28,001)**	3,652

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Investing activities			
Bank interest received		**2**	11
Placement of pledged time deposits		**93**	(19)
Purchase of property, plant and equipment	15	**(713)**	(14,209)
Net cash used in investing activities		**(618)**	(14,217)
Financing activities			
Proceeds from other borrowings		**14,750**	5,520
Repayment of bank borrowing		**(2,707)**	(151)
Repayment of lease liabilities	34	**(5,090)**	(3,283)
Interest paid	34	**(3,741)**	(2,893)
Issue of share capital		**26,400**	–
Payment of transaction cost on share placing		**(529)**	–
Proceeds from issue of convertible bonds	30	**–**	8,740
Payment of transaction cost on issue of convertible bonds	30	**–**	(308)
Net cash generated from financing activities		**29,083**	7,625
Net increase/(decrease) in cash and cash equivalents		**464**	(2,940)
Cash and cash equivalents at the beginning of the year		**3,553**	6,456
Effect of exchange rates on the balance of cash held in foreign currencies		**21**	37
Cash and cash equivalents at the end of the year		**4,038**	3,553
Analysis of the balance of cash and cash equivalents:			
Cash and bank balance		**4,038**	3,553

Note:

Major non-cash transactions

(a) The Group recognised approximately HK$2,602,000 (2021: HK$15,382,000) of right-of-use assets and approximately HK$2,602,000 (2021: HK$15,382,000) of lease liabilities during the year ended 31 March 2022.

(b) During the year ended 31 March 2022, the Group recognise unpaid dividends from associates approximately HK$5,754,000 (2021: HK$5,400,000) as dividend receivables from associates of, for details, please refer to Notes 21 and 40.

1. GENERAL INFORMATION

Echo International Holdings Group Limited (the "**Company**") was incorporated as an exempted company with limited liability in Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands. The addresses of the registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business of the Company is Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong. The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 26 to the consolidated financial statements. The consolidated financial statements included the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**"). The consolidated financial statements are presents in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company. All values are rounded to nearest thousands (HK$'000) unless otherwise stated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practise Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Asset and liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

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

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss and other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Investments in associates

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

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the an associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

(i) *Sales of goods*

Revenue from sales of goods is recognised at the point in time when goods are delivered to customers generally on the time the related risks and rewards of ownership has transferred.

(ii) *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "interest income" where it is mainly earned from financial assets that are held for cash management purposes.

(iii) *Revenue from restaurants operations*

The Group recognises revenue from restaurants operations which provides catering services. Revenue from restaurants operations is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

The Group presents right-of-use assets that as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities

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

The leases payments included:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a discount rate at the date of reassessment.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability less any lease incentives receivables based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

COVID-19-Related Rent Concession

The Group has elected the practical expedient to apply amendments to HKFRS 16 to account for any change in lease payments resulting from the rent concession occurring as a direct consequence of the COVID-19 pandemic.

The Group has applied the practical expedient to rent concession that meet all of the following conditions:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

The functional currency of the Company and its Hong Kong subsidiaries are HK$. The functional currency of the People's Republic of China ("**PRC**") subsidiary is Renminbi ("**RMB**"). The consolidated financial statements is presented in HK$ which is the Group's presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

- exchange difference on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the asset and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to non-controlling interests as appropriate).

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

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statements of comprehensive income as they become payable in accordance with the rules of the MPF Scheme.

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

As stipulated by the rules and regulations of the PRC, the Company's subsidiary registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirements are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form in integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Taxation

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

Current tax

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Office equipment	3–4 years
Computer equipment	3–4 years
Motor vehicles	3–4 years
Mould	3–4 years
Plant and machinery	3–4 years

The gain or loss on disposal of property, plant and equipment is the different between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average basis and, in the case of work in progress and finished goods, includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability, conversion option and redemption options components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and embedded derivative. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. A redemption option that will be settled by the exchange of a fixed amount of cash or another financial asset is a redemption option derivative.

At the date of issue, both the liability component and redemption option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible bonds (Continued)

The conversion option classified as equity is determined by deducting the amount of the liability component and redemption option components from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9 of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and other gains or loss, net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, deposits and other receivables, pledged time deposits and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, convertible bonds, other payables, amount due to a related company, bank and other borrowings and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (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 (1);
- (vii) a person identified (1)(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); and
- (viii) the entity, or any member of a group is a part, provides key management personnel services to the group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

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

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

(c) dependants of the person or that person's spouse or domestic partner.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Government subsidies" under "Other gain or loss, net".

Segment reporting

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

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

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Provision of ECL for trade receivables and deposits and other receivables

The Group makes loss allowance on receivables including trade receivables and deposit and other receivables based on various factors including the aging of the receivables, historical write-off experience and forward looking information. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of receivables and the allowance for credit losses on receivables is recognised in the years in which such estimates have been changed.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and deposits and other receivables are disclosed in Note 38.

(c) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(d) Impairment assessment on property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGUs to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Due to the segment loss related to segments of provision of food catering service (2021: manufacturing and trading of electronic products and accessories and provision of food catering services) and the continuous impact from global outbreak of the coronavirus during the year, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and the right-of-use assets has written down to its recoverable amount.

The recoverable amount of CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate using 10.46% as at 31 March 2022 (2021: 10.17% to 12.46%). The annual growth rates of each CGU are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using 2.5% growth rate (2021: 3%). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development.

As at 31 March 2022, the aggregate carrying amounts of property, plant and equipment and right-of-use assets before impairment was HK$10,019,000 and HK$4,919,000 (2021: HK$14,596,000 and HK$14,937,000), respectively. Based on the value in use calculation, an impairment loss of HK$5,373,000 and HK$2,050,000 (2021: HK131,000 and HK$8,912,000), respectively, has been recognised against the carrying amounts of property, plant and equipment and right-of-use assets.

5. REVENUE

The principal activities of the Group are manufacturing and trading of electronic products and accessories, provision of food catering services and trading of timepieces. The amount of each significant category of revenue recognised during the year is as follows:

	2022	2021
	HK$'000	HK$'000
Recognition at a point in time:		
— Sale of electronic products and accessories	**47,277**	36,431
— Revenue from restaurant operations	**24,556**	12,921
— Trading of timepieces	**8,505**	–
Revenue from contract with customers	**80,338**	49,352

6. SEGMENT INFORMATION

Information reported internally to the directors of the Group (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- trading of electronic products;
- manufacturing and trading of electronic products and accessories;
- provision of food catering services; and
- trading of timepieces

The Group reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Segment revenues reported below represents revenue generated from external customers. There were no intersegment sales for both years.

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, allowance for ECL recognised in respect of financial assets at amortised cost, share of result of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

The following is an analysis of the Group's turnover and results from continuing separations by reportable and operating segments:

For the year ended 31 March 2022

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Trading of timepieces HK$'000	Total HK$'000
Revenue	1,706	45,571	24,556	8,505	80,338
Segment results	576	847	(15,775)	605	(13,747)
Unallocated other gains or loss, net					(480)
Unallocated administrative and other expenses					(6,613)
Unallocated finance costs					(4,455)
Loss from operations					(25,295)
Allowance for ECL recognised in respect of financial assets at amortised cost, net					(96)
Share of result of associates					3,299
Loss before taxation					(22,092)
Tax credit					240
Loss for the year					(21,852)

6. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the year ended 31 March 2021

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Total HK$'000
Revenue	1,283	35,148	12,921	49,352
Segment results	441	(11,408)	(6,481)	(17,448)
Unallocated other gains or loss, net				(239)
Unallocated administrative and other expenses				(8,622)
Unallocated finance costs				(4,334)
Loss from operations				(30,643)
Allowance for ECL recognised in respect of financial assets at amortised cost, net				(59)
Share of result of associates				3,358
Loss before taxation				(27,344)
Tax credit				664
Loss for the year				(26,680)

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities
As at 31 March 2022

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Trading of timepieces HK$'000	Total HK$'000
Segment assets	127	19,056	13,379	8,451	41,013
Unallocated corporate assets					33,989
Consolidated assets					75,002
Segment liabilities	297	13,840	9,738	–	23,875
Unallocated corporate liabilities					46,849
Consolidated liabilities					70,724

As at 31 March 2021

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Total HK$'000
Segment assets	281	15,726	27,994	44,001
Unallocated corporate assets				29,921
Consolidated assets				73,922
Segment liabilities	192	14,377	25,454	40,023
Unallocated corporate liabilities				33,738
Consolidated liabilities				73,761

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of property, plant and equipment and right-of-use assets, interests in associates, certain deposits, prepayments and other receivables, financial assets at fair value through profit or loss, pledged time deposits and certain cash and cash equivalents); and

- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising amount due to a related company, tax payables, certain bank and other borrowings, certain lease liabilities, convertible bonds, deferred tax liabilities and certain accruals and other payables).

Other segment information

For the year ended 31 March 2022

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Trading of timepieces HK$'000	Unallocated HK$'000	Total HK$'000
Amount included in the measure of segment results						
Capital expenditure	26	111	3,178	–	–	3,315
Depreciation of property, plant and equipment	29	11	5,119	–	–	5,159
Depreciation of right-for-use assets	–	–	3,599	–	109	3,708
Impairment of property, plant and equipment	–	–	5,373	–	–	5,373
Impairment of right-of-use assets	–	–	2,050	–	–	2,050

For the year ended 31 March 2021

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Amount included in the measure of segment results					
Capital expenditure	–	146	14,063	–	14,209
Depreciation of property, plant and equipment	–	11	1,257	28	1,296
Depreciation of right-for-use assets	–	156	2,691	112	2,959
Impairment of property, plant and equipment	–	–	131	–	131
Impairment of right-of-use assets	–	–	8,912	–	8,912

6. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results of segments assets:

For the year ended 31 March 2022

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Trading of timepieces HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	1	–	–	–	1	2
Finance costs	37	578	590	–	4,418	5,623

For the year ended 31 March 2021

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	–	1	–	10	11
Finance costs	–	61	298	4,334	4,693

6. SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

The Group's revenue from its major products and services are as follows:

	2022 HK$'000	2021 HK$'000
Security alarm	**852**	956
Indications board	**–**	144
Buzzer	**6,283**	4,475
Timer	**–**	81
Fishing indicator	**25,020**	20,651
Control board	**6,770**	4,288
Fire alarm	**3,497**	2,356
LED lamp assembly	**1,677**	1,669
Switch	**114**	163
Printed circuit board (PCB)	**698**	73
Printed circuit board assembly (PCBA)	**190**	–
Others	**470**	292
Manufacturing and trading of electronic products and accessories	**45,571**	35,148
Trading of electronic products	**1,706**	1,283
Trading of timepieces	**8,505**	–
Revenue from restaurant operation	**24,556**	12,921
	80,338	49,352

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates in two principal geographical areas — manufacturing in the PRC and trading business and provision of food catering services in Hong Kong.

The Group's geographical segments are classified according to the location of customers. There are five customer-based geographical segments. Segment revenue from external customers by the location of customer is as follows:

	Revenue from external customers	
	2022	2021
	HK$'000	HK$'000
Hong Kong	**34,373**	14,284
Asian countries, other than Hong Kong (Note a)	**1,487**	1,352
European countries (Note b)	**33,188**	25,728
North and South American countries (Note c)	**8,903**	5,805
Australia	**2,224**	2,120
Others	**163**	63
	80,338	49,352

Notes:

(a) Asian countries include the PRC, India, Korea, Malaysia, Singapore, Taiwan and Thailand.

(b) European countries include Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom.

(c) North and South American countries include Argentina, Brasil, Canada and the United States.

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are set out below:

	Additions to non-current assets		Non-current assets	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Hong Kong	**3,204**	20,381	**7,414**	20,490
PRC	**111**	9,210	**101**	–
	3,315	29,591	**7,515**	20,490

Note: Non-current assets excluded interests in associates and deferred tax assets.

Information about major customers

For the year ended 31 March 2022, the Group's customer base includes 2 customers relate to manufacturing and trading of electronic products and accessories operating segment and trading of timepieces segment (2021: one customer relate to manufacturing and trading of electronic products segments) with whom transactions have individually exceeded 10% of the Group's revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2022 and 2021.

Revenue from major customers, amounted to 10% or more of the Group's revenue is set out below:

	Revenue from external customers	
	2022 HK$'000	2021 HK$'000
Customer A	**25,020**	20,651
Customer B	**8,505**	–

7. OTHER INCOME AND OTHER GAINS OR LOSS, NET

	2022 **HK$'000**	2021 HK$'000
Bank interest income	**2**	11
Interest income on dividends receivable	**354**	346
Net foreign exchange loss	**(325)**	(465)
Government subsidies (Note (a))	**162**	2,556
Rent concession income	**68**	805
Compensation on factory relocation (Note (b))	**1,633**	573
Change in fair value of derivative financial asset component of convertible bonds (Note 30)	**(451)**	(2,542)
Services charges	**799**	795
Sundry income	**202**	246
	2,444	2,325

Notes:

(a) During the year ended 31 March 2022, the Group recognised government subsidies of approximately HK$162,000 (2021: HK$2,556,000) in respect of (i) Covid-19 related subsidies, of which approximately HK$Nil (2021: HK$1,006,000) related to Employment Support Scheme, (ii) approximately HK$150,000 (2021: HK$1,550,000) related to Food Licence Holders Subsidy Scheme, and (iii) training allowance approximately HK$12,000 (2021: HK$Nil) provided by the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies relating to these subsidies.

(b) During the year ended 31 March 2022, the Group received compensation on factory relocation from landlord, which was amounted to approximately HK$1,633,000 (2021: HK$573,000).

8. FINANCE COSTS

	2022 **HK$'000**	2021 HK$'000
Interest on:		
— Convertible bonds wholly repayable within five years (Note 30)	**4,196**	4,292
— Bank and other borrowings	**399**	37
— Other payable (Note 25)	**–**	34
— Lease liabilities	**1,028**	330
	5,623	4,693

9. LOSS BEFORE TAXATION

	2022 HK$'000	2021 HK$'000
Loss before taxation is arrive after charging:		
Staff costs including directors' remuneration	**25,298**	20,642
Contribution to retirement schemes	**1,375**	872
Total staff costs (Note (a))	**26,673**	21,514
Allowance for/(reversal of) ECL recognised in respect of trade receivables, net (Note 38)	**107**	(55)
(Reversal of)/allowance for ECL recognised in respect of deposits and other receivables, net (Note 38)	**(11)**	61
Allowance for expected loss recognised in respect of financial assets at amortised cost, net	**96**	6
Depreciation of property, plant and equipment (Note 15)	**5,159**	1,296
Depreciation of right-of-use assets (Note 16)	**3,708**	2,959
Impairment of property, plant and equipment (Note 15)	**5,373**	131
Impairment of right-of-use assets (Note 16)	**2,050**	8,912
Auditors' remuneration		
— Audit services	**600**	530
— Non-audit services	**7**	200
Cost of inventories sold	**68,260**	39,656
(Reversal)/provision of obsolete and slow-moving inventories (Note (b))	**(512)**	346
Expenses relating to short-term leases	**676**	915

Notes:

(a) There are approximately HK$13,915,000 (2021: HK$9,976,000) related to cost of sales.

(b) The amount is included in cost of sales.

10. TAX CREDIT

	2022 **HK$'000**	2021 HK$'000
Current tax		
— Hong Kong	**81**	–
Deferred taxation (Note 31)	**(321)**	(664)
	(240)	(664)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25%. No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the years ended 31 March 2022 and 2021.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the years ended 31 March 2022 and 2021.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group has estimated tax losses of approximately HK$16,712,000 (2021: approximately HK$11,300,000) which are available indefinitely for affecting against future taxable profits of the companies in which the losses arose and deferred tax assets have not been recognised in respect of these losses because in the opinion of the Directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. TAX CREDIT (CONTINUED)

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

	2022 **HK$'000**	2021 HK$'000
Loss before taxation	**(22,092)**	(27,344)
Tax at the applicable tax rate	**(3,593)**	(5,431)
Tax effect of share of profit of associates	**(544)**	(554)
Tax effect of non-deductible expense for tax purpose	**2,475**	5,241
Tax effect of income not taxable for tax purpose	**(27)**	(434)
Unrecognised temporary difference	**656**	(700)
Tax effect of tax losses not recognised	**1,023**	1,237
Utilisation of tax losses previously not recognised	**(130)**	–
Income tax at concessionary rate	**(90)**	(13)
Tax reduction for the year	**(10)**	(10)
	(240)	(664)

11. DIVIDENDS

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

12. LOSS PER SHARE

Basic loss per share	2022 HK$'000	2021 HK$'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(21,852)**	(26,680)

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**144,080,373**	53,526,902
Loss per share		
— Basic and diluted (in HK cents)	**(15.17)**	(49.84)

Note: The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2022 have been adjusted for the effect of share placing on 27 May 2021 (2021: adjusted for the effect of conversion of convertible bonds and share consolidation completed on 10 February 2021 and 30 July 2020 respectively).

Basic loss per share for the years ended 31 March 2022 and 2021 are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

For the years ended 31 March 2022 and 2021, the computation of diluted loss per share does not assume that the conversion of the outstanding convertible bonds, since their conversion would result in a decrease in loss per share.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amounts of emoluments paid by the Group to the directors and the chief executive officer of the Company during the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Directors' fees	**710**	758
Salaries, allowances and benefits in kind	**2,160**	2,160
Discretionary bonus	**100**	100
Retirement scheme contributions	**31**	36
	3,001	3,054

Details for the emoluments of each director of the Company during the year are as follows:

For the year ended 31 March 2022

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Lo Yan Yee (Chairman)	150	600	40	–	790
Ms. Cheng Yeuk Hung ("**Madam Cheng**") (Note (d))	150	600	40	13	803
Ms. Chan Wan Shan, Sandra	30	720	–	18	768
Mr. Tansri Saridju Benui	150	–	–	–	150
Independent non-executive directors:					
Mr. Chow Yun Cheung (Note (b))	50	–	–	–	50
Mr. Leung Yu Tung, Stanley	150	–	–	–	150
Mr. Lam Kwok Leung, Roy (Note (c))	18	–	–	–	18
Mr. Lee Kwok Po (Note (a))	12	–	–	–	12
Chief-executive officer:					
Mr. Cheng Kwing Sang (Note (g))	–	240	20	–	260
	710	2,160	100	31	3,001

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 March 2021

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Lo Yan Yee (Chairman)	150	600	40	–	790
Ms. Cheng Yeuk Hung ("**Madam Cheng**") (Note (d))	150	600	40	18	808
Ms. Chan Wan Shan, Sandra	30	720	–	18	768
Mr. Tansri Saridju Benui	150	–	–	–	150
Non-executive director:					
Mr. Mak Pui Hang, Eric (Note (e))	2	–	–	–	2
Independent non-executive directors:					
Mr. Chow Yun Cheung (Note (b))	8	–	–	–	8
Mr. Leung Yu Tung, Stanley	150	–	–	–	150
Mr. Tsui Chun Shing (Note (f))	88	–	–	–	88
Mr. Lee Kwok Po (Note (a))	30	–	–	–	30
Chief-executive officer:					
Mr. Cheng Kwing Sang	–	240	20	–	260
	758	2,160	100	36	3,054

Notes:

(a) Mr. Lee Kwok Po has been appointed as an independent non-executive director on 20 March 2020 are resigned on 23 August 2021.

(b) Mr. Chow Yun Cheung has been appointed as an independent non-executive director on 29 January 2021.

(c) Mr. Lam Kwok Leung, Roy has been appointed as an independent non-executive director on 23 August 2021.

(d) Madam Cheng has been appointed and re-designated from chief operation officer to chief executive officer of the Group on 20 May 2022.

(e) Mr. Mak Pui Hang, Eric has been resigned as non-executive director on 29 April 2020.

(f) Mr. Tsui Chun Shing resigned as independent non-executive director on 30 October 2020.

(g) Mr. Cheng Kwing Sang has been resigned as chief-executive officer on 3 May 2022.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 March 2022, there were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join (2021: Nil). There was no arrangement under which the directors and chief executive officer waived or agreed to waive any remuneration during the year (2021: Nil). During the year ended 31 March 2022, none of the directors and chief executive officer has share options under the share option scheme operated by the Company (2021: Nil).

14. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year are three directors (2021: three) with their emoluments disclosed in Note 13.

The detail of the emoluments of the remaining two (2021: two) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and other benefits	**1,530**	1,514
Retirement schemes contributions	**36**	36
	1,566	1,550

The emoluments of the two (2021: two) individuals with the highest emoluments are fell within the following band:

	Number of individuals	
	2022	2021
Nil to HK$1,000,000	**2**	2

(b) Senior Management of the Company

The emoluments of the senior management other than the highest paid individuals of the Group are within the following band:

	Number of individuals	
	2022	2021
Nil to HK$1,000,000	**7**	9

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture & fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Mould HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost								
As at 1 April 2020	4,635	1,003	1,746	925	995	32	4,510	13,846
Additions	13,253	804	23	10	–	–	119	14,209
Exchange realignment	–	–	15	–	–	–	136	151
As at 31 March 2021 and 1 April 2021	17,888	1,807	1,784	935	995	32	4,765	28,206
Additions	26	427	54	–	–	–	206	713
Exchange realignment	–	–	9	–	–	–	77	86
As at 31 March 2022	**17,914**	**2,234**	**1,847**	**935**	**995**	**32**	**5,048**	**29,005**
Accumulated depreciation and impairment								
As at 1 April 2020	3,569	487	1,664	906	995	32	4,510	12,163
Depreciation provided for the year	1,068	188	23	8	–	–	9	1,296
Impairment loss recognised in profit or loss	–	–	21	–	–	–	110	131
Exchange realignment	–	–	15	–	–	–	136	151
As at 31 March 2021 and 1 April 2021	4,637	675	1,723	914	995	32	4,765	13,741
Depreciation provided for the year	4,727	376	23	8	–	–	25	5,159
Impairment loss recognised in profit or loss	4,769	538	–	3	–	–	63	5,373
Exchange realignment	–	–	9	–	–	–	77	86
As at 31 March 2022	**14,133**	**1,589**	**1,755**	**925**	**995**	**32**	**4,930**	**24,359**
Carrying amount								
As at 31 March 2022	**3,781**	**645**	**92**	**10**	**–**	**–**	**118**	**4,646**
As at 31 March 2021	13,251	1,132	61	21	–	–	–	14,465

Note: As at 31 March 2022 and 2021, the cost of motor vehicle which have been pledged to secure bank borrowing of the Group was approximately HK$746,000 (2021: HK$746,000) (Note 28), the motor vehicle was fully impaired.

Details of impairment assessment on property, plant and equipment, please refer to Note 4.

16. RIGHT-OF-USE ASSETS

	Motor vehicle leased for own used HK$'000	Buildings leased for own used HK$'000	Total HK$'000
Cost			
As at 1 April 2020	558	6,260	6,818
Additions	–	15,382	15,382
Termination	–	(2,298)	(2,298)
Exchange realignment	–	426	426
As at 31 March 2021 and 1 April 2021	558	19,770	20,328
Additions	–	2,602	2,602
Exchange realignment	–	384	384
As at 31 March 2022	**558**	**22,756**	**23,314**
Accumulated depreciation and impairment			
As at 1 April 2020	279	4,025	4,304
Depreciation provided for the year	112	2,847	2,959
Impairment loss recognised in profit or loss	–	8,912	8,912
Eliminated on termination	–	(2,298)	(2,298)
Exchange realignment	–	426	426
As at 31 March 2021 and 1 April 2021	391	13,912	14,303
Depreciation provided for the year	112	3,596	3,708
Impairment loss recognised in profit and loss	–	2,050	2,050
Exchange realignment	–	384	384
As at 31 March 2022	**503**	**19,942**	**20,445**
Net carrying amounts			
As at 31 March 2022	**55**	**2,814**	**2,869**
As at 31 March 2021	167	5,858	6,025

Notes:

(a) The Group leases several assets including buildings. The remaining lease term is range from 1.08 years to 3.75 years as at 31 March 2022 (2021: range from 0.04 years to 4.67 years).

(b) As at 31 March 2022, the Group is committed approximately to HK$226,000 (2021: approximately HK$211,000) for short-term leases.

(c) The total cash outflow for leases including payments of lease liabilities and short terms leases was amounted approximately to HK$5,090,000 and HK$676,000 (2021: approximately HK$3,283,000 and HK$915,000) for the year ended 31 March 2022, respectively.

(d) Details of impairment assessment on right-of-use assets, please refer to Note 4.

17. INTERESTS IN ASSOCIATES

On 24 October 2018, the Company entered into a sale and purchase agreement (the "**Acquisition Agreement**") with an independent third party (the "**Vendor**") pursuant to which the Vendor had conditionally agreed to sell and the Company has conditionally agreed to purchase 6,903,090 ordinary share at the market price of HK$0.1 each in Bluemount Group, representing 30% of the entire equity interest of Bluemount Group at a consideration of HK$11,000,000, which was satisfied by cash amounted to HK$200,000 and the Company issuing consideration shares in the sum of HK$10,800,000 to the Vendor. At the date of acquisition, the fair value of consideration shares was HK$6,000,000 and total fair value of consideration paid was HK$6,200,000. Upon completion of this transaction, the Company held a 30% equity interest in Bluemount Group and exercised significant influence over Bluemount Group, and therefore Bluemount Group and its subsidiaries are classified as associates of the Company.

	2022 **HK$'000**	2021 HK$'000
Unlisted		
Cost of investment in associates	**6,200**	6,200
Share of post-acquisition result of associates and other comprehensive, net of dividend (Note (a))	**16,947**	13,648
Share of net assets of associates	**23,147**	19,848

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of associates	Country of incorporation/ registration/ principle place business	Paid-up capital or registered capital	Proportion of ownership interest and voting power attributable to the Group Direct		Indirect		Principal activities	Type of legal entity
			2022	2021	**2022**	2021		
Bluemount Financial Group Limited	Hong Kong	HK$23,010,300	**30%**	30%	**–**	–	Investment holding	Limited liability company
Bluemount Securities Limited	Hong Kong	HK$18,000,000	**–**	–	**30%**	30%	Brokerage services	Limited liability company
Bluemount Asset Management Limited	Hong Kong	HK$5,000,000	**–**	–	**30%**	30%	Portfolio and investment management service	Limited liability company
Bluemount Credit Limited*	Hong Kong	HK$100	**–**	–	**–**	30%	Money lending	Limited liability company
Bluemount Capital Limited	Hong Kong	HK$10,000	**–**	–	**30%**	30%	Project management services	Limited liability company
Bluemount Commodities Limited	Hong Kong	HK$100	**–**	–	**30%**	30%	To operate an e-commerce platform sells luxurious products	Limited liability company

* The associate was disposed during the year ended 31 March 2022.

17. INTERESTS IN ASSOCIATES (CONTINUED)

Summary financial information of Bluemount Group

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in Bluemount Group's consolidated financial statements prepared in accordance with HKFRSs.

	2022 **HK$'000**	2021 HK$'000
Current assets	**129,724**	105,258
Non-current assets	**20,286**	2,327
Current liabilities	**(91,035)**	(61,434)
Non-current liabilities	**(1,828)**	–
Equity	**57,147**	46,151

	2022 **HK$'000**	2021 HK$'000
Revenue	**38,667**	23,582
Profit and total comprehensive income for the year	**10,998**	11,193

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bluemount Group recognised in these consolidated financial statements:

	2022 **HK$'000**	2021 HK$'000
Net assets of Bluemount Group	**57,147**	46,151
Fair value adjustment, net of tax (Note (b))	**20,010**	20,010
Net assets of Bluemount Group after adjusting for fair value adjustment at the date of acquisition	**77,157**	66,161
Proportion of the Group's ownership interest	**30%**	30%
The Group's share of net assets of Bluemount Group	**23,147**	19,848

Notes:

(a) On completion of the acquisition of the shares in Bluemount Group, the reasons of fair value of net assets acquired as of the acquisition date exceeded the fair value of the consideration transferred, were mainly due to (1) adoption of marketability discount and minority discount in determining the purchase consideration and (2) issue price of consideration shares was lower than the contract issue price at acquisition date. Accordingly, the Group recognised a gain on bargain purchase of HK$11,241,000 which was the exceed of fair value of associates' net identifiable assets acquired to the fair value of consideration paid in the line item "Share of result of associates" in the consolidated statement of profit or loss and other comprehensive income.

(b) As at 24 October 2018, the fair value adjustment, net of tax, of interests in associates of approximately HK$20,010,000. The fair value adjustment of associates net identifiable assets was, valued by an independent professional external valuer, based on currently available market data adjusted for specific features of interests in associates.

18. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**9,105**	7,343
Work-in-progress	**3,290**	2,610
Finished goods	**935**	1,846
	13,330	11,799

19. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**12,374**	3,728
Less: allowances for ECL (Note 38(b))	**(121)**	(14)
	12,253	3,714

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for ECL:

	2022 HK$'000	2021 HK$'000
0 to 30 days	**11,194**	3,466
31 to 60 days	**338**	247
61 to 90 days	**691**	–
91 to 180 days	**10**	1
Over 180 days	**20**	–
	12,253	3,714

The average credit period on sales of goods ranges from 0 to 90 days.

The trade receivables are denominated in HK$, United States Dollars ("**US$**") and RMB.

Further details on the Group's credit policy and credit risk assessment for ECL arising from trade receivables are set out in Note 38(b).

20. AMOUNT DUE TO A RELATED COMPANY

Name of related company	**2022 HK$'000**	2021 HK$'000
Mobile Computer Land Limited (Note (i))	**62**	29

Note:

(i) Mr. Lo Ding Kwong, is the son of Madam Cheng and the major shareholder of Mobile Computer Land Limited.

The amount due to a related company is unsecured, interest free and payable on demand.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Deposits paid and prepayments to suppliers (Note (a))	**58**	554
Amounts due from associates (Note (b), 40(b))	**7,072**	6,716
Other deposits paid and prepayments (Note (d))	**4,084**	3,661
Other receivables	**1,422**	989
Amount due from a related company (Note (c))	**8**	–
	12,644	11,920
Less: allowance for ECL (Note 38(b))	**(50)**	(61)
	12,594	11,859

Notes:

(a) The amount was mainly related to guarantees paid to against other raw materials suppliers to secure a stable supply raw material or requested by such suppliers.

(b) During the year ended 31 March 2022, the Company recognise dividends receivable from associates of HK$5,754,000 (2021: HK$5,400,000) and at interest of 7% per annum, and amounted of approximately HK$1,317,000 (2021: HK$1,316,000) advance to associates are unsecured, interest free and repayable on demand.

(c) Lissington Limited is the substantial shareholder of the Group and the related company.

(d) As at 31 March 2022, the Group prepaid the website development of HK$880,000 to a connected person. For more details, please refer to Note 40 (b).

(e) For details of the ECL assessment was set out in Note 38.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Redemption option derivative (Note 30)	**110**	561

23. PLEDGED TIME DEPOSITS/CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents	**4,038**	3,553
Pledged time deposits	**2,001**	2,094
	6,039	5,647

As at 31 March 2022 and 2021, cash on hand and at bank comprise of following currencies:

	2022 HK$'000	2021 HK$'000
HKD	**4,389**	3,941
USD	**1,136**	1,400
RMB	**514**	306
	6,039	5,647

Cash and cash equivalents compose:

In the cash and cash equivalents at the years ended 31 March 2022 and 2021 mainly include amounts of approximately RMB416,000 and RMB258,000 (equivalent to approximately HK$514,000 and HK$306,000 respectively) which were not freely convertible into other currencies, respectively. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through bank authorisation to conduct foreign exchange business.

Pledged time deposits:

As at 31 March 2022, pledged time deposits are made for varying periods of between one day to three months depending cash requirements of the Group and carrying fixed interest rate of 0.12% (2021: 0.05%) per annum of approximately HK$2,001,000 (2021: HK$2,094,000) was pledged as collateral for bank facility of the Company.

23. PLEDGED TIME DEPOSITS/CASH AND CASH EQUIVALENTS (CONTINUED)

Bank overdrafts:

The Group's overdrafts facilities accounting to HK$2,475,000 (2021: HK$2,600,000), none of which (2021: Nil) has been utilised at the end of the reporting period, are secured by the pledged time deposits amounting to approximately HK$2,001,000 (2021: HK$2,094,000).

24. TRADE PAYABLES

Details of the ageing analysis based on invoice date are as follows:

	2022 HK$'000	2021 HK$'000
Within 30 days	**2,905**	1,983
31 to 60 days	**275**	547
61 to 90 days	**39**	294
91 to 180 days	**125**	213
Over 180 days	**38**	22
	3,382	3,059

The average credit period on purchase of certain goods is generally within 30 days to 90 days.

25. ACCRUALS AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Accruals (Note (a))	**3,871**	2,887
Other payables (Note (b))	**16**	16,461
Other tax payables	**710**	182
	4,597	19,530

Notes:

(a) The amount was mainly represented accrued loan interest approximately HK$1,335,000 (2021: HK$256,000) and accrued daily operating expenses approximately HK$2,312,000 (2021: HK$2,354,000), such as salaries and rental expenses.

(b) As at 31 March 2021, other payables mainly represent the independent third party who provide the renovation work of amount HK$16,350,000 to one of the subsidiary of the Group. Save for the amount of HK$6,720,000 is interest bearing at 6% per annum, the remaining amount of HK$9,630,000 are unsecured, interest-free and repayable within one year. During the year ended 31 March 2022, the amount was fully repaid.

26. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2022 and 2021 are set out as below:

Name of subsidiaries	Place/principal place of operation and date of incorporation	Paid-up capital or registered capital	Percentage of equity and voting power attributable to the Company				Principal activities	Type of legal entity
			Direct		Indirect			
			2022	2021	**2022**	2021		
Echo Asia (Hong Kong) Limited	Hong Kong, 30 June 2015	HK$10,000	**100%**	100%	**–**	–	Investment holding/Trading of timepieces	Limited liability company
Gold Treasure Hung Group Limited	BVI, 6 December 2010	US$10,000	**100%**	100%	**–**	–	Investment holding	Limited liability company
Echo Electronics Company Limited	Hong Kong, 24 December 2003	HK$10,000	**–**	–	**100%**	100%	Trading of electronic products and accessories	Limited liability company
Yi Gao Tech Electronics (Shenzhen) Co., Ltd.	The PRC, 26 May 2011	HK$4,000,000	**–**	–	**100%**	100%	Manufacture of electronic products and accessories	Limited liability company
Yuk Cuisine Group Limited (former name: Chiu Cuisine Group Limited)	Hong Kong, 4 May 2018	HK$10,000	**–**	–	**100%**	100%	Investment holding	Limited liability company
Yuk Cuisine Limited	Hong Kong, 29 March 2018	HK$10,000	**–**	–	**100%**	100%	Provision of food catering services	Limited liability company
Yuk Cuisine (Hongkong) Limited	Hong Kong, 8 July 2020	HK$10,000	**–**	–	**100%**	100%	Provision of food catering services	Limited liability company

27. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
As at 1 April	**858**	409
Add: consideration arising from deposits of delivery of goods (Note)	**619**	858
Less: revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(858)**	(409)
As at 31 March	**619**	858

Note: Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer initially purchases the goods and paid in advance, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer.

28. BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	2022 HK$'000	2021 HK$'000
Secured:		
— Bank loan (Note (a))	**94**	251
Unsecured:		
— Other borrowings (Note (b))	**17,720**	5,520
	17,814	5,771
The carrying amount of the above borrowings are repayable:		
— within one year	**17,814**	157
— within a period of more than one year but not exceeding two years	**–**	5,614
	17,814	5,771
Less: amount due within one year shown under current liabilities	**(17,814)**	(157)
	–	5,614

Notes:

(a) The secured bank loan was secured by motor vehicle with fixed interest rate at 1.8% per annum included in right-of-use assets with cost of approximately HK$746,000 (2021: HK$746,000), details please refer to Note 15.

(b) As at 31 March 2022, the other borrowings amounts of HK$17,720,000 (2021: HK$5,520,000) are unsecured, fixed interest rate bearing at 2% to 11% (2021: 2% to 5%) per annum respectively. The other borrowings with amount of HK$500,000 (2021: HK$1,750,000) is advanced from connected person, details please refer to Note 40(c).

The other borrowing with amount of approximately HK$13,365,000 were settled according to the loan capitalisation agreement after the year ended 31 March 2022 as disclosed in Note 42(a).

29. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the current reporting periods:

	As at 31 March 2022		As at 31 March 2021	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	5,536	6,235	4,018	4,920
After 1 year but within 2 years	3,751	4,122	3,964	4,600
After 2 years but within 5 years	4,067	4,299	7,510	8,090
	7,818	8,421	11,474	12,690
	13,354	14,656	15,492	17,610
Less: total future interest expenses		(1,302)		(2,118)
Present value of lease obligations		13,354		15,492

Analysed for reporting purposes as:

	2022 HK$'000	2021 HK$'000
Current liabilities	5,536	4,018
Non-current liabilities	7,818	11,474
	13,354	15,492

The incremental borrowing rates applied to lease liabilities range from 2% to 7.247% (2021: range from 2% to 9.263%).

29. LEASE LIABILITIES (CONTINUED)

Lease obligations that are denominated in currencies of the relevant group entities are set out below:

	2022 **HK$'000**	2021 HK$'000
RMB	**8,002**	9,269
HK$	**5,352**	6,223
	13,354	15,492

The Group's lease liabilities are secured by the lessor's title to the leased assets, which have a carrying amount of approximately HK$55,000 (2021: approximately HK$167,000) as at 31 March 2022 (Note 16).

30. CONVERTIBLE BONDS

The convertible bonds issued have been split as to the derivative financial asset component (redemption option derivative component embedded in convertible bonds); the financial liability component (convertible bonds) and equity component (convertible bonds reserve). The following tables summarise the movements of the derivative financial assets; derivative financial liabilities; financial liabilities and equity component during the years ended 31 March 2022 and 2021.

30. CONVERTIBLE BONDS (CONTINUED)

Derivative financial assets — Redemption option derivative component:

	Convertible Bond 1 HK$'000	Convertible Bond 2 HK$'000	Convertible Bond 3 HK$'000	Convertible Bond 4 HK$'000	Convertible Bond 5 HK$'000	Total HK$'000
As at 1 April 2020	(400)	(1,292)	(1,911)	–	–	(3,603)
Issue of convertible bonds	–	–	–	(181)	(206)	(387)
Issuance cost of convertible bonds	–	–	–	(5)	(8)	(13)
Change in fair value of derivative financial asset component of convertible bonds (Note 7)	392	1,206	1,579	(512)	(123)	2,542
Conversion of convertible bonds	–	–	–	563	337	900
As at 31 March 2021 and 1 April 2021	(8)	(86)	(332)	(135)	–	(561)
Change in fair value of derivative financial asset component of convertible bonds (Note 7)	7	84	252	108	–	451
As at 31 March 2022	**(1)**	**(2)**	**(80)**	**(27)**	**–**	**(110)**

Financial liabilities — Financial liability component:

	Convertible Bond 1 HK$'000	Convertible Bond 2 HK$'000	Convertible Bond 3 HK$'000	Convertible Bond 4 HK$'000	Convertible Bond 5 HK$'000	Total HK$'000
As at 1 April 2020	8,409	10,064	7,301	–	–	25,774
Issue of convertible bonds	–	–	–	3,345	2,964	6,309
Issuance cost of convertible bonds	–	–	–	(91)	(113)	(204)
Conversion of convertible bonds	–	–	–	(2,909)	(2,888)	(5,797)
Effective interest charged (Note 8)	1,199	1,631	1,042	323	97	4,292
Interest paid	(699)	(909)	(658)	(200)	(60)	(2,526)
As at 31 March 2021 and 1 April 2021	8,909	10,786	7,685	468	–	27,848
Effective interest charged (Note 8)	1,273	1,750	1,097	76	–	4,196
Interest paid	(700)	(910)	(659)	(45)	–	(2,314)
As at 31 March 2022	**9,482**	**11,626**	**8,123**	**499**	**–**	**29,730**

30. CONVERTIBLE BONDS (CONTINUED)

Reconciliation to the consolidated statement of financial position:

	2022 HK$'000	2021 HK$'000
Non-current	**20,248**	27,848
Current	**9,482**	–
	29,730	27,848

Equity component:

	Convertible Bond 1 HK$'000	Convertible Bond 2 HK$'000	Convertible Bond 3 HK$'000	Convertible Bond 4 HK$'000	Convertible Bond 5 HK$'000	Total HK$'000
As at 1 April 2020	3,713	3,747	4,030	–	–	11,490
Issue of convertible bonds	–	–	–	1,476	1,342	2,818
Issuance cost of convertible bonds	–	–	–	(40)	(51)	(91)
Deferred tax liability arising from issue of convertible bonds (Note 31)	–	–	–	(228)	(206)	(434)
Conversion of convertible bonds	–	–	–	(1,041)	(1,085)	(2,126)
As at 31 March 2021, 1 April 2021 and 31 March 2022	**3,713**	**3,747**	**4,030**	**167**	**–**	**11,657**

As at 31 March 2022, the outstanding principal of the convertible bonds was HK$33,047,000 (2021: HK$33,047,000).

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

30. CONVERTIBLE BONDS (CONTINUED)

Convertible Bond 1

On 23 January 2018 (the "**Issue Date 1**"), the Company issued in aggregate of HK$10,000,000, 7.0% convertible bonds and recognised its book as of fair values appraised by an independent financial valuer ("**Convertible Bond 1**"). The Convertible Bond 1 entitle the holders to convert them into a maximum of 50,761,421 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date 1 or (ii) if it is not a business date, the business day immediately before such date (the "**Maturity Date 1**") at the initial conversion price of HK$3.94* per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bond 1 on the Maturity Date 1 at price equal to 100% of the principal amounts of the Convertible Bond 1 to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bond 1 after the first anniversary of the issue date of the Convertible Bond 1.

The Convertible Bond 1 contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds – equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 14.28% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of Convertible Bond 1 are as follows:

	As at 23 January 2018
Risk free rate	1.72%
Volatility	44.39%
Discount rate	14.09%

* The conversion price was adjusted due to share consolidation became effective on 3 August 2020, details please refer to Note 32(a).

30. CONVERTIBLE BONDS (CONTINUED)

Convertible Bond 2

On 20 August 2018 (the "**Issue Date 2**"), the Company issued in aggregate of HK$13,000,000, 7.0% convertible bonds and recognised its book as of fair values appraised by an independent financial valuer ("**Convertible Bond 2**"). The Convertible Bond 2 entitle the holders to convert them into a maximum of 122,641,509 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date 2 or (ii) if it is not a business date, the business day immediately before such date (the "**Maturity Date 2**") at the initial conversion price of HK$2.12* per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bond 2 on the Maturity Date 2 at price equal to 100% of the principal amounts of the Convertible Bond 2 to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bond 2 after the first anniversary of the issue date of the Convertible Bond 2.

The Convertible Bond 2 contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds – equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 16.22% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of Convertible Bond 2 are as follows:

	As at 20 August 2018
Risk free rate	2.05%
Volatility	78.12%
Discount rate	16.11%

* The conversion price was adjusted due to share consolidation became effective on 3 August 2020, details please refer to Note 32(a).

30. CONVERTIBLE BONDS (CONTINUED)

Convertible Bond 3

On 6 August 2019 (the "**Issue Date 3**"), the Company issued in aggregate of HK$9,408,000, 7.0% convertible bonds and recognised its book as of fair values appraised by an independent financial valuer ("**Convertible Bond 3**"). The Convertible Bond 3 entitle the holders to convert them into a maximum of 192,000,000 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date 3 or (ii) if it is not a business date, the business day immediately before such date (the "**Maturity Date 3**") at the initial conversion price of HK$0.98* per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bond 3 on the Maturity Date 3 at price equal to 100% of the principal amounts of the Convertible Bond 3 to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bond 3 after the first anniversary of the issue date of the Convertible Bond 3.

The Convertible Bond 3 contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds – equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 14.28% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of Convertible Bond 3 are as follows:

	As at 6 August 2019
Risk free rate	1.34%
Volatility	94.37%
Discount rate	14.36%

* The conversion price was adjusted due to share consolidation became effective on 3 August 2020, details please refer to Note 32(a).

30. CONVERTIBLE BONDS (CONTINUED)

Convertible Bond 4

On 7 July 2020 (the "**Issue Date 4**"), the Company issued in aggregate of HK$4,640,000, 7.0% convertible bonds and recognised its book as of fair values appraised by an independent financial valuer ("**Convertible Bond 4**"). The Convertible Bond 4 entitle the holders to convert them into a maximum of 200,000,000 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date 4 or (ii) if it is not a business date, the business day immediately before such date (the "**Maturity Date 4**") at the initial conversion price of HK$0.464* per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bond 4 on the Maturity Date 4 at price equal to 100% of the principal amounts of the Convertible Bond 4 to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bond 4 after the first anniversary of the issue date of the Convertible Bond 4.

The Convertible Bond 4 contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds – equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 16.15% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of Convertible Bond 4 are as follows:

	As at 7 July 2020
Risk free rate	0.80%
Volatility	59.29%
Discount rate	16.04%

* The conversion price was adjusted due to share consolidation became effective on 3 August 2020, details please refer to Note 32(a).

30. CONVERTIBLE BONDS (CONTINUED)

Convertible Bond 5

On 26 November 2020 (the "**Issue Date 5**"), the Company issued in aggregate of HK$4,100,400, 7.0% convertible bonds and recognised its book as of fair values appraised by an independent financial valuer ("**Convertible Bond 5**"). The Convertible Bond 5 entitle the holders to convert them into a maximum of 10,200,000 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date 5 or (ii) if it is not a business date, the business day immediately before such date (the "**Maturity Date 5**") at the initial conversion price of HK$0.402 per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bond 5 on the Maturity Date 5 at price equal to 100% of the principal amounts of the Convertible Bond 5 to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bond 5 after the first anniversary of the issue date of the Convertible Bond 5.

The Convertible Bond 5 contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds – equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 16.40% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of Convertible Bond 5 are as follows:

	As at 26 November 2020
Risk free rate	0.55%
Volatility	86.3%
Discount rate	15.98%

31. DEFERRED TAXATION

For the purpose of presentation in the consolidation statement of financial position, certain deferred tax assets and liabilities have been offset the following is the analysis of deferred tax balances for financial reporting purpose:

	2022 HK$'000	2021 HK$'000
Deferred tax asset	**14**	4
Deferred tax liabilities	**(547)**	(858)
	(533)	(854)

The following table is the major deferred tax asset and liabilities recognised and the movements thereon during the current and prior year:

	ECL provision HK$'000	**Convertible bonds** HK$'000	**Total** HK$'000
As at 1 April 2020	11	(1,095)	(1,084)
Issuance of Convertible Bond 4	–	(228)	(228)
Issuance of Convertible Bond 5	–	(206)	(206)
Credited to consolidated statement of profit or loss (Note 10)	(7)	671	664
As at 31 March 2021 and 1 April 2021	4	(858)	(854)
Credited to consolidated statement of profit or loss (Note 10)	10	311	321
As at 31 March 2022	**14**	**(547)**	**(533)**

32. SHARE CAPITAL

	Per value	Number of shares	Nominal value
	HK$	'000	HK$'000
Issued and fully paid:			
As at 1 April 2020	0.0025	1,020,000	2,550
Effect on share consolidation (Note (a))		(969,000)	–
Conversion of convertible bonds (Note (b))	0.05	18,823	941
As at 31 March 2021 and 1 April 2021	0.05	69,823	3,491
Issue of share capital under placing (Note (c))	0.05	88,000	4,400
As at 31 March 2022	**0.05**	**157,823**	**7,891**

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

Notes:

(a) On 30 July 2020, the Company held an extraordinary general meeting and an ordinary resolution was approved the consolidation of every twenty (20) issued and unissued ordinary shares of HK$0.0025 each in the share capital of the Company into one (1) consolidated share of HK$0.05 each in the share capital of the Company. The share consolidation became effective on 3 August 2020. For details of the share consolidation, please refer to the announcements of the Company dated 22 June 2020 and 30 July 2020 and the circular of the Company dated 10 July 2020.

(b) On 10 February 2021, the holders of Convertible Bonds 4 and 5 exercised the conversion right and the convertible bonds were converted into 8,622,842 and 10,199,997 ordinary shares of the Company of HK$0.05 each, respectively. The conversion shares rank pari passu in all respects with shares of the Company.

(c) On 27 May 2021, the Company placed 88,000,000 new shares at the placing price of HK$0.30 per placing share to not less than six placees.

33. PROVISION FOR REINSTATEMENT COSTS

	2022 HK$'000	2021 HK$'000
As at 1 April	**–**	–
Provision	**400**	–
As at 31 March	**400**	–
Less: Non-current portion	**(400)**	–
Current portion	**–**	–

Provision for reinstatement costs is recognised for the costs to be incurred for the reinstatement of the buildings leased for own used by the Group for its operations upon expiration of the relevant leases. As at 31 March 2022, the Group expected that the total undiscounted costs required in the future would amount to approximately HK$400,000.

34. 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 group's consolidated cash flow statement as cash flows from financing activities.

	Convertible bonds HK$'000	**Lease liabilities** HK$'000	**Bank and other borrowings** HK$'000	**Total** HK$'000
As at 1 April 2020	25,774	3,044	402	29,220
Issue of convertible bonds (Note 30)	6,309	–	–	6,309
Issuance cost of convertible bonds (Note 30)	(204)	–	–	(204)
New borrowings made during the year	–	–	5,520	5,520
Finance cost recognised (Note 8)	4,292	330	37	4,659
Finance cost paid	(2,526)	(330)	(37)	(2,893)
Conversion of convertible bonds	(5,797)	–	–	(5,797)
Financing cash outflows	–	(3,283)	(151)	(3,434)
Non-cash changes	–	15,382	–	15,382
Exchange alignment	–	349	–	349
As at 31 March 2021 and 1 April 2021	27,848	15,492	5,771	49,111
Finance cost recognised (Note 8)	**4,196**	**1,028**	**399**	**5,623**
Finance cost paid	**(2,314)**	**(1,028)**	**(399)**	**(3,741)**
New borrowings made during the year	**–**	**–**	**14,750**	**14,750**
Financing cash outflows	**–**	**(5,090)**	**(2,707)**	**(7,797)**
Non-cash changes	**–**	**2,602**	**–**	**2,602**
Exchange alignment	**–**	**350**	**–**	**350**
As at 31 March 2022	**29,730**	**13,354**	**17,814**	**60,898**

35. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 27 September 2013.

As at the date of 30 September 2013, options to subscribe for 20,000,000 shares under the Pre-IPO Share Option Scheme have been granted to the Directors except for the independent non-executive Directors.

The Company has also conditionally adopted the Share Option Scheme. No option has been granted under the Share Option Scheme. The Share Option Scheme will be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

The Eligible Persons of the Share Option Scheme include directors, consultants or advisers and any other person has contributed to the Group (the "**Eligible Persons**"). The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

An offer shall remain open for acceptance by the Eligible Persons concerned for such period as determined by the board of directors, being a date not later than ten business days after the offer date by which the Eligible Persons must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. The Company may grant options to specified participant(s) beyond the 10% limit provided that the options granted in excess of such limit are specifically approved by the shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. In seeking such approval, a circular must be sent to the shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Persons (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an Eligible Persons would result in excess of such limit shall be subject to the approval of the shareholders at general meeting with such Eligible Persons and his associates abstaining from voting.

35. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (CONTINUED)

To quantify the effect of the options granted under the Pre-IPO Share Option Scheme, the Company has engaged an independent external valuer, Roma Appraisals Limited ("**Roma**") to compute the fair value of the granted options.

The fair value of the options granted under the Pre-IPO Share Options Scheme is determined using Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on the Directors' best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavior consideration. Expected volatility is based on the average historical volatilities of the comparable over the expected option periods of 6.5 years. Risk free rate is based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary assumptions.

The variables and assumptions used in computation of the fair value of Pre-IPO Share Options Scheme are based on the Directors' best estimate. The value of an option varies with different variables of certain objective assumption.

Inputs into the valuation model

Grant date share price	HK$0.555
Exercise price*	HK$3.00
Expected volatility	54.806%
Expected option period	6.542 years
Risk free rate	1.53%
Expected dividend yield	0.00%

Movements in the share options granted to the former directors, directors, employees of the Company and other eligible participants during the year were as follows:

	Date of grant	Exercise price* HK$	Number of share outstanding as at 31 March 2021 '000	**Number of share outstanding as at 31 March 2022 '000**
Director	27 September 2013	3.00	45,600	**45,600**
Employee	27 September 2013	3.00	34,400	**35,400**
		3.00	80,000	**80,000**

* *The exercise price was adjusted due to share consolidation became effective on 3 August 2020, details please refer to Note 32(a).*

35. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (CONTINUED)

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
September 2013	11 October 2013– 10 October 2016	11 October 2016– 11 October 2023	HK$3.00

The options outstanding at the year ended 31 March 2022 have a weighted average remaining contractual life of 1.53 years (2021: 2.53 years). During the years ended 31 March 2022 and 2021, no share option was granted, exercised, expired or lapsed.

36. RESERVES

The movement of reserves of the Group during the year was shown in the consolidated statement of changes in equity on page 80.

(a) Contribution reserve

Pursuant to the deed of mutual set-off dated 27 September 2013 entered into between Madam Cheng (an executive director, the controlling shareholder and a founder of the Company) and the Company, Madam Cheng agreed to bear the expenses incurred by the Company in connection with the listing to the extent of HK$5.77 million by setting off against the debt of the Company owing to Madam Cheng. According to Conceptual Framework for Financial Reporting 2010 and Hong Kong Accounting Standards 1 (Revised) Presentation of Financial Statements, this represents a transaction between the Company and the controlling shareholder, and the amount will be recognised in equity rather than consolidated statements of comprehensive income prior to the listing.

(b) Capital reserve

The capital reserve of the Group represents the capital contributions by Madam Cheng, a director and controlling shareholder of the Company, to the subsidiaries directly held by Madam Cheng before the reorganisation. The additions during the year represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies by the owners of the subsidiaries, which were consolidated from the effective date of acquisition.

36. RESERVES (CONTINUED)

(c) Share option reserve

Share option reserve relates to share option granted under the Company's share option scheme and which are reclassified to share capital and share premium when the share option were exercised and to accumulated losses when the share options were lapsed or expired.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

(e) Convertible bonds-equity component reserve

The convertible bonds-equity component reserve represents the value of the unexercised equity component (conversion rights) of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds. If the convertible bonds are not converted at the maturity date, the convertible bonds equity reserve will be reclassified subsequently to profit or loss.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of amount due to a related company, convertible bonds, bank and other borrowings, lease liabilities and equity attributable to owners of the Company (comprising issued share capital and reserves).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The gearing ratio at the end of the reporting period was as follow:

	2022 **HK$'000**	2021 HK$'000
Debt	**60,960**	49,140
Equity	**4,278**	161
Gearing ratio	**1,425%**	30,522%

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Redemption option derivative	**110**	561
Amortised costs		
— Trade receivables	**12,253**	3,714
— Deposits and other receivables	**8,502**	7,644
— Pledged time deposits	**2,001**	2,094
— Cash and cash equivalents	**4,038**	3,553
	26,794	17,005
Financial liabilities		
Amortised costs		
— Trade payables	**3,382**	3,059
— Amount due to a related company	**62**	29
— Financial liabilities included in accrual and other payables	**16**	16,461
— Bank and other borrowings	**17,814**	5,771
— Lease liabilities	**13,354**	15,492
— Convertible bonds	**29,730**	27,848
	64,358	68,660

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, deposits and other receivables, pledged time deposits, cash and cash equivalents, trade payables, amount due to a related company, other payables, bank and other borrowings, lease liabilities and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk and impairment assessment

As at 31 March 2022 and 2021, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk limited to trade receivables, deposits and other receivables, pledged time deposits and cash and cash equivalents which will cause the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

<u>Trade receivables</u>

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Company has set the policies in place to ensure that transactions are made to customers with an appropriate credit history. In addition, the Group performs impairment assessment under ECL model under HKFRS 9 on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The Group has concentration of credit risk as 81.60% of the total trade receivables was due from the Group's the five largest customers respectively within the manufacturing and trading of electronic products and accessories and trading of timepieces. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Cash and cash equivalents and pledged time deposits

As at 31 March 2022 and 2021, all cash and cash equivalents and pledged time deposits were deposited in state owned banks and reputable financial institutions and were hence without significant credit risk. The Group has no significant concentration of credit risks, with exposure spread over a number of counter parties. Based on the average loss rates, the 12m ECL on cash and cash equivalents and pledged time deposits is considered to be insignificant and therefore no loss allowance was recognised.

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For the year ended 31 March 2022, other receivables with significant outstanding balances or credit-impaired with gross carrying amounts of approximately HK$8,502,000 (2021: approximately HK$7,705,000) and the amount of impairment made was amounted to approximately HK$50,000 (2021: HK$61,000).

The Group's internal credit risk grading assessment comprises the following category:

Internal credit rating	Description	Other financial assets (including deposits and other receivables)
Low risk	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Deposits and other receivables (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Credit rating	12-month or lifetime ECL	Average loss rate HK$'000	Gross carrying amount HK$'000	Provision for ECL HK$'000
As at 31 March 2022					
Financial assets at amortised costs					
Deposits and other receivables	Low risk	12-month ECL	**0.44%**	**11,268**	**50**
As at 31 March 2021					
Financial assets at amortised costs					
Deposits and other receivables	Low risk	12-month ECL	**0.79%**	**7,705**	**61**

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

Provision matrix — debtors' ageing

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit impaired) as at 31 March 2022. Trade receivables with credit-impaired with gross carrying amounts is Nil (2021: approximately Nil) as at 31 March 2022 were assessed individually.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix — debtors' aging (continued)

Gross carrying amount — trade receivables

At 31 March 2022	Average loss rate	Trade receivables HK$'000	Loss allowance HK$'000
Current (not past due)	0.76%	11,282	86
1–30 days past due	1.74%	345	6
31–60 days past due	3.49%	716	25
61–90 days past due	9.09%	11	1
91–180 days past due	13.33%	15	2
More than 180 days past due	20.0%	5	1
		12,374	121

At 31 March 2021	Average loss rate	Trade receivables HK$'000	Loss allowance HK$'000
Current (not past due)	0.36%	3,722	14
1–30 days past due	0.36%	4	–
31–60 days past due	N/A	–	–
61–90 days past due	N/A	–	–
91–180 days past due	0.92%	2	–
		3,728	14

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix — debtors' aging (continued)

As at 31 March 2022, the Group provided approximately HK$121,000 (2021: HK$14,000) impairment allowance for trade receivables based on the provision matrix. Impairment allowance of approximately HK$121,000 (2021: HK$14,000) were made on debtors with significant balances.

As at 31 March 2022, allowance for ECL of deposits and other receivables amounted to approximately HK$50,000 (2021: HK$61,000) under general approach. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

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

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 April 2020	8	61	69
Change due to financial instruments recognised as at 1 April			
— Impairment losses recognised	7	–	7
— Impairment losses reversed	(1)	(61)	(62)
As at 31 March 2021 and 1 April 2021	14	–	14
— Impairment losses recognised	120	–	120
— Impairment losses reversed	(13)	–	(13)
As at 31 March 2022	**121**	**–**	**121**

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in 12-month ECL that has been recognised for deposits and other receivables under the general approach.

	12-month ECL HK$'000
As at 1 April 2020	–
— Impairment losses recognised	61
As at 31 March 2021 and 1 April 2021	61
— Impairment losses reversed	(11)
As at 31 March 2022	**50**

Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

Interest rate risk

The cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Company's policy to keep its borrowings at fixed rates of interests so as to minimise the fair value interest rate risk.

The Company has no significant interest-bearing liabilities except for bank and other borrowings and lease liabilities, details of which have been disclosed in Notes 28 and 29 respectively.

The Company has no significant interest rate risk during the year.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$, USD and RMB. HK$ is pegged to the USD and the foreign exchange exposures between them are considered limited, therefore, the Group is mainly exposed to the effects of fluctuation in RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider the need of hedging significant foreign currency exposures.

No sensitivity analysis on foreign currency risk is performed since the Group's has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and maintains a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group are entitled and intends to repay the liability before its maturity.

As at 31 March 2022

	Weighted average interest rate	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables	–	3,382	–	–	3,382	3,382
Accruals and other payables	–	16	–	–	16	16
Amount due to a related company	–	62	–	–	62	62
Convertible bonds	15.1%	10,000	13,000	10,047	33,047	29,730
Bank and other borrowings	8.5%	18,096	–	–	18,096	17,814
Lease liabilities	6.9%	6,235	4,122	4,299	14,656	13,354
		37,791	17,122	14,346	69,259	64,358

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 March 2021

	Weighted average interest rate	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables	–	3,059	–	–	3,059	3,059
Accruals and other payables	6.0%	16,528	–	–	16,528	16,461
Amount due to a related company	–	29	–	–	29	29
Convertible bonds	15.1%	–	10,000	23,047	33,047	27,848
Bank and other borrowings	2.9%	163	5,690	–	5,853	5,771
Lease liabilities	7.0%	4,920	4,600	8,090	17,610	15,492
		24,699	20,290	31,137	76,126	68,660

(c) Fair value measurements of financial instruments

(i) *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The fair values of financial assets and financial liabilities are determined as follows:

(a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (continued)

Except for the liability component of convertible bonds which recorded at amortised cost as below, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statement of financial position approximate to their fair values.

	31 March 2022		31 March 2021	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Non-current liabilities				
Convertible bonds	**29,730**	**30,269**	27,848	28,777

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

As at 31 March 2022, the fair value of convertible bonds of approximately HK$30,269,000 (2021: HK$28,777,000). The fair value of liabilities component of convertible bonds was valued by an independent valuer. The convertible bonds was calculated by discounting the future cash flow at market rate and including some unobservable inputs. Please refer to Note 30 for the details movement of redemption option derivative component of convertible bonds.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value as at 31 March 2022 and 2021. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Details of reconciliation of Level 3 fair value measurements of financial assets, please refer to Note 30.

	Fair value as at 31 March 2022 HK$'000	Fair value hierarchy	Valuation techniques and key input	Significant unobservable inputs
Financial assets				
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 1	**1**	**Level 3**	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 1.82%, volatility of 69.29%, and discount rate of 13.86% (note)
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 2	**2**	**Level 3**	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 1.86%, volatility of 68.4%, a discount rate of 13.90% (note)
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 3	**80**	**Level 3**	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 2.24%, volatility of 91.60%, a discount rate of 14.28% (note)
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 4	**27**	**Level 3**	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 2.34%, volatility of 84.05%, and discount rate of 14.38% (note)

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value as at 31 March 2021 HK$'000	Fair value hierarchy	**Valuation techniques and key input**	**Significant unobservable inputs**
Financial assets				
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 1	8	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 0.37%, volatility of 88.74%, and discount rate of 13.77% (note)
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 2	86	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 0.46%, volatility of 83.93%, a discount rate of 13.86% (note)
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 3	332	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 0.67%, volatility of 73.39%, a discount rate of 14.07% (note)
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 4	135	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 0.892%, volatility of 95.34%, and discount rate of 14.29% (note)

Note:

An increase in the discount rate in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the convertible bonds.

An increase in the share price volatility in isolation would result in a decrease in the fair value measurement of redemption option derivative embedded in the convertible bonds.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
Non-current asset		
Interests in associates	**23,147**	19,848
Current assets		
Amounts due from subsidiaries	**8,130**	43,696
Deposits, prepayments and other receivables	**5,882**	5,482
Financial assets at fair value through profit or loss	**110**	561
Pledged time deposits	**–**	2,094
Cash and cash equivalents	**107**	240
	14,229	52,073
Current liabilities		
Amount due to a subsidiary	**935**	934
Accruals and other payables	**1,852**	1,067
Convertible bonds	**9,482**	–
	12,269	2,001
Net current assets	**1,960**	50,072
Total assets less current liabilities	**25,107**	69,920

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	2022 **HK$'000**	2021 HK$'000
Non-current liabilities		
Convertible bonds	**20,248**	27,848
Deferred taxation	**547**	858
Other borrowings	**–**	1,750
	20,795	30,456
Net assets	**4,312**	39,464
Capital and reserves		
Share capital	**7,891**	3,491
Reserves (Note)	**(3,579)**	35,973
Total equity	**4,312**	39,464

Approved by the Board of Directors on 14 July 2022 and signed on its behalf by:

Lo, Yan Yee
Executive Director

Cheng, Yeuk Hung
Executive Director

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserve is as follows:

	Share premium HK$'000	Contribution reserve HK$'000	Share option reserve HK$'000	Convertible bonds-equity component reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2020	59,326	4,836	5,794	11,490	(80,373)	1,073
Total comprehensive income for the year	–	–	–	–	28,651	28,651
Issuance of convertible bonds	–	–	–	2,818	–	2,818
Issuance cost on convertible bonds	–	–	–	(91)	–	(91)
Issuance of ordinary shares upon conversion of convertible bonds	6,082	–	–	(2,126)	–	3,956
Deferred tax liability arising from issue of convertible bonds	–	–	–	(434)	–	(434)
As at 31 March 2021 and 1 April 2021	65,408	4,836	5,794	11,657	(51,722)	35,973
Total comprehensive loss for the year	–	–	–	–	(61,023)	(61,023)
Share placing (Note 32)	22,000	–	–	–	–	22,000
Issuance cost of share placing	(529)	–	–	–	–	(529)
As at 31 March 2022	**86,879**	**4,836**	**5,794**	**11,657**	**(112,745)**	**(3,579)**

As at 31 March 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to loss of HK$21,030,000 (2021: HK$18,522,000). The amount represents the net of Company's contribution reserve, share premium, and accumulated losses, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

40. MATERIAL RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into transactions with related parties/connected person which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Transactions with related parties/connected person

Particulars of significant related parties/connected person transactions during the year, the Group entered into the following transactions with related parties/connected person:

Nature of related party/connected transactions

	2022 HK$'000	2021 HK$'000
Sales to Mobile Computer Land Limited (Note (i))	**–**	25
Rental paid to Mobile Computer Land Limited (Note (i))	**358**	340
Placing fee paid to Bluemount Securities Limited (Note (ii))	**528**	128
Purchase from Chiu Foods Limited (Note (iii))	**–**	1,648
Finance cost paid to Fuka Meito Group Limited (Note (iv))	**10**	–
Interest income on dividends receivable from an associate	**354**	346

Notes:

(i) The sales to, computer expenses and rental paid to Mobile Computer Land Limited which major shareholder is Mr. Lo Ding Kwong, is the son of Madam Cheng, constituted a connected transaction for the Company under Chapter 20 of the GEM Listing Rules, but is fully exempt from shareholders' approval and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

(ii) The placing agreement between the Group and Bluemount Securities Limited, which is one of subsidiaries of Bluemount Financial Group Limited which in turn is owned 30% by the Group.

(iii) Chiu Foods Limited ("**Chiu Foods**") is a company incorporated in Hong Kong and owned by the Group's former director who resigned on 31 March 2020.

(iv) Fuka Meito Group Limited ("**Fuka Meito**", formerly known as "Industronics Technology Limited") is a company incorporated in Hong Kong and wholly owned by the Group's former director who resigned on 23 August 2021.

For the transactions constituted connected transactions under the GEM Listing Rules, please refer to "Connected Transactions and Continuing Connected Transactions" under "Report of the Directors".

(b) Amounts due from related parties/connected person

The amounts due from related parties at the end of reporting period are as follow:

	2022 HK$'000	2021 HK$'000
Amounts due from associates, net of allowance for ECL (Note 21, (ii))	**7,030**	6,657
Amount due from a related company (Note 21)	**8**	–
Payment to connected person (Note 21, (i))	**880**	–

Notes:

(i) As at 31 March 2022, the Group prepaid for the website development of HK$880,000 to Fuka Meito Group Limited.

(ii) Save for the amount of HK$5,754,000 (2021: HK$5,400,000) due from associates which is interest bearing at 7% per annum and on normal commercial terms, the amounts due from associates are unsecured, interest-free and repayable on demand.

40. MATERIAL RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(c) Amount due to related parties/connected person

	2022 **HK$'000**	2021 HK$'000
Loan from Fuka Meito (Note (i))	**500**	–
Loan from Chiu Foods (Note (ii))	**–**	1,750

Note:

(i) As at 31 March 2022, other borrowing of HK$500,000 are advanced from Fuka Meito is unsecured, interest bearing at 2% per annum and repayable within 1 year.

(ii) As at 31 March 2021, loan of HK$1,750,000 are advanced from Chiu Foods Limited is unsecured, interest bearing at 5% per annum and repayable within two years.

For the transactions constituted connected transactions under the GEM Listing Rules, please refer to "Connected Transactions and Continuing Connected Transactions" under "Report of the Directors"

(d) Key management personnel remuneration

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 13 and 14 respectively to the consolidated financial statements, is as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and allowances (including directors' fee)	**4,897**	4,754
Retirement scheme contribution	**85**	90
	4,982	4,844

41. CAPITAL COMMITMENT

The Group and the Company did not have any significant capital commitments as at 31 March 2022 and 2021.

42. SUBSEQUENT EVENTS

(a) Issue of new shares for loan capitalisation and issue of unlisted warrants under specific mandate

On 25 March 2022, the Company and its certain subsidiaries entered into a loan capitalisation agreement with each of three creditors in relation to (i) allotment and issue of an aggregate of 102,804,213 new ordinary shares (the "**Loan Capitalisation Shares**") under specific mandate at the price of HK$0.13 per share; and (ii) subject to the fulfillment of the relevant conditions precedent, the Company shall create, and issue to the creditors, the warrants entitling the holders thereof to subscribe up to 16,225,482 ordinary shares at nil consideration. The subscription amount payable by the creditors under the loan capitalisation agreements shall be satisfied by capitalising the respective indebted sums due from the Group. The loan capitalisation and issue of warrants are condition upon, among other things, the Stock Exchange having granted the listing of, and permission to deal in, the placing shares and the warrant shares. An extraordinary general meeting was held on 21 June 2022 ("**EGM**"), and ordinary resolutions were passed to approve the aforesaid transactions and the completion of such transactions took place on 28 June 2022. For details, please refer to the Company's announcements dated 25 March 2022, 21 June 2022 and 28 June 2022, and the Company's circular dated 6 June 2022.

(b) Placing of new shares and issue of unlisted warrants under specific mandate

On 25 March 2022, the Company entered into a placing agreement with a placing agent in relation to (i) placing of up to 97,188,000 new ordinary shares (the "**Placing Shares**") at the placing price of HK$0.13 per placing share on a best effort basis to not less than six independent investors (the "**Placee(s)**") under specific mandate for fund raising purpose, and (ii) subject to the fulfillment of the relevant conditions precedent, the Company shall create, and issue to the Placees, the warrants entitling the holders thereof to subscribe up to 15,339,080 ordinary shares at nil consideration. The placing and issue of warrants are condition upon, among other things, the Stock Exchange having granted the listing of, and permission to deal in, the placing shares and the warrant shares. Ordinary resolutions were passed at the EGM to approve the aforesaid transactions and the completion of such transactions took place on 28 June 2022. For details, please refer to the Company's announcements dated 25 March 2022, 21 June 2022 and 28 June 2022, and the Company's circular dated 6 June 2022.

(c) Increase in authorised share capital

In order to facilitate the issue of the Loan Capitalisation Shares, the Placing Shares and the warrant shares, accommodate the future expansion and growth of the Group and provide the Company with greater flexibility for future expansion in the share capital of the Company, the Board proposes that the authorised share capital of the Company be increased to HK$50,000,000 divided into 1,000,000,000 shares of HK$0.05 each ("**Increase in Authorised Share Capital**"). The Increase in Authorised Share Capital has become effective upon the passing of ordinary resolution at the EGM. For details, please refer to the Company's announcements dated 25 March 2022, 21 June 2022 and 28 June 2022, and the Company's circular dated 6 June 2022.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 July 2022.

Financial Summary

For the year ended 31 March 2022

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	For the year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**80,338**	49,352	49,252	52,817	38,324
(Loss)/profit before taxation	**(22,092)**	(27,344)	(25,163)	5,309	(14,686)
Tax credit/(expense)	**240**	664	64	(37)	(30)
(Loss)/profit for the year	**(21,852)**	(26,680)	(25,099)	5,272	(14,716)
Attributable to:					
Owners of the Company	**(21,852)**	(26,680)	(25,099)	5,272	(14,716)

	For the year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**75,002**	73,922	54,168	65,536	44,242
Total liabilities	**(70,724)**	(73,761)	(34,925)	(24,578)	(16,027)
	4,278	161	19,243	40,958	28,215
Total equity	**4,278**	161	19,243	40,958	28,215