MIN FU
INTERNATIONAL HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8511

2023
ANNUAL REPORT

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

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

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

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zeng Weijin *(Chairman and Chief Executive Officer)*
Mr. Huang Minzhi *(resigned on 4 November 2022 and appointed on 14 March 2023)*
Ms. Ye Jialing *(re-designated on 4 November 2022)*

Non-executive Directors

Mr. Zhou Ruizhao
Ms. Zhang Xiaoling *(appointed on 8 February 2023)*
Ms. Li Xiaoxuan *(appointed on 8 February 2023)*

Independence non-executive Directors

Mr. Leung Gavin L. *(resigned on 24 April 2023)*
Mr. Ning Jie
Dr. Zhou Wenming

AUDIT COMMITTEE

Mr. Leung Gavin L. *(Chairman)* *(resigned on 24 April 2023)*
Mr. Ning Jie
Dr. Zhou Wenming

REMUNERATION COMMITTEE

Dr. Zhou Wenming *(Chairman)*
Mr. Zeng Weijin
Mr. Ning Jie

NOMINATION COMMITTEE

Mr. Zeng Weijin *(Chairman)* *(appointed on 4 November 2022)*
Mr. Ning Jie
Dr. Zhou Wenming
Mr. Huang Minzhi *(resigned on 4 November 2022)*

AUTHORISED REPRESENTATIVES

Mr. Zeng Weijin *(appointed on 4 November 2022)*
Mr. Cheng Wai Hei
Mr. Huang Minzhi *(resigned on 4 November 2022)*

COMPANY SECRETARY

Mr. Cheng Wai Hei

COMPLIANCE OFFICER

Mr. Zeng Weijin *(appointed on 4 November 2022)*
Mr. Huang Minzhi *(resigned on 4 November 2022)*

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
Registered Public Interest Entity Auditor
24/F., Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR

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

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.minfuintl.com

STOCK CODE

8511

LISTING DATE

20 April 2018

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Min Fu International Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**"), it is my pleasure to present to you the annual report of the Group for the year ended 31 March 2023.

SMART MANUFACTURING SOLUTION BUSINESS

The Group is one of the leading smart manufacturing solution providers in China. For the year ended 31 March 2023, the Group continued to focus on providing high-end precision 3D testing solutions and precision machining solutions to customers in industries such as aviation, aerospace, shipbuilding, ground transportation vehicles and electronics.

For the year ended 31 March 2023, the Group is still affected by the global epidemic situation in 2022, the slowdown of world and China's economic growth brought certain operating pressure to the Group. The Group's realised revenue was approximately HK$32.0 million, a increase of 1.5% from last year.

EQUIPMENT MANUFACTURING AND SYSTEM CONSTRUCTION SERVICES

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

OUTLOOK

On 13 April 2023, the Group entered into the sales and purchase agreement (the "**Sales and Purchase Agreement**") with the vendor, pursuant to which the Group conditionally agreed to acquire and the vendor conditionally agreed to sell 20% equity interest in Huanggang Fuyuan Culture to the Group (the "**Acquisition**").

The Target Company is a company established in the PRC and is principally engaged in the provision of burial services and funeral services. The Directors are of the view that the Acquisition will be a good investment opportunity for the Group to participate in the promising and growing death care service industry in the PRC.

CHAIRMAN'S STATEMENT

APPRECIATION

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

Mr. Zeng Weijin
Chairman

Hong Kong, 27 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

For the year ended 31 March 2023, the Group continued to devote great efforts in expanding the market scopes, approaching new customers in various industries and regions, and maintaining the productive relationships with existing customers. Benefited from its sales efforts, the Group obtained a total of 10 new projects. 6 new projects together with 4 projects which were carried forward from prior years, were completed during the year. As at 31 March 2023, the Group had 4 on-going projects, which were all precision 3D scanning solutions projects.

The Group had been persisting in developing new technology, including new auxiliary tools design and relevant software applications. As of 31 March 2023, the Group has 22 registered patents, including 6 invention patents and 12 utility model patents as well, and 8 invention patents in the registration process.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2023, the Group recorded revenue of approximately HK$32.0 million, representing an increase of approximately 1.5% comparing with that of approximately HK$31.5 million for the year ended 31 March 2022. The increase in revenue was mainly due to the burial business contributed HK$1.3 million during the year ended 31 March 2023 (2022: Nil).

Cost of sales

Cost of sales increased by 17.5% to HK$22.3 million for the year ended 31 March 2023 from HK$18.9 million for the year ended 31 March 2022.

Gross profit and gross profit margin

Gross profit decreased by 22.8% to HK$9.7 million for the year ended 31 March 2023 from HK$12.6 million for the year ended 31 March 2022. The decrease in gross profit margin mainly due to higher proportion of revenue contributed from sales of equipment which have a lower margin compare with the technical services.

Gross profit margin keeps at 30.3% for the year ended 31 March 2023 (2022: 39.9%).

Selling and marketing expenses

Selling and marketing expenses decreased by 41.3% to HK$2.6 million for the year ended 31 March 2023 from HK$4.3 million for the year ended 31 March 2022, which was mainly due to decrease in promotion and entertainment expenses for smart manufacturing solutions business.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses increased by 33.7% to HK$24.5 million for the year ended 31 March 2023 from HK$18.3 million for the year ended 31 March 2022, which was due to increase in staff cost, research and development expenses, depreciation and amortisation.

Income tax expense

The Group had an income tax expense of HK$1.6 million (2022: income tax credit HK$0.1 million) for the year ended 31 March 2023.

Loss for the year

Loss for the year increased by 207.3% to HK$28.4 million for the year ended 31 March 2023 from HK$9.2 million for the year ended 31 March 2022. Such increase was mainly attributable to i) decrease in gross profit; ii) increase in administrative expenses; iii) increase in provision for impairment of trade receivables; and iv) increase in provision for impairment of property and equipment, intangible assets and prepayments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash position

The net cash used in operating activities was approximately HK$9.2 million for the year ended 31 March 2023. As at 31 March 2023, the Group has current bank borrowings of HK$5.5 million, amount due to a related party of HK$2.5 million and amount due to a director of HK$4.6 million to support operation.

As at 31 March 2023, the net current assets of the Group were approximately HK$5.6 million (2022: HK$32.5 million). The decrease was mainly attributable to increase of other payables of HK$2.8 million, decrease of trade receivables of HK$3.5 million and decrease of prepayments of HK$16.6 million.

As at 31 March 2023, the cash and cash equivalents of the Group was approximately HK$4.3 million (2022: HK$3.7 million). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, bank facilities and equity financing.

Gearing ratio

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio represents the ratio of net debts (total borrowings, amount due to a related party and amount due to a director net of cash and cash equivalents and restricted cash) divided by total equity as at 31 March 2023 was 15% (31 March 2022: N/A).

As at 31 March 2023, the Group had a two-year credit loan of HK$5.5 million with annual interest rate is 4.1%.

Capital Structure

On 30 November 2022, the Company entered into a placing agreement (the "**Placing Agreement**") with a sole placing agent, pursuant to which the Company appointed the sole placing agent as its agent to procure not less than six placees who were independent third parties to subscribe up to 80,000,000 ordinary Shares at the Placing Price of HK$0.069 per Share, representing approximately 16.67% of the issued share capital of the Company as immediately after the completion of the Placing.

MANAGEMENT DISCUSSION AND ANALYSIS

The Placing Price represents (i) a discount of approximately 8.00% to the closing price of HK$0.075 per Share as quoted on the Stock Exchange on 30 November 2022, being the date of the Placing Agreement; and (ii) a discount of approximately18.82% to the average closing price of approximately HK$0.085 per Share as quoted on the Stock Exchange for the last five trading days prior to the date of the Placing Agreement.

The aggregate nominal value of the maximum number of the Placing Shares under the Placing is USD8,000. The completion of the Placing took place on 20 December 2022 in accordance with the terms and conditions of the Placing Agreement. The net proceeds from the Placing are approximately HK$5,300,000 will be used as the general working capital of the Group.

For details of the Placing, please refer to the announcements of the Company dated 30 November 2022 and 20 December 2022.

Save as disclosed above, there was no other material change in the capital structure of the Group during the year ended 31 March 2023. As at 31 March 2023, the Company has 480,000,000 Shares in issue. Details are set out in Note 21 to the consolidated financial statements.

USE OF NET PROCEEDS FROM THE PLACING OF NEW SHARES

On 20 December 2022, 80,000,000 placing shares (the "**Placing Shares**"), have been successfully placed to not less than six placees at the placing price of HK$0.069 (the "**Placing Price**") per Placing Share (the "**Placing**"). The net proceeds from the Placing are approximately HK$5,300,000 after deducting placing commissions. The Company has been applying the net proceeds according to the use of proceeds stated in the announcement of the Company dated 30 November 2022. Use of net proceeds as at 31 March 2023 are listed as follows:

	Planned use of proceeds *HK$'000*	Percentage of net proceeds	Actual use of proceeds from 20 December 2022 to 31 March 2023 *HK$'000*	Percentage of net proceeds	Unutilized net proceeds as at 31 March 2023 *HK$'000*	Percentage of net proceeds
General working capital for operation	5,299	100%	5,299	100%	–	0%

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any capital commitments.

PLEDGE OF ASSETS

As at 31 March 2023, save for the restricted cash approximately of HK$3.8 million (2022: HK$0.5 million) and the motor vehicles under hire purchase arrangement is secured by the lessors' charge over the leased assets with net book values of approximately of HK$4.5 million (2022: Nil), the Group did not have any pledge on its assets.

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE RATE RISK EXPOSURE

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

Because of the fluctuation in the exchange rate of the functional currencies of the group entities, mainly RMB and US$, to the Group's presentation currency, HK$, the Group recorded a loss in other comprehensive income of HK$3.5 million for the year ended 31 March 2023.

PROSPECTS

On 13 April 2023, the Group entered into the sales and purchase agreement (the "**Agreement**") with the Shenzhen Wentelai Network Technology Co., Ltd. (the "**Vendor**"), pursuant to which the Group conditionally agreed to acquire and the vendor conditionally agreed to sell the sale capital, representing 20% equity interest in Huanggang Fuyuan Culture Development Co., Ltd. held by the Vendor (the "**Acquisition**"), subject to the terms and conditions of the Agreement for a consideration of approximately RMB4,195,000.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service in the PRC. The Directors are of the view that the Acquisition will be a good investment opportunity for the Group to participate in the promising and growing death care service industry in the PRC. Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2023, the Group did not hold any significant investments.

OTHER FINANCIAL ASSETS

As at 31 March 2023, other financial assets held by the Group comprise:

– Trade receivables of HK$12.4 million;

– Cash and bank deposits of HK$4.3 million; and

– Other receivables of HK$1.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the proposed acquisition disclosed in Note 34(2) to the consolidated financial statements, the Group did not have any plans for material investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2023, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Other risks are as follows:

Credit risk

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

Interest rate risk

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

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

Liquidity risk

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zeng Weijin ("**Mr. Zeng**") aged 41, is the Chief Executive Officer and an executive Director of the Company. He was appointed as executive Director on 16 December 2021, as the Chief Executive Officer with effect from 7 January 2022, and as Chairman with effect from 4 November 2022. Mr. Zeng is overseeing the overall management, and corporate policy making of the Group's business operations.

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

Ms. Ye Jialing ("**Ms. Ye**"), aged 36, is the executive Director of the Company. She was appointed as non-executive Director on 7 January 2022 and re– designated as executive Director on 4 November 2022.

Ms. Ye has over five years of investment and management experience in tourism and cultural real estate, cemetery real estate and industrial park. She is currently the chief operating officer of Shenzhen Min Fu Cultural Development Co., Ltd.# (深圳市民富文化發展有限公司), where she is responsible for the design and management of humanities memorial park, research and development of digital management system and funeral services. She is currently also the investment consultant of Shenzhen Qianhai Min Fu Asset Management Co., Ltd.# (深圳市前海民富資產管理有限公司), where she is responsible for property investment and cemetery investment. Ms. Ye holds a Bachelor of International Hotel and Tourism Management from The University of Queensland.

Mr. Huang Minzhi ("**Mr. Huang**") aged 36, is the executive Director of the Company. He was appointed as executive Director on 16 December 2021, resigned on 4 November 2022 and re-appointed on 14 March 2023. Mr. Huang is primarily responsible for strategic planning and business development of the Group's business operations.

Mr. Huang has over nine years of investment and management experience in tourism and cultural real estate, cemetery real estate and industrial park. He worked in OCBC Wing Hang Bank and Bank of Ningbo. He is currently an executive director of Shenzhen Min Fu Cultural Development Co., Ltd.# (深圳市民富文化發展有限公司), where he is responsible for the design and management of humanities memorial park, research and development of data management system and funeral services. He obtained a bachelor' s degree from Guangzhou Sport University in Guangdong, the People's Republic of China in 2009 and a master degree from Concordia University Wisconsin, the United States in 2022.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Zhou Ruizhao ("**Mr. Zhou**"), aged 37, was appointed as non-executive Director on 7 January 2022.

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

Ms. Li Xiaoxuan ("**Ms. Li**"), aged 38, was appointed as non-executive Director on 8 February 2023.

Ms. Li has over six years of experience in administrative management. She is currently the administrative director of 深圳縱橫國際旅行社 (Shenzhen Zongheng International Travel Service Co., Ltd.*), responsible for (i) supervision and management of the daily work of the company's administrative personnel; (ii) implementation of various regulations and work instructions; and (iii) arrangement of the work assigned. She obtained a bachelor's degree in business management from Shenzhen University in Guangdong, the People's Republic of China in 2008.

Ms. Zhang Xiaoling ("**Ms. Zhang**"), aged 32, was appointed as non-executive Director on 8 February 2023.

Ms. Zhang is currently the legal representative and general manager of 張家港市鳳凰山塔園有限公司 (Zhangjiagang Fenghuangshan Pagoda Garden Co., Ltd.*), is responsible for (i) the planning, design and management of ecological cemetery cultural theme park; (ii) the research and development and design of digital management systems; and (iii) funeral services. She obtained a bachelor's degree in agricultural and forestry economic management from Renmin University of China in 2013 and a bachelor's degree in software engineering from Peking University in 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ning Jie ("**Mr. Ning**"), aged 40, was appointed as an independent non-executive Director of the Company on 7 January 2022.

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

DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhou Wenming ("**Dr. Zhou**"), aged 41, was appointed as an independent non-executive Director of the Company on 7 January 2022.

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

COMPLIANCE OFFICER

Mr. Zeng has been appointed as the compliance officer on 4 November 2022. For his biographical information, please refer to the paragraph headed "Executive Directors" above in this section.

COMPANY SECRETARY

Mr. Cheng Wai Hei ("**Mr. Cheng**"), aged 42, joined our Group in December 2020 as financial controller and was later appointed as the company secretary of our Group on 7 January 2022. Mr. Cheng is responsible for the accounting and financial functions, internal control as well as the company secretary affairs of the Group. Mr. Cheng holds a Master of Business Administration from The Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Mr. Cheng has over 15 years of experience in accounting, auditing and corporate governance.

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Save as disclosed in this report, each of our Directors confirms with respect to him/her that: (a) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he/she did not hold other positions in our Company or other members of our Group; (c) he/she did not have any relationship with any other Directors, senior management, substantial shareholder or Controlling Shareholder of our Company; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO; (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with the Group, which is discloseable under GEM Listing Rules; and (f) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that was required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and no other matter with respect to their appointments that needed to be brought to the attention of our Shareholders.

CORPORATE GOVERNANCE REPORT

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

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

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

Save as disclosed above, the Company has complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules for the year ended 31 March 2023.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Following the resignation of Mr. Leung Gavin L. on 24 April 2023, the Company has two independent non-executive Directors only. The number and composition of independent non-executive directors fail to meet the requirements under (i) Rule 5.05(1) of the GEM Listing Rules which requires the Board to include at least three independent non-executive directors; (ii) Rule 5.05(2) of the GEM Listing Rules which requires the Board to include at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise; (iii) Rule 5.05A of the GEM Listing Rules which requires that the Company must appoint independent non-executive directors representing at least one-third of the board; and (iv) Rule 5.28 of the GEM Listing Rules which requires the audit committee to comprise a minimum of three members and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2).

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

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

Having made specific enquiries of all the Directors, each of the Directors has confirmed that he or she has complied with the required Standard of Dealings for the year ended 31 March 2023.

CORPORATE GOVERNANCE REPORT

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring the Group's business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

During the year ended 31 March 2023, all the Directors had carried out duties in good faith and, to their best knowledge and belief, in compliance with applicable laws and regulations, and had acted in the interest of the Company and the Shareholders as a whole at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board composition

During the year ended 31 March 2023 and up to the date of this report, the Directors are as follows:

Executive Directors

Mr. Zeng Weijin *(Chairman and chief executive officer)*
Ms. Ye Jialing *(re-designated on 4 November 2022)*
Mr. Huang Minzhi *(resigned on 4 November 2022 and appointed on 14 March 2023)*

Non-executive Directors

Mr. Zhou Ruizhao
Ms. Zhang Xiaoling *(appointed on 8 February 2023)*
Ms. Li Xiaoxuan *(appointed on 8 February 2023)*

Independent non-executive Directors

Mr. Leung Gavin L. *(resigned on 24 April 2023)*
Mr. Ning Jie
Dr. Zhou Wenming

The brief biographic details of the Directors are set out in the section headed "Directors and Senior Management" on pages 12 to 14 of this annual report.

The Company had complied with the requirements under Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules for the year ended 31 March 2023. The Company considers all independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

Summary of Board Diversity Policy of the Company (the "Policy")

1. Purpose:

1.1 This Policy aims to set out the policy to achieve diversity on the Board of the Group.

2. Vision:

2.1 The Group recognises and embraces the benefits of having a diverse Board to enhance the quality of the Company's performance.

3. Policy statement:

3.1 With a view to achieving a balanced and stable development, the Group sees diversity at the Board level as an essential element in achieving balanced development of the Group. In designing the Board's composition of the Group, Board diversity has comprehensively considered from a number of aspects, including but not limited to gender, age, cultural and educational background or professional experience on the principle of "promotion of the worthy".

4. Measurable objectives:

4.1 Selection of candidates will be based on a range of diversity perspectives, which will include but not limited to gender, age, cultural and educational background or professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Group.

5. Review and monitoring

5.1 The Nomination Committee will review the Policy, as and when appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

5.2 Details of the policy and any measurable objectives designed for it will be disclosed in the annual report of the Group. The Group has adopted a policy to diversify the membership of the Board.

The Group recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board composition of the Group is based on a range of diverse perspectives, and candidates will be selected from a number of aspects, including but not limited to gender, age, cultural and educational background or professional experience on the principle of "promotion of the worthy".

CORPORATE GOVERNANCE REPORT

During the Year and at the date of this report, the Board has nine Directors, one of which is a female. The table below further describes the degree of diversity of the Board:

Name of directors	Age Distribution 31-40	Age Distribution 41-60	Gender Male	Gender Female
Mr. Zeng Weijin		✔	✔	
Ms. Ye Jialing *(re-designated on 4 November 2022)*	✔			✔
Mr. Huang Minzhi *(resigned on 4 November 2022 and appointed on 14 March 2023)*		✔	✔	
Mr. Zhou Ruizhao	✔		✔	
Ms. Zhang Xiaoling *(appointed on 8 February 2023)*	✔			✔
Ms. Li Xiaoxuan *(appointed on 8 February 2023)*	✔			✔
Mr. Leung Gavin L. *(resigned on 24 April 2023)*		✔	✔	
Mr. Ning Jie	✔		✔	
Dr. Zhou Wenming		✔	✔	

Name of directors	Education background: Management	Education background: Legal and/or Finance	Education background: Others	Professional experience: Legal and/or Finance	Professional experience: Investment and Assets/ Risks Management	Professional experience: Others
Mr. Zeng Weijin			✔		✔	
Ms. Ye Jialing *(re-designated on 4 November 2022)*	✔				✔	
Mr. Huang Minzhi *(resigned on 4 November 2022 and appointed on 14 March 2023)*	✔				✔	
Mr. Zhou Ruizhao			✔		✔	
Ms. Zhang Xiaoling *(appointed on 8 February 2023)*			✔			✔
Ms. Li Xiaoxuan *(appointed on 8 February 2023)*	✔					✔
Mr. Leung Gavin L. *(resigned on 24 April 2023)*		✔		✔		
Mr. Ning Jie		✔		✔		
Dr. Zhou Wenming			✔		✔	

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors and the chief executive of the Company.

CORPORATE GOVERNANCE REPORT

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the Company, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

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

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

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors during the year ended 31 March 2023 are summarised as follows:

Name of Directors	Type of trainings
Mr. Zeng Weijin	A, B
Ms. Ye Jialing *(re-designated on 4 November 2022)*	A, B
Mr. Huang Minzhi *(resigned on 4 November 2022 and appointed on 14 March 2023)*	A, B
Mr. Zhou Ruizhao	A, B
Ms. Zhang Xiaoling *(appointed on 8 February 2023)*	A, B
Ms. Li Xiaoxuan *(appointed on 8 February 2023)*	A, B
Mr. Leung Gavin L. *(resigned on 24 April 2023)*	A, B
Mr. Ning Jie	A, B
Dr. Zhou Wenming	A, B

A: attending seminars/conferences/forums/training sessions

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

CORPORATE GOVERNANCE REPORT

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

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

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

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors are provided with sufficient resources to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transaction entered into by the management.

BOARD MEETINGS AND PROCEDURES

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

CORPORATE GOVERNANCE REPORT

Details of the attendance of the Board meetings, the Audit Committee meetings, the Remuneration Committee meetings, the Nomination Committee meetings and general meetings of the Company held during the year ended 31 March 2023 are summarised as follows:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Executive Directors					
Mr. Zeng Weijin	12/12	N/A	4/4	2/4	1/1
Ms. Ye Jialing *(re-designated on 4 November 2022)*	12/12	N/A	N/A	N/A	1/1
Mr. Huang Minzhi *(resigned on 4 November 2022 and appointed on 14 March 2023)*	5/12	N/A	N/A	2/4	1/1
Non-executive Directors					
Mr. Zhou Ruizhao	12/12	N/A	N/A	N/A	1/1
Ms. Zhang Xiaoling *(appointed on 8 February 2023)*	4/12	N/A	N/A	N/A	N/A
Ms. Li Xiaoxuan *(appointed on 8 February 2023)*	4/12	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Leung Gavin L. *(resigned on 24 April 2023)*	11/12	6/6	N/A	N/A	1/1
Mr. Ning Jie	11/12	6/6	4/4	4/4	0/1
Dr. Zhou Wenming	11/12	6/6	4/4	4/4	0/1

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE REPORT

As at 31 March 2023, the Audit Committee consists of three members who are Mr. Leung Gavin L. (an independent non-executive Director and chairman), Mr. Ning Jie and Dr. Zhou Wenming (independent non-executive Directors).

The Audit Committee held 6 meetings for the year ended 31 March 2023. Details of the attendance of the Audit Committee meeting are set out above.

During the meetings, the Audit Committee:

- reviewed the financial results of the Group for the year ended 31 March 2022, for the three months ended 30 June 2022, for the six months ended 30 September 2022 and for the nine months ended 31 December 2022 as well as the relevant financial reports;

- reviewed the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit;

- reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

REMUNERATION COMMITTEE

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

As at 31 March 2023, the Remuneration Committee consists of three members who are Dr. Zhou Wenming (an independent non-executive Director and chairman), Mr. Ning Jie (an independent non-executive Director) and Mr. Zeng Weijin (an executive Director). The majority of the members of the Remuneration Committee are independent non-executive Directors.

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

The Remuneration Committee held 4 meeting for the year ended 31 March 2023. Details of the attendance of the Remuneration Committee meeting are set out above.

During the meetings, the Remuneration Committee:

- reviewed and approved the remuneration of directors and senior management of the Company for the year ended 31 March 2022;
- proposed Remuneration Policy and Structure for Directors and Senior Management of the Company for the year ended 31 March 2022; and
- reviewed and approved the remuneration of directors appointed during the year ended 31 March 2023.

NOMINATION COMMITTEE

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

As at 31 March 2023, the Nomination Committee consists of three members who are Mr. Zeng Weijin (an executive Director and Chairman), Mr. Ning Jie and Dr. Zhou Wenming (independent non-executive Directors). The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held 4 meeting for the year ended 31 March 2023. Details of the attendance of the Nomination Committee meeting are set out above.

During the meetings, the Nomination Committee:

- to review the structure, size, composition and diversity of the Board;
- to assess the independence of the independent non-executive Directors; and
- proposed and approved the changes of directors and submitted to the board of directors for approval.

NOMINATION POLICY

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

1. Goal

1.1 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders of the Company (the "**Shareholders**") for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

1.2 The Nomination Committee may nominate suitable number of candidates that it considers to be appropriate for election as Directors at general meetings or nominate the number of candidates who are required to fill casual vacancies.

CORPORATE GOVERNANCE REPORT

2. Selection criteria

2.1 In assessing the suitability of a proposed candidate, the Nomination Committee would consider the following factors:

(a) reputation for integrity;

(b) experience in business strategy, management, legal and financial aspects;

(c) whether the proposed candidate is able to assist the Board in effective performance of its responsibilities;

(d) the perspectives and skills that the proposed candidate is expected to bring to the Board;

(e) commitment in respect of available time and relevant interest;

(f) diversity in all aspects of the Board, including but not limited to gender, age, cultural background, educational background, ethnicity, professional experience, skills, knowledge and length of service; and

(g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

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

2.2 The proposed candidate shall submit the required personal data in the agreed format and his/her written consent to be appointed as a Director and agree to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to his/her appointment as a Director.

2.3 The Nomination Committee may request the proposed candidate to provide additional information and documents, if considered necessary.

3. Nomination procedure

3.1 The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members, if any, for consideration by the Nomination Committee prior to its meeting. Alternatively, the Nomination Committee may approve the nomination by a written resolution.

3.2 For filling a casual vacancy on the Board, the Nomination Committee shall recommend candidates for the Board's consideration and approval. For a proposed candidate to stand for election at a general meeting, the Nomination Committee shall make a nomination to the Board for its consideration and recommendation of the proposed candidate to stand for election.

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

3.4 According to the articles of association of the Company, and without violating its provisions, any one or more shareholders may send a notice indicating that they intend to put forward a proposal on recommendation of selecting someone as a Director without having to be recommended by the Board or nominated by the Nomination Committee.

3.5 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4. Confidentiality

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the individual and collective responsibility of the Directors which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;

CORPORATE GOVERNANCE REPORT

(e) to review the Company's compliance with corporate governance and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

COMPANY SECRETARY

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

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the Shareholders and management. During the year ended 31 March 2023, the company secretary had taken no less than 15 hours of relevant professional training.

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

COMPLIANCE OFFICER

Mr. Zeng Weijin has been appointed as the compliance officer of the Company on 4 November 2022. For his biographical details, please refer to the section headed "Directors and Senior Management" in this annual report.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group during the year ended 31 March 2023 falls within the following bands:

	No. of individual
HK$1,000,001 to HK$1,500,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

EXTERNAL AUDITORS' REMUNERATION

For the year ended 31 March 2023, the total remuneration paid/payable to the Group's external auditors amounted to HK$900,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

For the year ended 31 March 2023, the Group had not experienced any non-compliance incidents that had or would reasonably be expected to have a material financial or operational impact on its business or would negatively affect the Directors' or senior management's ability or tendency to operate in a compliant matter.

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

(1) the Directors will continuously monitor, evaluate and review the internal control system of the Company to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance its internal control system as appropriate;

(2) the Company will provide training and updates on the legal and regulatory requirements applicable to its business operations to Directors, members of senior management and relevant employees of the Company from time to time;

(3) if necessary, the Company may consider appointing external PRC legal advisers to advise the Company on matters relating to compliance with the applicable PRC laws and regulations; and

(4) if necessary, the Company may consider appointing external Hong Kong legal advisers to advise the Company on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

CORPORATE GOVERNANCE REPORT

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

In light of the foregoing and based on the findings and recommendations of the work performed by the internal control consultant, the Directors reviewed the Group's risk management and internal control systems during the year ended 31 March 2023 and are of the view that the Group's risk management and internal control systems are adequate and effective.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

Min Fu International Holding Ltd.
Address: 1807, 18/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong
E-mail: info@minfuintl.com

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

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

AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION AND THE ARTICLES OF ASSOCIATION

In order (i) to further improve the corporate governance of the Company; and (ii) to conform to the Core Standards for shareholder protection (Appendix 3 to the GEM Listing Rules, the Board resolved to proposed to make amendments (the "**Proposed Amendments**") to certain provisions/articles in the memorandum of association and the articles of association of the Company. The special resolution in relation to the Proposed Amendments has been passed in the annual general meeting of the Company on 26 August 2022 and the second amended and restated memorandum and articles of association has been adopted on 26 August 2022.

For details, please refer to the announcements of the Company dated 5 July 2022 and 26 August 2022 and the circular of the Company dated 7 July 2022.

DIRECTORS' REPORT

The Company presents herewith this report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 March 2023.

SHARE STRUCTURE

The Company was incorporated in the Cayman Islands as an exempted company on 23 June 2017 with limited liability as a holding company of the Group. The authorised share capital of the Company was 5,000,000,000 ordinary shares of par value of US$0.0001 each. As at 31 March 2023, the Company has 480,000,000 shares in issue.

PLACING OF NEW SHARES OF THE COMPANY UNDER GENERAL MANDATE

On 30 November 2022, the Company entered into the placing agreement (the "**Placing Agreement**") with a sole placing agent, pursuant to which the Company appointed the sole placing agent as its agent to procure not less than six placees who were independent third parties to subscribe up to 80,000,000 ordinary Shares at the Placing Price of HK$0.069 per Share, representing approximately 16.67% of the issued share capital of the Company as immediately after the completion of the Placing. The completion of the Placing took place on 20 December 2022 in accordance with the terms and conditions of the Placing Agreement. The net proceeds from the Placing are approximately HK$5,300,000 will be used as the general working capital of the Group.

For details of the Placing, please refer to the announcements of the Company dated 30 November 2022 and 20 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries consist of i) smart manufacturing solutions business, and ii) burial business, in the PRC.

The activities and particulars of the Company's subsidiaries are shown under note 29 to the Financial Statements.

BUSINESS REVIEW AND FUTURE BUSINESS DEVELOPMENT

The business review and future business development of the Group for the year ended 31 March 2023 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed "Management Discussion and Analysis" on pages 7 to 11 of this annual report. In addition, various financial risks have been disclosed in note 3 to the consolidated financial statements.

An analysis using financial key performance indicators

An analysis of the Group's performance during the year ended 31 March 2023 using financial performance indicators is provided in the section headed "Financial Summary" on page 148 of this annual report.

Environmental protection

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

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group during the year ended 31 March 2023.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

During the year ended 31 March 2023, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under the individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review of the policies on salary increment, promotion, bonus, allowances and all other related benefits.

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

The Group also maintained good relationships with its suppliers. During the year ended 31 March 2023, no complaint was received from the suppliers, there were no disputed debts or unsettled debts and all the debts were settled on or before due dates or a later date as mutually agreed.

During the year ended 31 March 2023, the Company did not have any material return to its suppliers or any material return from its customers. In view of the above and as at 31 March 2023, there was no circumstance or any event which would have a significant impact on the Group's business.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 27 employees (including executive Directors) as at 31 March 2023 (2022: 25 employees). The Company relies on its employees to provide smart manufacturing solutions to its customers. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to its staff, including internal promotion opportunities and performance-based bonus. The Company generally has a fixed term employment contract with its employees such as administrative and finance staff and the Company generally renews the employment contract with such employees on a yearly basis.

DIRECTORS' REPORT

The Group also reviews the performance of the Group's staff periodically and consider the result of such review for staff's annual bonus, salary review and promotion appraisal. The Company has also adopted a share option scheme, details of which are set out on pages 39 to 40 of this annual report.

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

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2023 are set forth in the audited consolidated statement of comprehensive income on page 84 of this annual report. The Board did not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: nil).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 148 of this annual report. This summary does not form part of the audited consolidated financial statements in this annual report.

RESERVES

Movements in reserves of the Group during the year ended 31 March 2023 are set out in the consolidated statements of changes in equity on page 87 of this annual report.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the shareholders of the Company as at 31 March 2023 amounted to HK$11.1 million.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 March 2023 are set out in the paragraph headed "Share Structure" above and note 21 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors during the year ended 31 March 2023 and up to the date of this annual report were:

Executive Directors

Mr. Zeng Weijin *(Chairman and chief executive officer)*
Ms. Ye Jialing *(re-designated on 4 November 2022)*
Mr. Huang Minzhi *(resigned on 4 November 2022 and appointed on 14 March 2023)*

Non-executive Directors

Mr. Zhou Ruizhao
Ms. Zhang Xiaoling *(appointed on 8 February 2023)*
Ms. Li Xiaoxuan *(appointed on 8 February 2023)*

Independent non-executive Directors

Mr. Leung Gavin L. *(resigned on 24 April 2023)*
Mr. Ning Jie
Dr. Zhou Wenming

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REPORT

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Directors and Senior Management" on pages 12 to 14 of this annual report.

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors during the year ended 31 March 2023 are set out in note 8 to the consolidated financial statements in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 March 2023 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There had been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year ended 31 March 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2023.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 87% and sales to the Group's largest customer amounted to approximately 34% of the total revenue for the year ended 31 March 2023, respectively. Purchases from the Group's five largest suppliers accounted for approximately 83% and purchases from the Group's largest supplier amounted to approximately 41% of the total purchases for the year ended 31 March 2023.

To the best knowledge of the Directors, neither the Directors, their close associates (as defined in the GEM Listing Rules), nor any shareholders (which to the knowledge of the Directors) owned more than 5% of the Company's issued shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 March 2023.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year ended 31 March 2023 are disclosed in note 31 to the consolidated financial statements in this annual report. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 March 2023 (2022: nil).

DIVIDEND POLICY

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

1. **Goal**

   1.1 The Board seeks to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy (the "**Dividend Policy**").

   1.2 Under the Dividend Policy, provided the Group is profitable and without affecting the normal operations of the Group, the Company may declare and pay dividends to the Shareholders.

   1.3 The Dividend Policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future development.

2. **Criteria**

   2.1 When proposing to declare dividends, the Board shall consider the followings, inter alia:

   (a) the actual and expected financial results of the Company and the Group;

   (b) retained earnings and distributable reserves of the Company and each member of the Group;

   (c) dividends received from subsidiaries of the Company;

   (d) the debt-to-equity ratio level, return on equity and related financial covenants of the Group;

   (e) restrictions on payment of dividends that may be imposed by the Group's lenders;

   (f) the expected working capital requirements and future expansion plans and prospects of the Group;

   (g) the general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

   (h) any other factors that the Board deems appropriate.

DIRECTORS' REPORT

3. Procedure on declaration of dividends

3.1 The Dividend Policy and the declaration and/or payment of the dividends under the Dividend Policy in the future shall depend on whether the Board will continue to affirm the Dividend Policy and the declaration and/or payment of dividends is in the best interests of the Group and the Shareholders, and is compliance with all applicable laws and regulations.

3.2 The declaration and payment of dividends shall be approved and conducted in accordance with all applicable laws and regulations and the articles of association (as amended from time to time) of the Company.

3.3 The declaration and payment of dividends is at the sole discretion of the Board and there is no assurance that dividends will be paid in any particular amount for any given period.

4. Review of the Dividend Policy

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

PRE-EMPTIVE RIGHTS

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

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during and at the end of the year ended 31 March 2023.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2023.

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

As at 31 March 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	No. of ordinary shares held	No. of underlying shares held	Total	Percentage of interest
Mr. Huang Minzhi ("**Mr. Huang**") *(Note 1)*	Interest in a controlled corporation	122,461,800	–	122,461,800	25.51%

Notes:

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

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

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

Save as disclosed above and so far the Directors, As at 31 March 2023, none of the Directors and chief executive of the Company had any interests or short positions in the share, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

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

Name of Substantial Shareholder	Long/short position	Capacity	Number of shares	Percentage of interest
Tecway	Long position	Beneficial interest	122,461,800	25.51%
Mr. Huang *(Note 1)*	Long position	Interest in a controlled corporation	122,461,800	25.51%

Notes:

(1) Tecway is a company incorporated in the Hong Kong and is wholly-owned by Mr. Huang. Mr. Huang is deemed to be interested in all the Shares held by Tecway for the purpose of the SFO.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

1. Purpose of the Share Option Scheme

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

2. Who may join

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

3. Acceptance of an offer of options

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

4. Maximum number of shares

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

DIRECTORS' REPORT

5. **Subscription price of the shares**

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

   (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

   (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and

   (iii) the nominal value of a shares.

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

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

   No options were granted, exercised, cancelled or lapsed and there were no outstanding options from the date of the adoption of the Share Option Scheme to 31 March 2023.

   Further particulars of the Share Option Scheme are set out in the section headed "Statutory and General Information — 13. Share Option Scheme" in Appendix IV to the prospectus dated 29 March 2018.

INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2023, none of the Directors, controlling shareholder or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

DIRECTORS' EMOLUMENT POLICY

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2023, the Company had not entered into any connected transaction or continuing connected transactions which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 19 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules during the year ended 31 March 2023.

AUDITOR

Following the resignation of Moore Stephens CPA Limited ("**Moore Stephens**") as auditor of the Company on 10 March 2023, McMillan Woods (Hong Kong) CPA Limited ("**McMillan**") was appointed as new auditor of the Company with effect from 10 March 2023 to fill the casual vacancy, and to hold office until the conclusion of the next annual general meeting of the Company (the "**AGM**").

The consolidated financial statements of the Group for the year ended 31 March 2023 were audited by McMillan while the consolidated financial statements for the year ended 31 March 2022 were audited by Moore Stephens. PricewaterhouseCoopers audited the consolidated financial statements of the Group for the years ended 31 March 2021 and 2020.

McMillan will retire and being eligible, offer themselves for re-appointment. A resolution for the reappointment of McMillan as auditor of the Company will be proposed at the forthcoming AGM.

EVENTS AFTER THE REPORTING PERIOD

Details about events after the reporting period are disclosed in note 33 to the consolidated financial statements in this annual report.

On behalf of the Board

Mr. Zeng Weijin
Chairman

Hong Kong, 27 June 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Min Fu International Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**" or "**Min Fu**") (Stock Code: 8511) are principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service in the People's Republic of China. The shares of the Company (the "**Shares**") were successfully listed on GEM of the Stock Exchange on 20 April 2018, which marked a key milestone for the Group. The Group is focusing on precision 3D testing solutions and precision machining solutions in the PRC. The Company provides smart manufacturing solutions to serve the needs of high-end equipment manufacturers which require a high level of precision in the manufacture of their industrial products. Its solutions comprise and integrate various equipment and services, ranging from solution concept and design, procurement of machinery, auxiliary tools and software and system installation and debugging to provision of after sales services such as technical support and training.

The Group had been persisting in developing new technology, including new auxiliary tools design software applications. As of 31 March 2023, the Group has 22 registered patents, including 6 invention patents and 16 utility model patents.

The Group acknowledges the significance of effective environmental, social and governance ("**ESG**") initiatives at operation level. The direction of the Group's ESG practices is governed by the board of directors of the Company (the "**Board**"), ensuring that the ESG strategy reflects the Company's core values. We had a designated working group, which comprised of employees from various departments, to gather relevant information and data for the preparation of such report.

This report describes the ESG initiatives of the Group for the financial year ended 31 March 2023 (the "**Year**" or the "**Reporting Period**"). The contents of this Report provide its stakeholders with an overview of the Group's efforts regarding ESG impacts arising from its daily operations.

REPORTING PRINCIPLES

This report was prepared for an overview of the performance of the Group on environmental, social and governance ("**ESG Report**"). This ESG report complies with the provision of the ESG Reporting Guide as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange of Hong Kong Limited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is one of the communication channels through which we connect with our stakeholders. We believe that ESG information that is meaningful and important to their decision-making should be disclosed. In this regard, the compilation process of this ESG Report follows the reporting principles suggested by the ESG Reporting Guide, which include:

Materiality	After collecting the opinions of stakeholders through internal and external stakeholder engagements, we review and determine material ESG aspects to the Group and guide the focus of this ESG Report.
Balance	To provide an unbiased picture of the Group, the Group not only disclose the progress in sustainable development management, but also discusses the Group's sustainable development challenges and future action plans, and explains the undisclosed information.
Quantitative	All departments and business lines used standardized tools to continuously record the Group's economic, environmental, and social indicators, and monitor the progress and results of the targets' implementation.
Consistency	Unless otherwise stated, this ESG Report adopted consistent methodologies to allow for a fair comparison of our performance from time to time.

This ESG Report also complies with the mandatory disclosure requirements and "comply or explain" provisions of the ESG Reporting Guide. It is recommended that this report is read in conjunction with the Company's Annual Report 2023, in particular the Corporate Governance Report and Director's Report.

SCOPE AND BOUNDARY

Unless otherwise specified, this report covers the Group's ESG accomplishments and challenges during the 2023 financial year, from 1 April 2022 to 31 March 2023 (the "**Year**" or "**Reporting Period**").

To provide a comprehensive review of our impact and performance, this ESG report focuses on the business operations in the Company's headquarter and its local subsidiary in Guangzhou, Guangdong province of the People's Republic of China (the "**PRC**"). Due to the non-significant environmental and social impact, The Group's business presence in Beijing, Xian, Chongqing, Changchun, Nanjing and Hong Kong are not included in the Report. The content of this ESG Report focuses on material sustainability areas based on our most significant economic, environmental and social impacts, and the area of greatest interests of our stakeholders. As there were no changes to the business scope, our ESG management approach, initiatives and strategy remained unchanged.

STATEMENT OF THE BOARD OF DIRECTORS

Our management approach is to run our business in an ethically, socially and environmentally responsible manner, supporting and connecting the communities we serve. We must do this while maintaining service excellence and financial returns.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Board

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ESG Working Group
Senior Management and Departmental Representative

Human Resources & Administration Department	Operations Department	Finance and Accounts Department	Company Secretarial Department

The Board has the overall responsibility for the Group's ESG strategies and reporting, as well as overseeing and managing our ESG-related risks. The Board regularly reviews our systems and guidelines across our operations to maintain high level of transparency and accountability.

We identify, evaluate and prioritise ESG issues through regular internal and external stakeholder engagements. ESG Working Group is authorized by the Board to carry out ESG-related tasks once the ESG related issue is identified. While the ESG Working Group implements and communicates the day-to-day management of ESG issues, the Board is responsible for the oversight of the overall management and decisions relating to sustainability governance of the Group. Through the Board's oversight, we are now able to assess ESG risks and provide strategic long-term guidance on sustainability performance, goals, and priorities. We have also implemented new ESG-related policies and guidelines. The new developments are embedded into how we conduct our business as we create long-term sustainable value for our shareholders, employees, customers, suppliers and the communities where we operate.

Looking forward to the future, the Board will also timely review the Group's own ESG strategic planning and performance based on macro policy environment and our business development direction, considering the matters that the stakeholders concern about. The Board also sets out ESG goals and targets on relevant Key Performance Indictors ("**KPIs**") and make comparisons on yearly review. We aim to make full use of our ESG data and reduce carbon footprint by raising employees' ESG awareness, ultimately driving the change of behavior towards incorporating ESG initiatives into our operational strategy. We strive to provide a supportive working environment to our employees, while minimizing any environmental impact caused by our operational activities.

This ESG report has been reviewed by the ESG Working Group and approved by the Board of Company. It is available in both Chinese and English, this ESG Report can be accessed at the website of the Company (www.minfuintl.com) and the Stock Exchange of Hong Kong Limited's website (https://www.hkexnews.hk).

The Group highly values comments and suggestions from its stakeholders. We welcome any feedback, and we can be reached at:

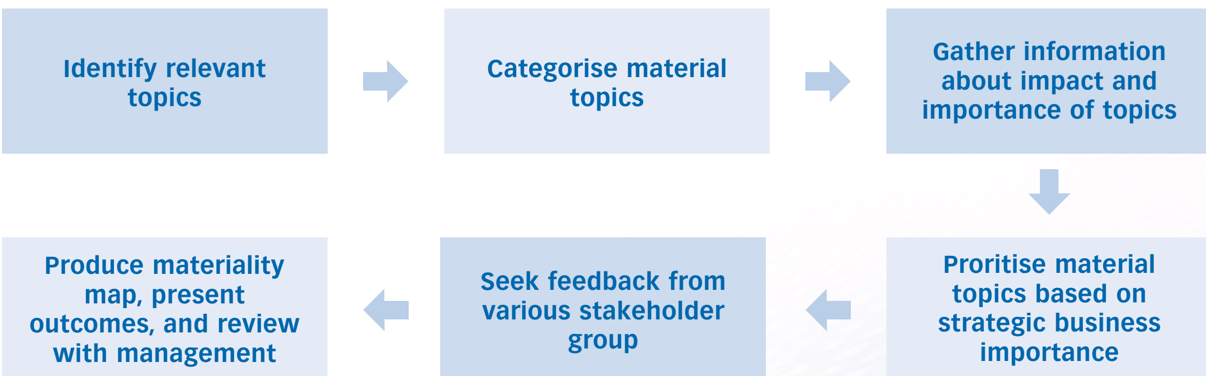
Email: info@minfuintl.com

MATERIALITY ASSESSMENT

Assessment Process

A materiality assessment is the process of identifying, refining, and assessing the potential ESG related issues that could affect a business and/or its stakeholders. The process involved both employees of different levels and external stakeholders. They were identified based on their expertise and working relationship with the Group.

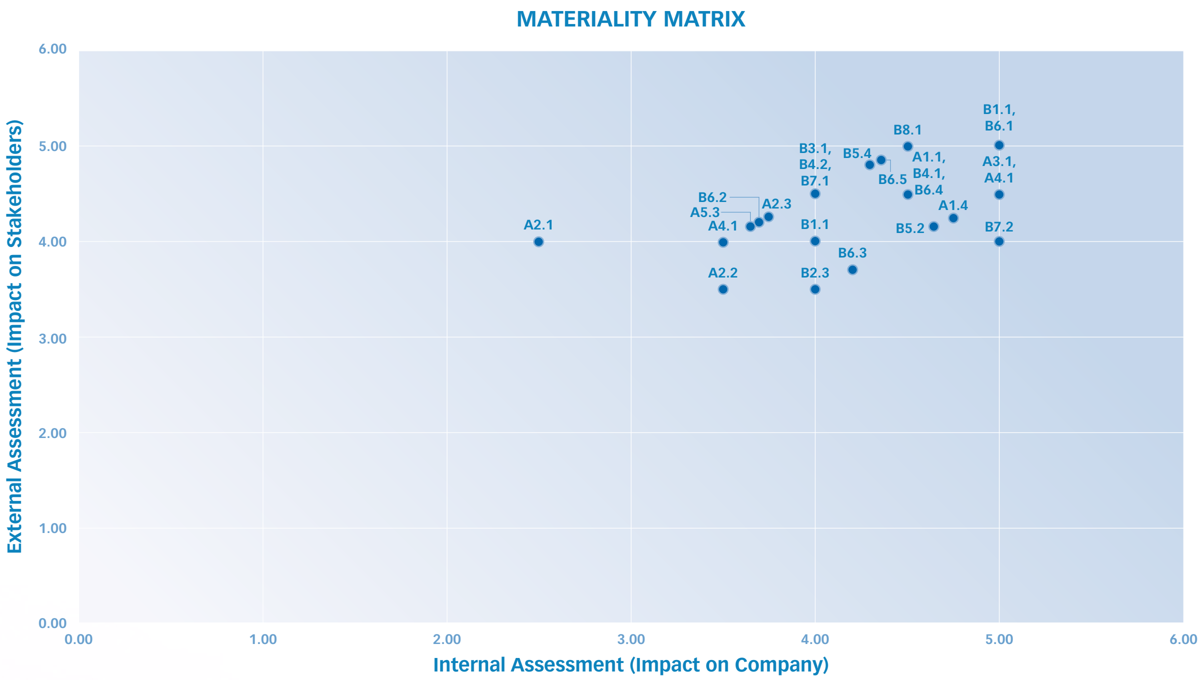
The materiality assessment processed by the Group consists of the following sequential steps:



Materiality Matrix

As identified by the materiality assessment, the ESG Report covers the overall performance, risks, strategies, measures and commitments of the Group in five areas, namely, our environment, operational practices, our supply chain management, workplace and employment and community investment for the Group's principal business operations. Once we identify the most material issues, we continue to manage the impact of these issues on the Group and our stakeholders. We also dedicate our reporting efforts on our top material issues through the disclosure of KPIs, targets and initiatives which will be described in subsequent sections of this ESG Report.

The following matrix shows the materiality assessment result of the Group.



Area of Focus	Material Issues
Environmental	Emissions Non-hazardous waste production The Environment and Natural Resources Climate Change
Operational Practices	Product Responsibility Quality Assurance Consumer Data Privacy Anti-Corruption Whistle blowing policy
Our Supply Chain Management	Supply Chain Management Selection of Suppliers
Workplace and Employment	Employment Labour Standards
Community	Community investment

STAKEHOLDERS' ENGAGEMENT

We understand that stakeholders' engagement plays a pivotal role to our continuous effort in improving our ESG standard. Therefore, we have built and maintained our various communication channels for our stakeholders. We endeavor to provide our stakeholders with clear information about our business operations and ESG issues.

During the Reporting Period, the Group engages with our stakeholders' through multiple communication channels, summarized as follows:

Shareholders	Regulators	Community
Annual general meetings, announcements and circulars, annual reports, interim reports, quarterly reports, other disclosure documents and press releases	Communications achieved via both written and electronic means. Swift response to any new measures implemented by the government	Participation in donation to charitable organizations and community services

Employees	Customers	Business partners & Suppliers
Performance review and training Equal opportunity provider with zero discrimination	Feedback collected every 6 months from customers by QC Team Participation in trade shows and exhibitions	Participation in supplier's expo and conferences Robust procurement & selection procedures prior to engagement of suppliers

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. OUR ENVIRONMENT

Environmental Policies

We endeavor to minimize our carbon footprint of our business operations on the environment, and we are committed to integrate environmental considerations into our business processes. With our business as a provider of smart solution, although we impose a relatively minimal impact to the environment, the Group still strives to minimize our indirect impact of business operations on the environment. The Group has made reference to relevant environmental rules and low-carbon measures suggested by relevant government departments and organizations, and from time to time seeks our employees on their awareness to preserve the environment and require our employees to follow practices to minimize environmental impact.

During the Reporting Period, we confirmed that there was no incident of non-compliance with local relevant environmental laws and regulations relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. Therefore, no penalty was imposed on the Group during the Reporting Period.

Emissions

Exhaust Gas and Greenhouse Gas ("GHG") Emission

With the Group's primary business as a system solution provider, the majority of our operations are conducted in an office environment and limited environmental impact is caused directly by our business operations. Our principal business operations do not involve activities that directly emit greenhouse gases or other air pollutants.

Carbon footprint arising from our day-to-day operations is mainly from electricity consumption for our offices. Greenhouse gas emissions are not identified as material to the Group. We strive to minimize resource consumption and encourage our employees to adopt best practices as detailed in our Green Office Policy. During the year, the decrease in GHG emission was driven by increase carbon emission efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL KPIs	2022/23	2021/22	% Change
Air Emission			
Nitrogen oxides (NOx) (Kg)	*	*	*
Sulphur oxides (SOx) (Kg)	*	*	*
Respirable suspended particulates (RSP) (Kg)	*	*	*
GHG emissions			
Scope 1 – Direct emissions (tonnes CO_2e)	*	*	*
Scope 2 – Energy indirect emissions (tonnes CO_2e)	4.44	5.85	-24%
Scope 3 – Other indirect emissions (tonnes CO_2e)	0.24	0.28	-14%
Total GHG Emissions (tonnes CO_2e)	4.68	6.13	-24%
Greenhouse gas emission intensity (By floor area) (tonnes CO_2e/m^2)	0.024	0.024	no change

Note:

Scope 1 emissions come from direct GHG emissions from combustion of fuels in stationary or mobile sources (excluding electrical equipment) to generate electricity, heat or steam, which is not applicable to our business due to the fact that we do not involve in direct production.

Scope 2 emissions come from indirect GHG emissions from the generation of purchased electricity.

Scope 3 emission include other indirect GHG emissions that occur outside the Company such as emissions from business travel of employees and paper waste disposed at landfills.

The gross floor area during the Reporting Period was 183 m^2.

* Emissions are not disclosed as the amount is insignificant and Emissions for Nitrogen oxides (NO_x), Sulphur oxides (SO_x), and Respirable suspended particulates (RSP) are not disclosed as the amount is insignificant due to the fact that no gaseous fuel consumption was recorded during the Reporting Period.

Waste management

Hazardous Waste

Due to the business nature, the amount of hazardous waste is not material to the Group's daily operation.

Non-hazardous Waste

Non-hazardous wastes produced during the Reporting Period were mainly general office wastes and domestic refuse, which included used paper, used stationery and etc. All these wastes were collected and disposed of properly. There is no applicable data of non-hazardous wastes produced from our operations, as waste is collected and handled by designated service provider hired by the property management company of the commercial building where our office is located.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We encourage our employees to apply the 3R principle – "Reduce, Reuse, Recycle" and think thoroughly before they trash any office waste/computer waste. The Group endeavored to minimize waste through the following initiatives and we target to go paperless in our operation by stages.

SUMMARY OF KPI DISCLOSURE OF ASPECT A1: EMISSION

Aspects, General Disclosures and KPIs

KPI A1.1	The types of emissions and respective emissions data.	Our principal business operations do not involve activities that directly emit greenhouse gases or other air pollutants. The types of emissions and respective emissions data are set out above.
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Due to our business nature, no direct (Scope 1) emission data is applicable, whereas emission of indirect (Scope 2 & 3) greenhouse gases are as set out above.
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our principal business operations do not involve activities that produce hazardous wastes.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	There is no applicable data of nonhazardous wastes produced from our operations, as waste is collected and handled by designated service provider hired by the property management company of the commercial building where our office is located.
KPI A1.5	Description of emission targets set and steps taken to achieve them.	Emission target and steps taken to minimize emissions can be referred to in the "Use of Resources" section.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction targets and steps taken to achieve them.	Description of how hazardous and non-hazardous wastes are handled, reduction targets can be referred to in the Use of Resources section below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

With challenges brought about by severe climate change globally, we are aware that optimizing the use of resources, including energy, water and other materials is critical to reduce carbon footprint. We have adopted a "green office" policy. The board has set forth a target to structurally lay out guidelines of the Green Office Policy for employees follow, with detailed steps documented and implemented.

Target

The Group and the ESG Committee has established an emission reduction pathway with a long-term perspective as a directional target to review the GHG Emissions from time to time in the coming year by closely implementing the measures as disclosed in the section of Initiatives as per below.

We are dedicated to contributing to environmental protection. We will continue to review the effectiveness of the existing initiatives and continue to identify opportunities for increasing energy efficiency in future years.

Initiatives

Major practices adopted in our office are as follows:

Aspects	Major practices
Energy Consumption	– Encourage the use of electronic communication and electronic filing system – Maintain optimal room temperature to reduce air conditioning load – Affix "Save Energy" stickers to remind employees to switch off all electrical appliances, lights and office equipment when they are not in use – Keep all windows and door shut when air conditioning is turned on – Use and purchase only energy-saving electrical appliances – Utilize day-time natural lighting in offices and install LED lighting system with better energy efficiency
Water Conservation	– Place water-saving notices in the pantry – Repair pipes and drainage immediately when dripping problem is found
Use of Paper	– Reuse and recycle paper, and promote double-sided printing if needed – Minimize packaging materials for corporate gifts and souvenirs
Waste Reduction	– Reuse stationery and reduce the use of disposable tableware – Recycle ink cartridges and copier toner containers – Focus on software improvisation and purchase computer hardware only when necessary – Affix "Recycle" stickers to remind co-workers on importance of correct procedures of recycling

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appropriate Water Source

The Group faces no issues in sourcing water that is fit for purpose, and water is mainly supplied by local water companies where the offices operate. The offices have stable water supply to meet daily operational needs.

Wastewater Discharge

The Group's operations do not consume a significant amount of water. Our main use of water is for sanitary purposes. The Group ensures all domestic sewage is properly discharged into the urban sewage pipe network for subsequent sewage treatment.

Water consumption

Water consumption	2022/23	2021/22	% Change
Water (m^3) (Cubic metre)	106.97	80.96	+32%
Total Water intensity (m^3/Gross Floor Area (m^2))	0.586	0.335	+75%

Electricity consumption

Consumption data comparison	2022/23	2021/22	% Change
Electricity consumption (kWh)	7779.70	7269.34	+7.02%
Total Electricity intensity (kWh/Gross Floor Area (m^2))	42.61	30.04	+42%
Total GHG Emission (Tonnes of CO_2e)	4.68	6.13	-24%
GHG Emission Intensity (tCO_2e/Gross Floor Area (m^2))	0.024	0.024	no change

SUMMARY OF KPI DISCLOSURE OF ASPECT A2: USE OF RESOURCES

Aspects, General Disclosures and KPIs		
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Details of energy consumption is as illustrated in the above diagrams. Our business relies only on electricity as the only source of energy for its business operations.
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Details of water consumption is as illustrated in the above diagrams.
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Description of energy use, efficiency targets and steps taken to achieve them can be referred to in the above paragraphs.
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable. The Group targets to remain its water and electricity consumption each year at minimal level by implementing the measures as shown in the above paragraphs.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	There is no applicable data of packaging material as we do not involve the use of any packaging material.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environment and Natural Resources

Our Group do not have direct damage to or a particularly material impact on the environment and natural resources in their daily operation. The Group constantly follows the principle of protecting the environment and natural resources in the operation and actively adopt various measures and take actions to reduce emissions from daily operations and save energy resources so as to minimise the impact on the environment. Relevant measures are described in "Initiatives" and "Use of Resources", and it is ensured that it will not cause any significant impact on the environment and overuse natural resources.

SUMMARY OF KPI DISCLOSURE OF ASPECT A2: USE OF RESOURCES

Aspects, General Disclosures and KPIs

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them can be referred to the above paragraphs.

Climate Change

Ever increasing intensity of rainstorms in Southern China is noticeably one of the inherent risks that the Company identifies in relation to climate change. Floods in China often cause annual loss in excess of US$10 billion, affecting millions of lives, submerging roads and collapsing houses. China's flood risk has grown in many places, and is likely to grow further in the future. A recent study by researchers at the Guangdong Institute of Eco-environmental Science and Technology found 65% of Chinese cities faced a greater chance of experience extreme rainfall, while 75% of cities would likely suffer from extreme drought. Guangdong province in particular, where our headquarter is located, is often prone to severe flood caused by heavy rainstorms. The widespread flooding and landslide in the province's mountainous areas often affects many cities downstream. To mitigate the potential impact on our business operations caused by severe climate change, the Group has in place a flood event emergency response plan. Measures have been taken to ensure our staff's ability to work from home in case of any disruptive events. For safeguarding data, the most important asset of the Group, we have in place more than one data backup sites to ensure business continuity and smooth data recovery process.

Greenhouse Gas Emission is by far the root cause to climate change. The burning of fossil fuels for electricity is one of the villains. The Group has in place a green office policy which encourage the reduce in consumption of electricity.

Landfill wastes also produce methane, which is another contributor to climate change. Discarded electronic waste is toxic to the environment as e-waste such as computers and other electronic appliances which contain a long list of hazardous substances, including polyvinyl chloride (PVC), Polychlorinated biphenyl (PCB), brominated flaime retardants (BFRs) and phthalates, lead, mercury, thallium and many more. Therefore, we strive to reduce electronic solid waste produced from our operations. The Group is a leader in system solutions, and our team focus on software applications development. We purchase computer hardware only when necessary to reduce electronic waste, and usually retired computer hardware will be recycled.

In order to help promoting environmental awareness among our employees, we often put-up various notices to educate our employees on such.

SUMMARY OF KPI DISCLOSURE OF ASPECT A2: USE OF RESOURCES

Aspects, General Disclosures and KPIs

KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Description of the significant climate related issues which may impact the Company and actions taken to manage them can be referred to the above paragraphs

2. OPERATIONAL PRACTICES

Our Customer

Product Responsibility

The Group is committed to providing high quality and responsible services to its customers. Customer satisfaction is our key to success. We believe that delivering the best quality service is vital to the survival of our business and is of utmost priority for us. The Group devotes itself to meeting the evolving needs of its customers, while much effort has been placed for maintaining quality control of our products.

During the Reporting Period, there was no material complaint or damage claim on safety and health reasons of our product and service quality from our clients.

During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations on advertising and labelling in relation to products and services that had a significant impact on the Group, including but not limited to the Advertising Law of the People's Republic of China and the Trademark Law of the People's Republic of China.

Quality Control

As a system solution provider for manufacturers, we understand that constant and meticulous quality management is the key. As such, our Group has in place three teams, namely the Quality Control ("**QC**") Team, the Research and Development ("**R&D**") Team and the Procurement Team, to work seamlessly in collaboration, enhancing our high-quality service to be delivered at our customers' satisfaction. To enhance our customer journey, we welcome feedback from customers at any time to our dedicated team. We value these feedbacks as it sustain the long-lasting relationship between our customers and the Group.

The Group satisfies ISO9001 management standards and we pledge to offer our clients a 1-year warranty for our service products. Awarded the Certification of New High-tech Enterprise, we only offer mature high standard precision system solutions and there has been no safety issues nor complaints received for our product offerings.

Aftersales Service

The Company is proud to report that we have received zero complaints from customers and there were zero product recall consecutively for 4 years. Our dedicated QC Team has a standard operating procedure in place to reach out each of our customers every six month to identify needs for improvement. These valuable feedbacks not only sustain a long-lasting relationship between our customers and the Group, the rewarding experience has brought about many new businesses by word of mouth.

The Company adopts a robust incident reporting regime and in the event of any complaints is received from customers, responsible employees are required to provide a written report for any complaints filed and escalate to management.

QC Team attends to all after-sales issues and provide quality technical support, trainings and other ad hoc issues which may arise. We offer webinars, trainings and organize exhibitions from time to time for any new technological updates and we invite our clients to participate in these events for free.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data Privacy and Cybersecurity

As a responsible system solutions provider, we deal with sensitive information of our clients. We understand it is important for us to strictly comply with the relevant laws and regulations of the Cybersecurity Law of the People's Republic of China in respect of network security and the protection of personal information.

In such, we place great focus on ensuring and safeguarding information security and data privacy. Disciplinary rulings will be implemented to further safeguard the behaviours of all employees, vendors and R&D professionals. In the data gathering process, user agreement and privacy policy has to be agreed prior to accessing the application, and we aim to minimize data gathering. Transmission of any documents containing sensitive data are protected by secured passwords. Confidentiality agreements are also in place when sharing of information is required. The sharing of information between apps is enabled only through API interface access to prohibit direct database access. Sensitive data, such as private personal data, shall be marked for destruction and can only be access by authorized users. A robust incident reporting regime is implemented and employees are required to report on any incidents of data leakage, with subsequent remedial actions to be taken.

We place a heavy focus on mitigating cybersecurity risks and we offer information security training to all our employees to tackle with potential data compliance problems that our employees may encounter during the R&D process.

Intellectual Property Right Protection

As a knowledge-driven enterprise, we continuously enhance our protection for our intangible assets. Intellectual property right and patent registered have powerfully guaranteed our technical capacity and strengthen our market position as a three-dimensional precision system solutions leader.

We have applied for patents regarding our intellectual property rights. As of 31 March 2023, the Group has 22 registered patents, including 6 invention patents and 16 utility model patents. Our team will continue to monitor online for any infringement of our copyright and combat against any piracy acts.

During the Reporting Period, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to intellectual property right and privacy matters.

Advertising and Labelling

The Group conducts limited advertising activities and therefore does not involve significant advertising related risks. We strictly abide by the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other relevant laws and regulations. All information about the Group's products and businesses is subject to strict review before it is made public to eliminate any use of false information in advertising, promotion and exhibitions to mislead customers.

KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no products sold or shipped subject to recalls for safety and health reasons and no related complaints were received.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Description of practices relating to handling of complaints can be referred to in above paragraphs.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Description of practices relating to observing and protecting IP right can be referred to in above paragraphs.
KPI B6.4	Description of quality assurance process and recall procedures.	Description of quality assurance process and recall procedures can be referred to in above paragraphs.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Description of consumer data protection and privacy policies, and how they are implemented and monitored is as set out above.

Anti-corruption

The Group upholds the highest standard of corporate governance and adhere to the values of honesty and integrity when engaging in the Group's business activities. The code of ethics guidelines stipulated that all employees including the directors must comply with the applicable laws and regulations with regards to corruption, extortion, fraudulent activities and conflict of interest in every legislation in which the Group operates.

The Group aims to promote workplace awareness about business integrity and we endeavour to maintain sound corporate governance and risk management to protect the interest of our stakeholders. Trainings materials were circulated to directors and employees on topics on corruption and conflict of interest from time to time.

The Group complies with relevant laws and regulations of anti-corruption law of Hong Kong, Criminal law of the PRC《中華人民共和國刑法》and the Anti-Unfair Competition Law of the PRC《中華人民共和國反不正當競爭法》.

We have a zero-tolerance policy on corruption, bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whistle-blowing Policy

We have adopted a whistle-blowing policy enabling all levels and operation to report about possible breach of rules and misconduct. Employees who discover any corruption, bribery, or money laundering incident can report to the Board directly. Our Group requires employees to report any suspected cases on corruption and misconduct anonymously to protect the legitimate interest of the whistle blower. Investigation will be carried out independently and will be escalated to relevant regulatory and law enforcement bodies when necessary.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	There were no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Description of preventive measures and whistle-blowing procedures is set out in above paragraphs.
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Description of anti-corruption training provided to directors and staff can be referred to in the above paragraphs.

3. OUR SUPPLY CHAIN MANAGEMENT

Suppliers' selection and management

The Group believes that a strong establishment of a cooperation relationship with suppliers would enhance the continuous improvement on the Group's operational flow and quality of service. Especially, the provision of high standard precision system solutions requires a robust and rigorous selection mechanism for its suppliers to assure its product quality. In such, our product cycle initiates with the Procurement team and R&D Team working in collaboration in the vendor selection processes, and the testification of sample products.

Not only we take into account normal screening criteria such as price, reputation, product quality etc., the Group adheres to fair operating practices and take into account of potential environmental and social risks which may exist along our supply chain. The Company tends to avoid suppliers who impose severe environmental or social impact, and ESG concerns has become one of our selection criteria upon vendor selection. To mitigate the risk of over-reliance on any single supplier, the Procurement Team has in place a list of qualified suppliers to enhance flexibility and control and the list of suppliers is updated from time to time. Sustainable, fair-trade and environmentally friendly products are preferred and procurement decisions are not solely based on price concern.

In addition, we constantly review on the service quality of our suppliers. Corporate due diligence and credit checks are performed leveraging on public data gathered when a supplier is included in our qualified suppliers list.

Once we have sourced the right suppliers, the Group enters into legally binding service agreements and non-disclosure agreement with them to define detailed terms of service and deliverables.

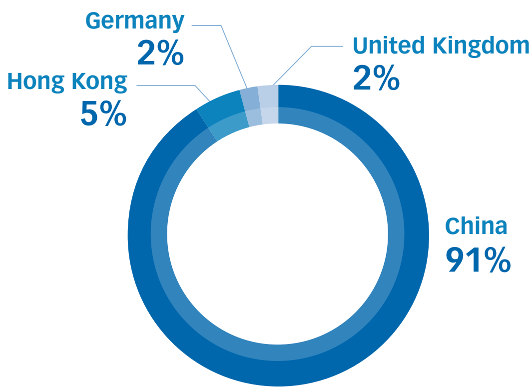
The Group believes that effective communication is the key to maintain a long-term relationship with suppliers, and only a trusting relationship with our suppliers could manage our environmental and social risk while enhancing our operating efficiency.

During the Reporting Period, the Group has encountered no incidents of non-compliance with all related laws and regulations at all operating regions.

During the Reporting Period, the number of suppliers by geographical breakdown is illustrated as follows:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

NUMBERS OF SUPPLIERS IN DIFFERENT GEOGRAPHICAL REGION



SUMMARY OF KPI DISCLOSURE OF ASPECT B5: SUPPLY CHAIN MANAGEMENT

Aspects, General Disclosures and KPIs

KPI B5.1	Number of suppliers by geographical region.	We have 44 suppliers, mainly distributed among China, Hong Kong, United Kingdom and Germany as illustrated above.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented and monitored are as shown above.
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored is as shown in the above paragraphs.
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored is as shown in the above paragraphs.

4. WORKPLACE AND EMPLOYMENT

Our People

We strive to retain high caliber talents by providing a gratifying and rewarding workplace to our employees, offering them opportunities to learn, grow and succeed. As an equal opportunity employer, and we help our employees to reach their full potential.

Employment

We believe people are our most valuable asset of the Group and our employees represents our core competitive advantage. As their employer, we are committed to establish a close and caring relationship with our people. This includes not only offering employees fair wages and benefits, but also enriching their lives through training and leisure activities and keeping them safe at work.

Recruitment and Remuneration Policies

As their employer, we are committed to establish a close and caring relationship with our people. This includes not only offering employees fair wages and benefits, but also enriching their lives through training and leisure activities and keeping them safe at work.

To ensure compliance with all applicable legal and regulatory requirements, our Human Resources ("**HR**") Team closely monitors the updates in employment-related laws and regulations, develops corresponding policies, and establishes proper internal controls in employment processes to ensure compliance. During the Reporting Period, the Group was not aware of any material non-compliance against employment-related laws and regulations in PRC. Employment contracts and orientation briefings are formally documented by our human resources department. Our staff handbook sets out provisions on business conduct, work ethics, trainings and regulations, dismissal policies and required responsibilities of employees. The staff handbook is distributed to each employee upon onboarding.

To attract and retain the best candidates, we have developed a comprehensive remuneration, reward, and performance evaluation framework. The Group provides its talents with a competitive remuneration and benefits packages, which includes basic salary, annual bonus, OT allowance, comprehensive medical insurance coverage and Provident fund. Employee's paid leave entitlement includes but not limited to annual leave, maternity leave, paternity leave, birthday leave, compensation leave, marriage leave and sick leave. Corresponding remuneration and benefits adjustments will be reviewed and determined based on market information, individual performance, the Group's overall performance and other market conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Equal Opportunities, Diversity and Inclusion

We embrace diversity and inclusion. Our recruitment policy stipulates that we recruit candidates based on their experience and expertise, and do not discriminate on grounds of gender, disability, pregnancy, marital and family status, racial background, religious belief, age or sexual orientation. The Group is an equal opportunity employer and we do not see disability as any disadvantage. These policies are documented in the Employee Handbook and are strictly complied with relevant local laws and regulations. Any employees violating the Equal Employment Opportunity Policy and the Non-discrimination and Anti-harassment Policy will be subjected to disciplinary actions up to termination of employment contract.

Dismissal Policies

Our staff handbook includes guidelines and policies for compensation and dismissals. In situations where an employee violates the Group's regulations or consistently performs their duties below an acceptable level, our human resources department has in place a range of procedures for employee dismissal at management's disposal. Terms and conditions relating to dismissal are properly documented in employment contracts and are in full compliance with relevant laws and regulations. A set of grievance procedures is also in place, to provide staff with a channel of escalating their complaints and concern to the human resources department.

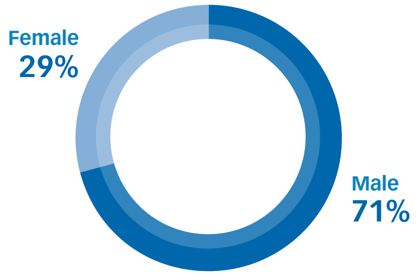
Employee Communication

We value the voices of employees and believe a strong communication is a prerequisite for effective management. To enhance communication among employees, the Group give out festive gifts such as mooncakes and Chinese red pocket money on festive seasons to our employees to show our appreciation for their hard work and dedication. We think that it is important to put thought into building mutual trust and employee recognition and these appreciation gestures are meant to boost morale and create a thriving workplace for our employees. By maintaining a close relationship with our staffs, we hope this will allow us to have a better understanding of their needs and goals. Employees are also encouraged to give feedbacks and suggestions to the Group for improvements. We have also adopted the open-door policy for employees to express their concern and opinions with respect to their work condition.

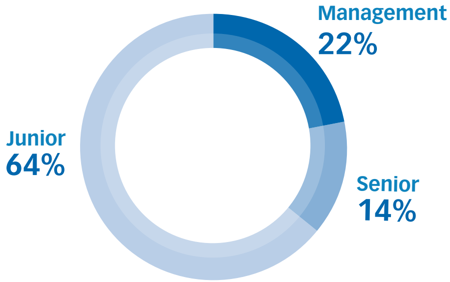
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 March 2023, the Group had a total of 14 employees. The annual turnover rate was 0%. Breakdowns of workforce is shown as follows:

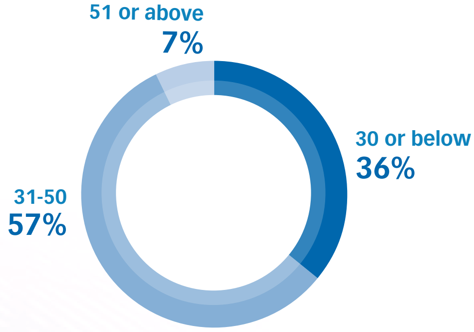
2022/23 WORKFORCE BY GENDER



2022/23 WORKFORCE BY EMPLOYMENT TYPE



2022/23 WORKFORCE BY AGE



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF KPI DISCLOSURE OF ASPECT B1: EMPLOYMENT

Aspects, General Disclosures and KPIs

KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Data of total employees by gender, employment type and age group, as well as employee turnover rate by gender and age group are illustrated above. There is no geographical information presented as all employees were based in PRC during the Reporting Period.
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	

Workplace Safety & Well-being

Health and Safety

The Group cares about the safety and well-being of employees. Although our nature of business is not typically associated with high health and safety risks when compared to other more labor-intensive industries, we strive to promote a culture of safety by establishing relevant policies and plans as preventive measures to minimize any health and safety related risks. We also have policies in place to manage occupational health and safety issues across our entire business operations.

Safety

We pledge to offer a healthy and safe workplace for our employees and it is of paramount importance to safeguard the well-being of our employees. As a responsible employer, assess and identify potential safety risks, take preventive measures and offer necessary training and information from time to time with regard to workplace safety. Regular inspection of the emergency exits has been carried out to ensure they were kept clear. Fire drills are organized from time to time familiarizing our employees with the evacuation routes and the proper usage of life-saving gears such as fire extinguishers.

Employees' Well-being

We value the well-being of employees. While medical insurances are in place to provide full coverage of personal health care, we also strive to guarantee reasonable working hours, wage and welfare. Employees are also entitled to paid statutory holidays and special leave allowances, such as maternal leave, paternal leaves, study leave, and exam leave etc. We encourage our employees to further their education and will provide subsidy upon request.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COVID-19

With the challenges brought by the massive global outbreak of the COVID-19 pandemic, our Company has adopted a series of measure to accord the priority to the health and safety of all our staffs. We adopt a proactive approach in responding to the PRC State Council's preventive and control measures of A Class infectious diseases in relation to the battle against COVID-19.

Flexible work arrangement	– a "Work from Home" regime was launched, allowing employees to work from home to minimized commute and the possible spread of virus. – Online webinars were provided to employees to illustrate the expected deliverables of their respective duties under the Work from Home arrangement.
Transportation arrangement	– Restricted on the mode of transportation for our employees in case of any business trips required. – Any business trips, if unavoidable, employees are restricted from taking any means public transportation, such as airplanes, high speed trains, etc. – Private cars will be the only allowed means of travel if needed to minimize the risk of virus spreading.
Office safety	– Provide masks and hand sanitizers for our employees when they attend work in the office. – Remind them constantly of personal hygiene. – A new thermometer is purchased for employees to check for symptoms.

We assume every responsibility to assure that all necessary preventive and protective measures are taken to minimize occupational safety risks, and we pledge to provide a blame-free environment and encourages employees to stay home if they are ill. These measures have been effective, with no confirmed cases of infection found for the reporting year.

With consistent safety trainings and strict adherence to health and safety laws and regulations, the Group had zero work-related fatality and injury resulted in loss days during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF KPI DISCLOSURE OF ASPECT B2: HEALTH AND SAFETY

Aspects, General Disclosures and KPIs		
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	There were no work-related fatalities in each of the past three years including the Reporting Period.
KPI B2.2	Lost days due to work injury.	There was no work-related injury that resulted in lost days during the Reporting Period.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Description of occupational health and safety measures adopted, how they are implemented and monitored can be referred to in the above paragraphs.

Development and Training

The Group aims to create an environment of continuous improvement in which employees are encouraged to pursue excellent performance at work and career development. The Group provides excellent opportunities for employees in respect of training and development and job advancement. We recognize the importance to empower our employees and equip them with the necessary skillset and knowhow to drive excellence. Comprehensive development plan has been established to enable our employees to develop themselves to their fullest potential and deliver the best to meet clients' expectations.

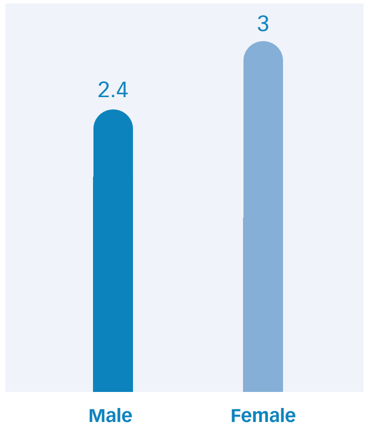
With the pandemic lockdown, however, most of our previous physical conferences and trainings were on put halt. Trainings are mostly conducted via online means for the year. This year we have provided our employees and directors with online trainings on topics of anti-bribery and corruption, work communication and management training, enterprise risk management and corporate strategic planning and implementation for all employees to raise awareness of risk management, ethics and to improve on operational efficiencies.

On-the-job trainings are provided based on the requirements of respective job positions and the strengths of employees. For every new joiners of the Company to familiarize themselves with job-related requirements, induction training will be provided to new joiners. Each of our new joiners will be guided by a senior staff demonstrating standard operating procedures for operational tasks. We encourage life-long learning, and we provide sponsorship for employees' education related to attainment of relevant professional qualifications.

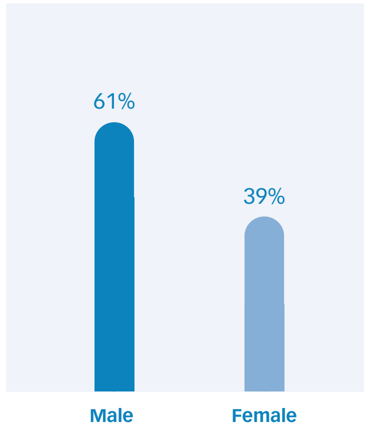
We care for our employees and believe that harmonious employment relationship is conducive to the stable development of the Group. Annual performance appraisal is conducted to assess employees' performance and training needs and enable them to have a better understanding of their strengths and track progress against their career goals. We aim to unleash our employees' potential to the full and we ensure their dedication in professional development is well rewarded.

During the Reporting Period, our staffs dedicated 36 hours in aggregate participating in training and development activities.

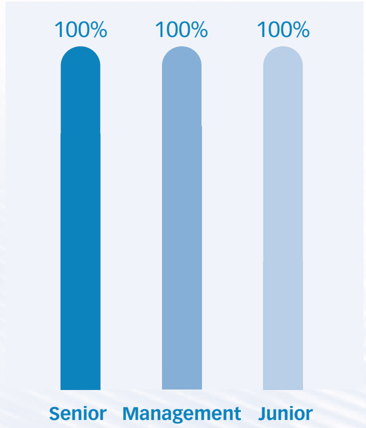
AVERAGE HOURS OF TRAINING RECEIVED BY EMPLOYEES – BY GENDER



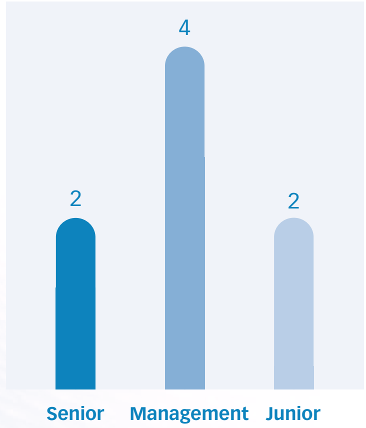
PERCENTAGE OF TRAINING RECEIVED BY EMPLOYEES – BY GENDER



PERCENTAGE OF TRAINED EMPLOYEES – BY EMPLOYMENT TYPE



AVERAGE TRAINING HOURS RECEIVED BY EMPLOYEES – BY EMPLOYMENT TYPE



SUMMARY OF KPI DISCLOSURE OF ASPECT B3: DEVELOPMENT AND TRAINING

Aspects, General Disclosures and KPIs		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The percentage of employees trained by gender and employee category (e.g. senior, management and junior) is as illustrated above.
KPI B3.2	The average training hours completed per employee by gender and employee category.	The average training hours completed per employee by gender and employee category is as illustrated above.

Labour Standard

Employees are invaluable assets of the Group and we are committed to retain the best talent to enable the sustainability of our Group by respecting every right of each employee's. The Group strictly comply with all relevant laws and regulations. It clearly stipulates in the recruitment and entry management system that the recruits should be at least 18 years of age, and employment of child labor is prohibited under any circumstances. Moreover, the Group guarantees that no employee is made to work against his/her will.

Employment contracts and orientation briefings are formally documented by our human resources department. Our staff handbook sets out provisions on business conduct, work ethics, trainings and regulations, dismissal policies and required responsibilities of employees. The staff handbook is distributed to each employee upon onboarding.

We strictly adhere to relevant laws and regulations including the Labour Law of the Peoples' Republic of China and the Labour Contract Law of the PRC. We respect human rights and we have zero tolerance towards discrimination and forced child labour. The HR Department has adequate measure in place to verify candidates' age to ensure no use of child labour. Prior to on-boarding of any new employees, thorough background check will be conducted to ensure the candidate is fit and proper for role. If any candidates were found to be child labour, their employment contract would be immediately terminated.

During the Reporting Period, the Group was not aware of any incident of non-compliance with all applicable laws and regulations related to anti-child and anti-forced labour practices at all operating offices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF KPI DISCLOSURE OF ASPECT B4: LABOUR STANDARDS

Aspects, General Disclosures and KPIs		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Description of measures to review employment practices to avoid child and forced labour can be referred to in the above paragraph.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Description of steps taken to eliminate such practices when discovered can be referred to in the above paragraph.

5. COMMUNITY INVESTMENT

The Group recognises the importance of corporate social responsibility. The Group is committed to conducting business in every aspect to minimize any potential environmental and social impact to its stakeholders especially its employees and the community members.

With the massive outbreak of COVID-19, challenges brought about by such was unprecedented. Therefore, our corporate social responsibility activities have continued its focus on disease prevention. As a global citizen, the only way to curb the rise of coronavirus cases is that we should all take part to minimize the risk of spreading the disease. Hence we provide all necessary facemasks, sanitisers and Rapid Antigen Tests Kits to safeguard the health of our employees. Regular sanitizing of the whole office premise has been done to provide a safe and hygienic workplace for our staff.

This year, due to the COVID-19 pandemic causing most of our co-workers to work from home with the lockdown, our original plans for many service campaigns and donations were on halt. We target to engage regularly and participate in charitable events, through corporate philanthropy and collaboration with charitable organisations, we hope to drive long term sustainability development, while fostering closer relationship between our employees and the community.

SUMMARY OF KPI DISCLOSURE OF ASPECT B8: COMMUNITY

Aspects, General Disclosures and KPIs

KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Focus areas of contribution is as described above.
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Resources contributed is as described above.

APPENDIX

ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas	Content	Section/Page in this annual report
A. Environmental		
A1. Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	48-49
KPI A1.1	The types of emissions and respective emissions data.	49
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	49-50
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	49
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	49
KPI A1.5	Description of emission targets set and steps taken to achieve them.	51
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction targets and steps taken to achieve them.	50-51

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Content	Section/Page in this annual report
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	51
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	52
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	52
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	51
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	52
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	53
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	54
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	54
A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	54-55
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	54-55

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Content	Section/Page in this annual report
B. Social		
B1. Employment		
Employment and labour practices		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	62-63
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	64
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	64
B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	65
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	66
KPI B2.2	Lost days due to work injury.	66
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	65-66

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Content	Section/Page in this annual report
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	67-68
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	68
KPI B3.2	The average training hours completed per employee by gender and employee category.	68
B4. Labour Standard		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	69
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	69
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	69
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	60
KPI B5.1	Number of suppliers by geographical region.	61
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	60
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	60
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	60

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Content	Section/Page in this annual report
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	56
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	56
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	56
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	57
KPI B6.4	Description of quality assurance process and recall procedures.	56
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	57
B7. Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	58
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	58-59
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	59
KPI B7.3	Description of anti-corruption training provided to directors and staff.	59

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Content	Section/Page in this annual report
Community		
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	71
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	71
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	71

INDEPENDENT AUDITOR'S REPORT

McMillanWoods
Professionalism at the forefront

To the Shareholders of
Min Fu International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Min Fu International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 84 to 147, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment on trade receivables

Key audit matter	How our audit addressed the key audit matter
Refer to the significant accounting policies in note 2, critical judgements and key estimates in note 4, and relevant disclosures in note 17 to the consolidated financial statements. As at 31 March 2023, the Group had net trade receivables of HK$12,425,000. The Group had recognised an impairment on trade receivables of approximately HK$1,571,000 during the year ended 31 March 2023. The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for trade receivables. Management estimated the expected credit losses (the "ECL") rate of trade receivables individually by considering the market conditions, their knowledge about the customers (including their reputation, financial capability and payment history), and the current and forward-looking information on macroeconomic factors that relevant to determine the ability of customers to settle the receivables in the future. Management also considered the ageing profile and the settlement of each customer. Due to the significant amount of trade receivables and the management's judgements involved in the impairment assessment, we consider this as a key audit matter.	Our key audit procedures in relation to management's assessment on the impairment of trade receivables included: • Obtaining an understanding of and evaluating the Group's credit policies; • Testing the integrity of information used by the management including trade receivable aging analysis on a sample basis, by comparing individual items in the analysis with relevant invoices and the supporting documents; • With the assistance of auditor's expert, assessing the reasonableness of the Group's ECL models methodology by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data and estimated loss rates; • Evaluating whether the default rates are appropriately adjusted based on current economic conditions and forward looking information; • Reviewing the appropriateness of the disclosures made in the consolidated financial statements in relation to the Group's credit risk exposure; and • Checked subsequent settlement after the financial year end relating to the trade receivables as at 31 March 2023.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(CONTINUED)*

Impairment assessment on non-financial assets

Key audit matter	How our audit addressed the key audit matter
Refer to the significant accounting policies in note 2, critical judgements and key estimates in note 4, and relevant disclosures in notes 13, 15 and 19 to the consolidated financial statements. As at 31 March 2023, the Group had property and equipment, intangible assets and prepayments of approximately HK$9,714,000, HK$8,282,000 and HK$14,445,000 respectively. The management of the Company had performed an impairment review in accordance with HKAS 36 *Impairment of Assets* in relation to the Group's non-financial assets. We identified the impairment assessment of non-financial assets as a key audit matter due to the required exercise of significant judgements and high level of estimation uncertainty by management concerning the estimated future cash flows and other key inputs on the estimation of the recoverable amount of the cash generating unit of the smart manufacturing solutions business ("Smart CGU") to which non-financial assets have been allocated. As at 31 March 2023, the recoverable amount of the Smart CGU was determined by management and based on value-in-use calculations using cash flow projections. Independent external valuations were obtained in order to support management's estimates.	Our key audit procedures in relation to assessing the impairment assessment of non-financial assets included: • Understanding the key internal controls and the procedures on preparation of the discounted cash flow forecasts and by assessing the future revenue and operating results and by comparing with historical performance and business development plan; • Assessing the external valuers' qualifications, experience and expertise and considering their objectivity; • Obtaining and inspecting the valuation report prepared by the external valuers engaged by the Group on which the management's assessments of impairment of non-financial assets were based; • With the assistance of auditor's experts, evaluating the methodology used in the valuations of Smart CGU, challenging the key assumptions and critical judgements made in the preparation of the discounted cash flow forecasts prepared by management by comparing key inputs, with historical performance, management's budgets and forecasts and other external available information, and evaluating the discount rate applied in the discounted cash flow forecasts by assessing if the parameters adopted in calculating the discount rate was within the range of relevant industry; and • Evaluating the adequacy of disclosures in respect of the impairment review in the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 27 June 2022.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors and the audit committees are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Ho Wai Kuen
Practising Certificate Number: P05966
24/F., Siu On Centre
188 Lockhart Road, Wan Chai,
Hong Kong

Hong Kong, 27 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	**31,974**	31,514
Cost of sales	7	**(22,271)**	(18,946)
Gross profit		**9,703**	12,568
Selling and marketing expenses	7	**(2,552)**	(4,345)
Administrative expenses	7	**(24,509)**	(18,338)
Impairment of trade receivables	17	**(1,571)**	(11)
Impairment of non-financial assets		**(7,015)**	–
Other income	9	**740**	234
Other (losses)/gains – net	9	**(640)**	823
Operating loss		**(25,844)**	(9,069)
Finance costs	7	**(934)**	(286)
Loss before income tax		**(26,778)**	(9,355)
Income tax (expenses)/credit	10	**(1,634)**	110
Loss for the year		**(28,412)**	(9,245)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,506)**	2,383
Other comprehensive (loss)/income for the year, net of income tax		**(3,506)**	2,383
Total comprehensive loss for the year		**(31,918)**	(6,862)
Loss for the year attributable to:			
The owners of the Company		**(28,251)**	(9,245)
Non-controlling interest		**(161)**	–
		(28,412)	(9,245)
Total comprehensive loss for the year attributable to:			
The owners of the Company		**(31,756)**	(6,862)
Non-controlling interest		**(162)**	–
		(31,918)	(6,862)
Loss per share			
– Basic and diluted (HK$)	11	**(0.07)**	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2023** **HK$'000**	2022 HK$'000
ASSETS			
Non-current assets			
Property and equipment	13	**9,714**	10,137
Right-of-use assets	14	**7,413**	41
Intangible assets	15	**8,282**	6,748
Prepayments	19	**5,142**	7,340
		30,551	24,266
Current assets			
Trade receivables	17	**12,425**	15,942
Other receivables	18	**1,545**	1,431
Prepayments	19	**9,303**	25,880
Restricted cash	20	**3,823**	506
Cash at banks and on hand	20	**4,301**	3,738
		31,397	47,497
Total assets		**61,948**	71,763
CAPITAL AND RESERVERS			
Share capital	21	**375**	312
Other reserves	22	**59,759**	58,027
Accumulated losses		**(30,197)**	(1,946)
Equity attributable to owners of the Company		**29,937**	56,393
Non-controlling interests		**(39)**	–
Total equity		**29,898**	56,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 HK$'000	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	24	**4,949**	–
Deferred tax liabilities	16	**1,267**	368
		6,216	368
Current liabilities			
Trade payables	25	**689**	1,600
Other payables	26	**13,285**	10,452
Contract liabilities	27	**3,352**	423
Borrowings	23	**5,543**	2,467
Current income tax liabilities		**426**	41
Lease liabilities	24	**2,539**	19
		25,834	15,002
Total liabilities		**32,050**	15,370
Total equity and liabilities		**61,948**	71,763

These consolidated financial statements on pages 84 to 147 were approved by the board of directors of the Company on 27 June 2023 and were signed on its behalf.

Zeng Weijin
Director

Huang Minzhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000 (Note 21)	Other reserves HK$'000 (Note 22)	Retained earnings/ (accumulated losses) HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 April 2021	312	55,038	7,905	63,255	–	63,255
Comprehensive loss						
– Loss for the year	–	–	(9,245)	(9,245)	–	(9,245)
– Other comprehensive income	–	2,383	–	2,383	–	2,383
Total comprehensive loss for the year	–	2,383	(9,245)	(6,862)	–	(6,862)
Transfer to statutory reserve	–	606	(606)	–	–	–
Balance at 31 March 2022 and 1 April 2022	**312**	**58,027**	**(1,946)**	**56,393**	**–**	**56,393**
Comprehensive loss						
– Loss for the year	**–**	**–**	**(28,251)**	**(28,251)**	**(161)**	**(28,412)**
– Other comprehensive loss	**–**	**(3,505)**	**–**	**(3,505)**	**(1)**	**(3,506)**
Total comprehensive loss for the year	**–**	**(3,505)**	**(28,251)**	**(31,756)**	**(162)**	**(31,918)**
Placing of new shares *(note 21)*	**63**	**5,457**	**–**	**5,520**	**–**	**5,520**
Transaction cost attributable to placing of new shares	**–**	**(220)**	**–**	**(220)**	**–**	**(220)**
Capital contribution from non-controlling interest of a subsidiary	**–**	**–**	**–**	**–**	**123**	**123**
Balance at 31 March 2023	**375**	**59,759**	**(30,197)**	**29,937**	**(39)**	**29,898**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28	**(8,850)**	13,134
Income tax paid		**(327)**	(482)
Net cash (used in)/generated from operating activities		**(9,177)**	12,652
Cash flows from investing activities			
Interest income received		**22**	4
Proceeds from disposal of property and equipment		**3**	–
Purchases of equipment		**(521)**	(7,490)
Net cash used in investing activities		**(496)**	(7,486)
Cash flows from financing activities			
Interest paid		**(268)**	(279)
Proceeds from borrowings		**5,693**	–
Repayment of borrowings		**(2,448)**	(6,081)
Advanced from a related party		**992**	1,500
Principal element of lease rental paid		**(2,494)**	(312)
Interest element of lease rental paid		**(666)**	(7)
Advanced from a director		**4,572**	–
Capital contribution from non-controlling interest of a subsidiary		**123**	–
Proceeds from placing of new shares		**5,520**	–
Transaction cost attributable to placing of new shares		**(220)**	–
Net cash generated from/(used in) financing activities		**10,804**	(5,179)
Net increase/(decrease) in cash and cash equivalents		**1,131**	(13)
Cash and cash equivalents at the beginning of the year		**3,738**	2,660
Effect of exchange rate change on cash and cash equivalents		**(568)**	1,091
Cash and cash equivalents at the end of the year	20	**4,301**	3,738

Note:

(a) Non-cash transactions:

During the years ended 31 March 2023 and 2022, additions of property and equipment and intangible assets of approximately HK$3,728,000 (2022: HK$2,532,000) and HK$6,367,000 (2022: HK$989,000), respectively, were prepaid in prior years and the amounts were transferred from prepayments (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in i) smart manufacturing solutions business and ii) agency services for burial business in the People's Republic of China (the "PRC").

These consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional currency, and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 27 June 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations. These consolidated financial statements also comply with applicable disclosures provisions of the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are discussed below.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(c) Amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Revised to Accounting Guideline 5	Merger Accounting Guideline 5 Merger Accounting for Common Control Combinations

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

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 April 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 17 – Insurance contracts	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2.3 Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Business combination and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.4 Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Property and equipment

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

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

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

Furniture and office equipment	4 – 5 years
Machinery and equipment	3 – 10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.8 Intangible assets

Intangible assets represent software and patent

Separately acquired computer software and patent are shown at historical cost. The computer software and patents have a finite useful life and are carried at cost less accumulated amortisation and impairment (Note 2.9), if any.

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

Patent	10 years
Software	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Impairment of non-financial assets

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

2.10 Financial assets

(a) Classification

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

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

- those to be measured at amortised cost.

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

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

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

(b) Recognition and measurement

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

(c) Measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets *(Continued)*

(c) *Measurement* *(Continued)*

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

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

(d) *Impairment of financial assets*

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

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

2.11 Offsetting financial instruments

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

2.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.10 for further information about the Group's accounting for trade receivables and the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Trade and other payables

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

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

2.16 Borrowings

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 Borrowing costs

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax *(Continued)*

(b) ***Deferred income tax*** *(Continued)*

Outside basis differences

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

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

(c) ***Offsetting***

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

2.19 Employee benefits

(a) ***Pension obligations***

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits *(Continued)*

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

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

(c) Bonus entitlements

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

2.20 Revenue recognition

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

(a) Sales of goods

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

(b) Rendering of services

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

(c) Agency service on burial business

The Group provided agency services for sale of burial plots and columbarium to external parties. The service income is recognised at a point in time when services are rendered.

2.21 Loss per share

(a) Basic loss per share

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Loss per share *(Continued)*

(b) Diluted loss per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Interest income

Interest income is recognised using the effective interest method.

2.23 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(a) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Leases *(Continued)*

(a) The Group as a lessee (Continued)

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group companies, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Leases *(Continued)*

(a) *The Group as a lessee* *(Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Research and development

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

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

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

2.25 Dividend distribution

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

2.26 Government grants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) the entity and the Group are members of the same group;

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3.1.1Market risk

(a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities of the Group's entities are principally denominated in their respective functional currencies.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group's interest-bearing asset and liabilities are borrowings, lease liabilities and cash at banks. Borrowings and lease liabilities bore at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to cash flow interest rate risks arises from its cash at banks and therefore bear interest at variable rates varied with the then prevailing market condition. The directors of the Company consider the cash flow interest rate risk with respect to cash at banks to be insignificant to the Group.

During the reporting period, the Group did not hedge its fair value interest rate risk.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 March 2023, approximately 54.8% (2022: 19.6%) of the trade receivables were concentrated in one customer of the Group, and approximately 89.4% (2022: 72.7%) of the trade receivables were concentrated in five customers of the Group.

The Group applies HKFRS 9 and measures ECL based on a lifetime expected loss allowance for all trade receivables. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the ECL based on past due status is not further distinguished between the Group's different customer bases.

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. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit-impaired trade receivables and significant balances are assessed for ECL individually. The remaining trade receivables are grouped based on certain common credit risk characteristics by reference to the Group's aging of outstanding balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

The estimated ECL loss rates are estimated based on the Group's historical settlement experience and are adjusted by forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The Group has performed historical analysis and identified the economic variable credit risk to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance for trade receivables as at 31 March 2023 and 2022 was determined as follows:

	Expected loss rate	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
As at 31 March 2023				
Current	**0.2%**	**10,564**	**(20)**	**10,544**
Past due				
0 – 180 days	**21.0%**	**2,381**	**(500)**	**1,881**
Over 180 days	**100%**	**1,343**	**(1,343)**	**–**
		14,288	**(1,863)**	**12,425**
As at 31 March 2022				
Current	0.1%	8,380	(12)	8,368
Past due				
0 – 180 days	0.5%	1,125	(6)	1,119
Over 180 days	4.3%	6,748	(293)	6,455
		16,253	(311)	15,942

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk

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

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

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Interest rate	Less than 1 year or on demand	Between 1 and 2 years	Total
		HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2023				
Financial liabilities subject to a repayment on demand clause				
Borrowings	**4.1%**	**5,543**	**–**	**5,543**
Financial liabilities not subject to a repayment on demand clause				
Trade payables	**N/A**	**689**	**–**	**689**
Other payables	**N/A**	**13,096**	**–**	**13,096**
Lease liabilities	**0.42% – 1.75%**	**3,246**	**5,745**	**8,991**
		22,574	**5,745**	**28,319**
As at 31 March 2022				
Financial liabilities subject to a repayment on demand clause				
Borrowings	4.05%	2,467	–	2,467
Financial liabilities not subject to a repayment on demand clause				
Trade payables	N/A	1,600	–	1,600
Other payables	N/A	10,134	–	10,134
Lease liabilities	0.42% – 3.80%	19	–	19
		14,220	–	14,220

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk *(Continued)*

The table that follows summarises the maturity analysis of borrowings with a repayment on demand clause based on agreed scheduled repayments. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates.

	Within 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Total *HK$'000*
As at 31 March 2023			
Borrowing	**1,064**	**4,714**	**5,778**
As at 31 March 2022			
Borrowing	2,507	–	2,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital management

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

The Group completed the placing on 20 December 2022 in accordance with the terms and conditions of the placing agreement. The net proceeds from the placing was fully used as general working capital of the Group. Details are set out in note 21 to the consolidated financial statements.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. In order to maintain the capital structure, the Group will balance its overall capital structure through the new shares issues as well as the issue of new debt or the redemption of existing debt. No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group has maintained a sufficient public float to comply with the Listing Rules from the date of the Listing.

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

	2023 ***HK$'000***	2022 *HK$'000*
Total borrowings	**5,543**	2,467
Amount due to a related party	**2,492**	1,500
Amount due to a director	**4,572**	–
Less: Cash at banks and on hand	**(4,301)**	(3,738)
Restricted cash	**(3,823)**	(506)
Net debts/(cash surplus)	**4,483**	(277)
Total equity	**29,898**	56,393
Net gearing ratio	**15%**	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Financial instruments by category

	2023	2022
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost		
Trade receivables	**12,425**	15,942
Other receivables	**1,545**	1,431
Restricted cash	**3,823**	506
Cash at banks and on hand	**4,301**	3,738
Total	**22,094**	21,617

	2023	2022
	HK$'000	*HK$'000*
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**689**	1,600
Other payables	**13,096**	10,134
Borrowings	**5,543**	2,467
Total	**19,328**	14,201

3.4 Fair value estimation

As at 31 March 2023 and 2022, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their fair value due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Principal versus agent consideration for income from smart manufacturing solutions business

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

Key sources of estimation uncertainty

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

Impairment assessment on trade receivables

The management of the Group estimates the amount of impairment losses for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment losses based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment losses may arise.

As at 31 March 2023, the carrying amount of trade receivables is approximately HK$12,425,000 (net of allowance for doubtful debts of HK$1,863,000) (2022: HK$15,942,000 (net of allowance for doubtful debts of HK$311,000)).

4 CRITICAL JUDGEMENTS AND KEY ESTIMATES *(CONTINUED)*

Impairment assessment on non-financial assets

In determining whether an asset is impaired, the Group has to exercise judgment 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 cash-generating unit 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.

As at 31 March 2023, the carrying amounts of the Group's property and equipment, intangible assets and prepayments are approximately HK$9,714,000 (2022: HK$10,137,000), HK$8,282,000 (2022: HK$6,748,000) and HK$14,445,000 (2022: HK$33,220,000) respectively. Impairment loss on property and equipment, intangible assets and prepayments of approximately HK$2,112,000 (2022: Nil), HK$1,801,000 (2022: Nil) and HK$3,102,000 (2022: Nil), were recognised for the year ended 31 March 2023 respectively. Details of the key assumptions used are disclosed in note 13, 15 and 19 to the consolidated financial statements.

5 SEGMENT INFORMATION

The Group manages its businesses by business operations in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers ("CODM") being the executive directors of the Company, for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

– smart manufacturing solutions business: sales of equipment and provision of relevant technical service in the PRC; and
– burial business: agency services for sale of burial plots and columbarium units in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(CONTINUED)*

Segment results

Segment results represent the loss before income tax from each segment except for the unallocated corporate expenses, being central administrative costs. Segment assets and liabilities are not presented in the consolidated financial statements as they are not regularly reviews by the Group's CODM.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	For the year ended 31 March 2023		
	Smart Manufacturing Solutions Business	Burial Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment revenue	**30,669**	**1,305**	**31,974**
Reportable segment loss	**(13,373)**	**(6,367)**	**(19,740)**
Central administrative expenses			**(7,038)**
Loss before income tax			**(26,778)**

	For the year ended 31 March 2023			
	Smart Manufacturing Solutions Business	Burial Business	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment loss:				
Depreciation				
– Property and equipment	**1,589**	**–**	**–**	**1,589**
– Right-of-use assets	**38**	**2,562**	**–**	**2,600**
Amortisation of intangible assets	**2,746**	**–**	**–**	**2,746**
Income tax expenses	**1,634**	**–**	**–**	**1,634**
Impairment of trade receivables	**1,571**	**–**	**–**	**1,571**
Impairment loss				
– Property and equipment	**2,112**	**–**	**–**	**2,112**
– Intangible assets	**1,801**	**–**	**–**	**1,801**
– Prepayments	**3,102**	**–**	**–**	**3,102**
Interest expenses	**324**	**610**	**–**	**934**
Interest income	**22**	**–**	**–**	**22**
Addition of non-current assets	**10,616**	**12,400**	**–**	**23,016**

5 SEGMENT INFORMATION *(CONTINUED)*

For the year ended 31 March 2022, the Group is solely engaged in the provision of smart manufacturing solutions of precision testing, which comprises the sales of precision testing equipment as well as the provision of technical services. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions. Revenue and loss before income tax are the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment. Accordingly, only entity-wide disclosure, geographic information and major customers are presented for the year ended 31 March 2022.

All of the Group's revenue was derived in the PRC during the years ended 31 March 2023 and 2022.

All of the Group's non-current assets were located in the PRC as at 31 March 2023 and 2022.

Revenue from major customer

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

	2023	2022
	HK$'000	*HK$'000*
Customer A#	**10,875**	10,339
Customer B#	**Not applicable***	5,659
Customer C#	**Not applicable***	3,242
Customer D#	**Not applicable***	3,229
Customer E#	**9,121**	Not applicable*
Customer F#	**3,996**	Not applicable*

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

#: Income from smart manufacturing solutions business.

6 REVENUE

Revenues from contracts with customers within the scope of HKFRS 15:

	2023	2022
	HK$'000	*HK$'000*
Precision 3D testing solutions		
– Sales of equipment	**29,642**	27,569
– Technical services	**1,027**	3,945
	30,669	31,514
Burial Business		
– Agency services for sale of burial plots and columbarium units	**1,305**	–
Total	**31,974**	31,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE *(CONTINUED)*

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

	2023	2022
	HK$'000	*HK$'000*
Timing of revenue recognition:		
– Service recognised at a point in time	**2,332**	3,945
– Sales of goods recognised at a point in time	**29,642**	27,569
	31,974	31,514

7 EXPENSES BY NATURE

	2023	2022
	HK$'000	*HK$'000*
Cost of goods sold	**22,271**	18,805
Outsourced research and development expenses*	**3,009**	3,595
Staff costs (including directors' emoluments) *(Note 8)*	**10,205**	6,865
Professional fees	**2,083**	2,766
Entertainment expenses	**972**	2,037
Depreciation and amortisation, included in administrative expenses		
– property and equipment *(Note 13)*	**1,589**	481
– right-of-use assets *(Note 14)*	**2,600**	289
– intangible assets *(Note 15)*	**2,746**	2,274
Travelling expenses	**636**	841
Auditor's remuneration	**900**	950
Other expenses	**2,321**	2,726
Total cost of sales, selling and marketing expenses and administrative expenses	**49,332**	41,629
Interest on borrowings	**268**	279
Interest on lease liabilities	**666**	7
Finance costs	**934**	286

* For the year ended 31 March 2023, no outsourced research and development expenses have been recognised as intangible assets (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 *HK$'000*	2022 *HK$'000*
Salaries, wages, bonuses and other benefits	8,964	6,370
Contribution to pension scheme	1,241	495
	10,205	6,865

(a) Directors' and chief executive's emoluments

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

For the year ended 31 March 2023

	Fees *HK$'000*	Salaries, and other benefits *HK$'000*	Discretionary bonus *HK$'000*	Contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive directors					
Mr. Huang Minzhi *(Note i)*	–	771	–	11	782
Mr. Zeng Weijin *(Note ii)*	–	1,080	–	18	1,098
Ms. Ye Jialing *(Note iii)*	210	150	–	56	416
Non-executive directors					
Mr. Zhou Ruizhao *(Note x)*	360	–	–	–	360
Ms. Zhang Xiaoling *(Note iv)*	7	–	–	–	7
Ms. Li Xiaoxuan *(Note v)*	7	–	–	–	7
Independent non-executive directors					
Dr. Zhou Wenming *(Note xi)*	50	–	–	–	50
Mr. Ning Jie *(Note xi)*	50	–	–	–	50
Mr. Leung Gavin L. *(Note vi)*	120	–	–	–	120
	804	2,001	–	85	2,890

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

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

For the year ended 31 March 2022

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

Note:

(i) Mr. Huang Minzhi was appointed as executive director of the Company on 16 December 2021 and was further appointed as the chairman of the Company with effect from 7 January 2022 and resigned these positions with effect from 4 November 2022. He was re-appointed as an executive director of the Company with effect from 14 March 2023.

(ii) Mr. Zeng Weijin was appointed as executive director of the Company with effect from 16 December 2021 and was further appointed as the chief executive officer of the Company with effect from 7 January 2022. He was further appointed as the chairman of the Company with effect from 4 November 2022.

(iii) Ms. Ye Jialing was appointed as non-executive director of the Company on 7 January 2022 and re-designated as an executive director of the Company with effect from 4 November 2022.

(iv) Ms. Zhang Xiaoling was appointed as an non-executive director of the Company with effect from 8 February 2023.

(v) Ms. Li Xiaoxuan was appointed as an non-executive director of the Company with effect from 8 February 2023.

(vi) Mr. Leung Gavin L. was appointed and resigned as an independent non-executive directors of the Company with effect from 7 January 2022 and 24 April 2023 respectively.

(vii) Mr. Wu was the chairman and the chief executive officer of the Company and resigned these positions with effect from 7 January 2022 and remained as an executive director of the Company. On 23 March 2022, he resigned as an executive director of the Company.

(viii) Ms. Liu Zhining resigned as the executive director of the Company with effect from 7 January 2022.

(ix) Mr. Tang Yong, Mr. Xing Shaonan and Mr. Tan Michael Zhen Shan resigned as an independent non-executive directors of the Company with effect from 7 January 2022.

(x) Mr. Zhou Ruizhao was appointed as an non-executive director of the Company with effect from 7 January 2022.

(xi) Mr. Ning Jie and Dr. Zhou Wenming were appointed as an independent non-executive director of the Company with effect from 7 January 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The remuneration of directors including the discretionary bonus is determined having regard to the performance and market trend by the remuneration committee of the Company.

(b) Five highest paid individuals

For the year ended 31 March 2023, the five individuals whose emoluments were the highest in the Group included two directors (2022: four directors) whose emoluments is reflected in the analysis presented above. The emoluments paid to the remaining individual during the year are as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Salaries, wages, bonuses and other benefits	**1,870**	340
Contribution to pension scheme	**166**	6
	2,036	346

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

	Number of individuals	
	2023	2022
Nil-HK$1,000,000	**2**	1
HK$1,000,001-HK$1,500,000	**1**	–

(c) Benefits and interests of directors

During the year ended 31 March 2023, none of the directors of the Company waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

Save for disclosed in note 31 to the consolidated financial statements, no directors of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party that subsisted at the end of the year or at any time during the year (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2023	2022
	HK$'000	*HK$'000*
Other income		
– Government grant *(Note a)*	**671**	16
– Gain on termination of lease	**22**	–
– Interest income from bank deposits	**22**	4
– Others	**25**	214
	740	234
Other (losses)/gains – net		
– Exchange differences – net	**(438)**	843
– Loss on disposal of property and equipment	**(218)**	–
– Other operating gains/(losses)	**16**	(20)
	(640)	823

Note:

(a) Government grants were related to "廣州市推動高新技術企業高質量發展扶持" in respect of smart manufacturing solution business for the year ended 31 March 2023. There are no unfulfilled conditions attached to the grants.

10 INCOME TAX EXPENSES/(CREDIT)

	2023	2022
	HK$'000	*HK$'000*
Current income tax		
– PRC corporate income tax	**670**	248
Under/(over)-provision in respect of prior years		
– PRC corporate income tax	**42**	(1,646)
Deferred tax *(Note 16(b))*	**922**	1,288
	1,634	(110)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSES/(CREDIT) *(CONTINUED)*

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

	2023 HK$'000	2022 HK$'000
Loss before income tax	**(26,778)**	(9,355)
Tax calculated at applicable tax rate on loss before income tax	**(3,903)**	825
Tax effect of preferential tax rate *(Note (a))*	**(1,064)**	(330)
Tax calculated on deemed profit basis *(Note (b))*	**682**	245
Expenses not deductible for tax purposes	**2,406**	295
Additional deduction on research and develop expenses	**(484)**	(297)
Tax effect of tax losses not recognised	**3,955**	798
Under/(over)-provision in prior years	**42**	(1,646)
	1,634	(110)

Notes:

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

In 2020, Quick Tech Corporation Ltd. ("Quick Tech"), the Group's subsidiary incorporated in the PRC, was qualified as the High and New Technology Enterprise which effective for three years commencing on 1 January 2017 and is entitled to preferential income tax rate of 15% for these three years. In 2020 and 2023, Quick Tech had successfully renewed the qualification of High and New Technology Enterprise and is entitled to the preferential tax treatment of 15% for the period from 2020 to 2026. Accordingly, tax rate of 15% (2022:15%) has been applied for Quick Tech for the year ended 31 March 2023 and 2022.

(b) Hong Kong Cheng Phong Technology Limited ("Hong Kong Cheng Phong"), Bow Chak Industry (HK) Limited ("Bow Chak") and MGW Swans Ltd. ("MGW Swans") are the Group's subsidiaries incorporated in Hong Kong and the BVI. However, their principal businesses for the years ended 31 March 2023 and 2022 were carried out in the PRC and the related income was subject to PRC corporate income tax. Hong Kong Cheng Phong, Bow Chak and MGW Swans were approved by the PRC in-charge tax bureau to pay PRC income tax on a "deemed profit basis", according to which their taxable income was calculated at 15% (2022:15%) of revenue for the year ended 31 March 2023.

(c) Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25% (2022: 8.25%), and assessable profits above HK$2,000,000 will be taxed at 16.5% (2022: 16.5%). The statutory Hong Kong Profits Tax rate is 16.5% (2022:16.5%). No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from Hong Kong during both years.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 LOSS PER SHARE

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

	2023	2022
Loss for the year attributable to the owners of the Company *(HK$'000)*	**(28,251)**	(9,245)
Weighted average number of ordinary shares in issue *(number of shares)*	**422,356,164**	400,000,000
Basic loss per share *(HK$)*	**(0.07)**	(0.02)

Diluted loss per share is the same as the basic loss per share as there were no potentially dilutive ordinary shares issued during the year ended 31 March 2023 (2022: Nil).

12 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 March 2023 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY AND EQUIPMENT

	Furniture and office equipment *HK$'000*	Machinery and equipment *HK$'000*	Total *HK$'000*
At 1 April 2021			
Cost	778	–	778
Accumulated depreciation	(311)	–	(311)
Net book amount	467	–	467
Year ended 31 March 2022			
Opening net book amount	467	–	467
Additions	10	10,012	10,022
Depreciation charge	(144)	(337)	(481)
Currency translation differences	18	111	129
Closing net book amount	351	9,786	10,137
At 31 March 2022 and 1 April 2022			
Cost	814	10,123	10,937
Accumulated depreciation	(463)	(337)	(800)
Net book amount	351	9,786	10,137
Year ended 31 March 2023			
Opening net book amount	351	9,786	10,137
Additions	–	4,249	4,249
Disposal	(221)	–	(221)
Depreciation charge	(67)	(1,522)	(1,589)
Impairment loss recognised	(7)	(2,105)	(2,112)
Currency translation differences	(26)	(724)	(750)
Closing net book amount	30	9,684	9,714
At 31 March 2023			
Cost	544	13,630	14,174
Accumulated depreciation and impairment	(514)	(3,946)	(4,460)
Net book amount	30	9,684	9,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY AND EQUIPMENT *(CONTINUED)*

For the purpose of impairment testing, the Group's property and equipment, intangible assets and prepayments were allocated to the smart manufacturing solutions business's cash-generating unit (the "Smart CGU"). The recoverable amount of the Smart CGU has been determined based on a value-in-use calculation which uses cashflow projection based on financial budgets approved by the directors of the Company and valued by International Valuation Limited, an independent valuation firm of the Company, covering a five-year period and pre-tax discount rate. Cash flows beyond that five-year period have been extrapolated using the estimated growth rate stated below.

Key assumptions used in the calculation are as follows:

	2023	2022
EBITDA margin (average of next five years)	**6%**	15%
Terminal growth rate	**2%**	2%
Discount rate	**16%**	17%

The above key assumptions were used in the value-in-used calculation of the Smart CGU as at 31 March 2023 and 2022. The following describes each key assumption on which the management has based its cash flow projection to undertake impairment testing:

Management determined the earning before income tax, finance cost, depreciation and amortisation ("EBITDA margin") based on past performance and its expectations regarding market development.

Terminal growth rate – The terminal growth rate does not exceed the long-term average growth rate for the industry and the country in which the Smart CGU currently operates.

Discount rate – The discount rate is pre-tax and reflect specific risk relating to the Smart CGU.

Based on the assessment, the management of the Group assessed the recoverable amount of the Smart CGU amounting to approximately HK$32,441,000 (2022: HK$73,478,000) which was lower (2022: higher) than its carrying value as at 31 March 2023. Accordingly, an impairment loss of HK$2,112,000 (2022: Nil), HK$1,801,000 (2022: Nil) and HK$3,102,000 (2022: Nil) were recognised in the Group's consolidated statement of comprehensive income during the year ended 31 March 2023 in respect of property and equipment, intangible assets and prepayments on the basis of material decline in the recoverable amount of the Smart CGU and adverse changes in the smart manufacturing solutions business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT-OF-USE ASSETS

	2023	2022
	HK$'000	*HK$'000*
Leased building	**2,951**	41
Motor vehicles	**4,462**	–
	7,413	41

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

	Leased building	**Motor vehicles**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 April 2021			
Cost	581	–	581
Accumulated depreciation	(252)	–	(252)
Net book amount	329	–	329
Year ended 31 March 2022			
Opening net book amount	329	–	329
Depreciation charge	(289)	–	(289)
Currency translation differences	1	–	1
Closing net book amount	41	–	41
At 31 March 2022 and 1 April 2022			
Cost	581	–	581
Accumulated depreciation	(540)	–	(540)
Net book amount	41	–	41
Year ended 31 March 2023			
Opening net book amount	41	–	41
Additions	6,929	5,471	12,400
Termination of lease	(2,415)	–	(2,415)
Depreciation charge	(1,595)	(1,005)	(2,600)
Currency translation differences	(9)	(4)	(13)
Closing net book amount	2,951	4,462	7,413
At 31 March 2023			
Cost	3,539	5,467	9,006
Accumulated depreciation	(588)	(1,005)	(1,593)
Net book amount	2,951	4,462	7,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

During the year, the Group leases properties for operating use. Lease contracts are entered into for fixed term of 1 to 3 years (2022: 1 to 2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Expense relating to short-term leases with lease terms end within 12 months amounted to approximately HK$720,000 during the year ended 31 March 2023 (2022: HK$281,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

	Patent *HK$'000*	Software *HK$'000*	Total *HK$'000*
At 1 April 2021			
Cost	335	10,118	10,453
Accumulated amortisation	(155)	(2,425)	(2,580)
Net book amount	180	7,693	7,873
Year ended 31 March 2022			
Opening net book amount	180	7,693	7,873
Additions	–	989	989
Amortisation charge	(35)	(2,239)	(2,274)
Currency translation differences	8	152	160
Closing net book amount	153	6,595	6,748
At 31 March 2022 and 1 April 2022			
Cost	349	11,297	11,646
Accumulated amortisation	(196)	(4,702)	(4,898)
Net book amount	153	6,595	6,748
Year ended 31 March 2023			
Opening net book amount	**153**	**6,595**	**6,748**
Additions	**–**	**6,367**	**6,367**
Amortisation charge	**(33)**	**(2,713)**	**(2,746)**
Impairment loss recognised	**(19)**	**(1,782)**	**(1,801)**
Currency translation differences	**(12)**	**(274)**	**(286)**
Closing net book amount	**89**	**8,193**	**8,282**
At 31 March 2023			
Cost	**323**	**17,240**	**17,563**
Accumulated amortisation and impairment	**(234)**	**(9,047)**	**(9,281)**
Net book amount	**89**	**8,193**	**8,282**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS *(CONTINUED)*

During the years ended 31 March 2023 and 2022, intangible assets, together with the related plant and equipment and prepayments, are allocated to the Smart CGU for impairment assessment. Details of impairment assessment are set out in note 13 to the consolidated financial statements.

16 DEFERRED TAXATION

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

	2023	2022
	HK$'000	*HK$'000*
Deferred tax liabilities	**(1,267)**	(368)

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

	Provisions for credit losses on trade receivable	Expense in excess of allowance	Tax loss	Depreciation allowance in excess of related depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2021	44	81	798	–	923
Tax charged to the profit or loss *(Note 10)*	2	–	(278)	(1,012)	(1,288)
Currency translation differences	1	2	8	(14)	(3)
At 31 March 2022 and 1 April 2022	**47**	**83**	**528**	**(1,026)**	**(368)**
Tax charged to the profit or loss *(Note 10)*	**–**	**–**	**(487)**	**(435)**	**(922)**
Currency translation differences	**(3)**	**(7)**	**(41)**	**74**	**23**
At 31 March 2023	**44**	**76**	**–**	**(1,387)**	**(1,267)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 DEFERRED TAXATION *(CONTINUED)*

(c) For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023	2022
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**120**	658
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,387)**	(1,026)
	(1,267)	(368)

17 TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**14,288**	16,253
Accumulated impairment loss recognised	**(1,863)**	(311)
Trade receivables – net	**12,425**	15,942

(a) As at 31 March 2023 and 2022, ageing analysis of gross trade receivables based on invoice date is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**7,115**	7,536
1 to 6 months	**3,449**	844
6 months to 1 year	**2,381**	1,125
Over 1 year	**1,343**	6,748
	14,288	16,253

The credit period of trade receivables is 90 – 180 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE RECEIVABLES *(CONTINUED)*

(b) As at 31 March 2023 and 2022, management made assessment on the expected credit losses of trade receivables. The provision for impairment of trade receivables as at 31 March 2023 and 2022 reconciles to the opening provision are as follows:

	2023 **HK$'000**	2022 HK$'000
At the beginning of the year	**311**	292
Provision for impairment of trade receivables	**1,571**	11
Currency translation differences	**(19)**	8
At the end of the year	**1,863**	311

(c) Trade receivables were denominated in:

	2023 **HK$'000**	2022 HK$'000
– RMB	**7,932**	11,617
– US$	**4,493**	4,325
	12,425	15,942

Details of the impairment assessment of trade receivables are set out in note 3.

18 OTHER RECEIVABLES

	2023 **HK$'000**	2022 HK$'000
Advances to employees	**384**	1,106
Tendering deposits	**1,007**	18
Others	**154**	307
	1,545	1,431

(a) Other receivables were denominated in:

	2023 **HK$'000**	2022 HK$'000
– RMB	**474**	1,413
– US$	**1,071**	18
	1,545	1,431

19 PREPAYMENTS

	2023 **HK$'000**	2022 *HK$'000*
Prepayments	**17,559**	33,220
Accumulated impairment loss recognised	**(3,114)**	–
	14,445	33,220
Representing:		
Included in non-current assets:		
– Prepayments to suppliers *(note 1)*	**4,046**	7,340
– Prepaid outsourced research and development expenses *(note 3)*	**1,096**	–
	5,142	7,340
Included in current assets:		
– Prepayments to suppliers *(note 2)*	**3,977**	15,766
– Prepaid outsourced research and development expenses *(note 3)*	**5,326**	10,114
	9,303	25,880
Total prepayments	**14,445**	33,220

Notes;

1. As at 31 March 2023, non-current portion of prepayments to suppliers of approximately HK$4,046,000 (2022: HK$7,340,000) represent prepayment to independent software developers for developing software for the Group's self-use.

2. Current portion of prepayments to suppliers as at 31 March 2023 of approximately HK$3,977,000 (2022: HK$15,766,000) represent prepayment to independent equipment manufacturer for purchasing equipment for sales to the Group's customers.

3. The Group prepaid outsourced research and development expenses of approximately HK$6,422,000 (2022: HK$10,114,000) to independent software developers for the provision of technological solutions service relating to the specific requirements on the equipment ordered by its customers.

4. During the years ended 31 March 2023 and 2022, prepayments, together with the related plant and equipment and intangible assets, are allocated to the Smart CGU for impairment assessment. Details are set out in note 13 to the consolidated financial statements.

The movement in the impairment of prepayments during the years ended 31 March 2023 and 2022 are as follows:

	2023 **HK$'000**	2022 *HK$'000*
At the beginning of the year	**–**	–
Impairment loss recognised	**3,102**	–
Currency translation differences	**12**	–
At the end of the year	**3,114**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 RESTRICTED CASH AND CASH AT BANKS AND ON HAND

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

	2023	2022
	HK$'000	*HK$'000*
Cash at banks and on hand were denominated in:		
– RMB	**2,997**	2,714
– US$	**897**	963
– HK$	**232**	47
– EUR	**3**	14
– CHF	**172**	–
	4,301	3,738

As at 31 March 2023, there was approximately HK$2,997,000 (2022: HK$2,680,000) denominated in RMB and deposited with banks in the PRC that the conversion of these balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

21 SHARE CAPITAL

	Number of ordinary shares	**Share capital**	**Share capital**
		US$	*HK$*
Ordinary share of US$0.0001 each			
Authorised:			
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	5,000,000,000	500,000	3,905,000
Issued and fully paid:			
At 1 April 2021, 31 March 2022 and 1 April 2022	400,000,000	40,000	312,000
Placing of new shares on 20 December 2022 *(Note)*	80,000,000	8,000	63,000
At 31 March 2023	480,000,000	48,000	375,000

Note: On 30 November 2022, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 80,000,000 placing shares to independent investors at a price of HK$0.069 per share. The placing was completed on 20 December 2022 pursuant to which the Company has allotted and issued 80,000,000 placing shares. The net proceeds derived from the placing amounted to approximately HK$5,300,000 and resulted in the increase in share capital of approximately HK$63,000 and share premium of approximately HK$5,237,000, net of transaction costs of approximately HK$220,000.

22 OTHER RESERVES

	Share premium *HK$'000* *(Note(a))*	Capital reserve *HK$'000* *(Note(b))*	Statutory reserve *HK$'000* *(Note(c))*	Exchange reserve *HK$'000* *(Note(d))*	Total *HK$'000*
Balance at 1 April 2021	51,640	163	2,461	774	55,038
Other comprehensive income for the year	–	–	–	2,383	2,383
Transfer to statutory reserve	–	–	606	–	606
Balance at 31 March 2022 and 1 April 2022	**51,640**	**163**	**3,067**	**3,157**	**58,027**
Other comprehensive loss for the year	**–**	**–**	**–**	**(3,505)**	**(3,505)**
Placing of new shares *(note 21)*	**5,457**	**–**	**–**	**–**	**5,457**
Transaction cost attributable to placing of new shares	**(220)**	**–**	**–**	**–**	**(220)**
Balance at 31 March 2023	**56,877**	**163**	**3,067**	**(348)**	**59,759**

(a) Share premium

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

(b) Capital reserve

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

(c) Statutory reserve

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

(d) Exchange reserve

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

23 BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank borrowings	**5,543**	2,467

The bank borrowings are repayable on demand and bear annual weighted average effective interest rates of 4.10% (2022: 4.05%).

As at 31 March 2023 and 2022, all the Group's bank borrowings were denominated in RMB and were unsecured. As at 31 March 2023, the Group's bank borrowings were guaranteed by Mr. Wu Di, the former controlling shareholder and the former executive director of the Company (2022: unguaranteed).

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

	2023 HK$'000	2022 HK$'000
Within 1 year	**685**	2,467
Over 1 year but within 2 years	**4,858**	–
Total borrowings	**5,543**	2,467
Less: Current portion of borrowings due for repayment within one year	**(685)**	(2,467)
Non-current portion of borrowings subject to immediate demand repayment clause	**4,858**	–

The Group's bank borrowings contain clauses which give the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with loan covenants. Its repayments up to date are in accordance with the scheduled repayments of the term loans. The Group does not consider that the banks will probably exercise their discretions to demand repayments so long as the Group continues to meet these requirements.

24 LEASE LIABILITIES

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

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

	2023 HK$'000	2022 HK$'000
Right-of-use assets	**7,413**	41

	2023 HK$'000	2022 HK$'000
Lease liabilities		
Current	**2,539**	19
Non-current	**4,949**	–
	7,488	19

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

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

	2023 HK$'000	2022 HK$'000
Gain on termination of lease	**(22)**	–
Depreciation charge of right-of-use assets	**2,600**	289
Expense for short term leases	**731**	281
Interest expense (included in finance costs)	**666**	7

24 LEASE LIABILITIES *(CONTINUED)*

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

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

	2023 *HK$'000*	2022 *HK$'000*
Within operating cash flows	**720**	281
Within financing cash flows	**3,160**	319
Total cash flows	**3,880**	600

These amounts related to the lease rental paid for the leased buildings and motor vehicles.

The incremental borrowing rates applied to lease liabilities from 0.42% to 1.75% (2022: from 0.42% to 3.8%).

(d) Lease payments and present value of lease liabilities as at 31 March 2023 and 2022 are shown in the table below:

	2023 *HK$'000*	2022 *HK$'000*
Lease payments in relation to lease liabilities are payable as follows:		
Less than 1 year	**3,246**	19
Between 1 and 2 years	**5,745**	–
Minimum lease payments	**8,991**	19
Future finance charges	**(1,503)**	–
Total lease liabilities	**7,488**	19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TRADE PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**689**	1,600

(a) As at 31 March 2023 and 2022, ageing analysis of trade payables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
Within 1 year	**340**	643
Over 1 year	**349**	957
	689	1,600

(b) Trade payables were denominated in:

	2023 HK$'000	2022 HK$'000
– RMB	**522**	1,274
– US$	**167**	326
	689	1,600

The credit period of trade payables is 90 – 180 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Accrued expenses	**3,039**	1,564
Other payables	**1,668**	5,925
Other tax payables	**189**	318
Payroll payables	**1,325**	1,145
Amount due to a related party *(Note 31(c))*	**2,492**	1,500
Amount due to a director *(Note 31(c))*	**4,572**	–
	13,285	10,452

(a) Other payables were denominated in:

	2023 HK$'000	2022 HK$'000
– HK$	**9,589**	9,240
– RMB	**3,696**	1,212
	13,285	10,452

27 CONTRACT LIABILITIES

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

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

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**423**	198
Decrease in contract liabilities as a result of revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year	**(423)**	(198)
Increase in contract liabilities as a result of receipts in advance from customers	**3,352**	423
At the end of the year	**3,352**	423

At at 31 March 2023 and 2022, the contract liabilities is expected to be recognised within one year. The increase in contract liabilities in 2022 was result of the increase in deposits received from customers for the purchase of precision testing equipment.

28 CASH FLOW INFORMATION

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

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

	2023	2022
	HK$'000	*HK$'000*
Loss before income tax	**(26,778)**	(9,355)
Adjustments for:		
– Depreciation of property and equipment	**1,589**	481
– Depreciation of right-of-use assets	**2,600**	289
– Amortisation of intangible assets	**2,746**	2,274
– Loss on disposal of property and equipment	**218**	–
– Finance costs	**934**	286
– Finance income	**(22)**	(4)
– Gain on termination of lease	**(22)**	–
– Provision for impairment of trade receivables	**1,571**	11
– Impairment of non-financial assets	**7,015**	–
– Exchange losses/(gains) arising from operations	**438**	(843)
	(9,711)	(6,861)
Changes in working capital		
– Trade receivables	**1,084**	23,768
– Prepayments	**3,882**	(1,288)
– Other receivables	**(229)**	2,159
– Trade payables	**(815)**	(7,595)
– Contract liabilities	**2,929**	222
– Other payables	**(2,652)**	2,711
– Restricted cash	**(3,338)**	18
Cash (used in)/generated from operations	**(8,850)**	13,134

(b) Reconciliation of liabilities arising from financing activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 CASH FLOW INFORMATION *(CONTINUED)*

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

	Borrowings	Lease liabilities	Amount due to a director, included in other payables	Amount due to a related party included in other payables
	HK$'000 *(Note 23)*	*HK$'000* *(Note 24)*	*HK$'000* *(Note 26)*	*HK$'000* *(Note 26)*
At 1 April 2021	8,291	317	–	–
Changes from financing cash flows:				
Repayment of borrowings	(6,081)	–	–	–
Principal element of lease rental paid	–	(312)	–	–
Interest element of lease rental paid	–	(7)	–	–
Interest paid	(279)	–	–	–
Advance from a related party	–	–	–	1,500
Total changes from financing cash flows	(6,360)	(319)	–	1,500
Other changes:				
Interest expenses *(Note 7)*	279	7	–	–
Currency translation differences	257	14	–	–
Total other changes	536	21	–	–
At 31 March 2022 and 1 April 2022	**2,467**	**19**	**–**	**1,500**
Changes from financing cash flows:				
Proceedings from borrowings	**5,693**	**–**	**–**	**–**
Repayment of borrowings	**(2,448)**	**–**	**–**	**–**
Interest paid	**(268)**	**–**	**–**	**–**
Advanced from a related party	**–**	**–**	**–**	**992**
Principal element of lease rental paid	**–**	**(2,494)**	**–**	**–**
Interest element of lease rental paid	**–**	**(666)**	**–**	**–**
Advanced from a director	**–**	**–**	**4,572**	**–**
Total changes from financing cash flows	**2,977**	**(3,160)**	**4,572**	**992**
Other changes:				
Addition of lease	**–**	**12,400**	**–**	**–**
Termination of lease	**–**	**(2,437)**	**–**	**–**
Interest expenses *(Note 7)*	**268**	**666**	**–**	**–**
Currency translation differences	**(169)**	**–**	**–**	**–**
Total other changes	**99**	**10,629**	**–**	**–**
At 31 March 2023	**5,543**	**7,488**	**4,572**	**2,492**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 SUBSIDIARIES

Name of company	Place of incorporation, kind of legal entity	Particulars of issued share capital/ registered capital	Equity interest held 31 March 2023	Equity interest held 31 March 2022	Principal activities and place of operation
Directly held					
CPT Asia-Pacific Holding Ltd.	BVI, limited liability company	US$1	**100%**	100%	Investment holding
BCI East Asia Holding Ltd.	BVI, limited liability company	US$1	**100%**	100%	Investment holding
MG Pacific Holding Ltd.	BVI, limited liability company	US$1	**100%**	100%	Investment holding
ZHP Orient Holding Ltd.	BVI, limited liability company	US$1	**100%**	100%	Investment holding
Min Fu Investment Holding Limited	BVI, limited liability company	US$1	**100%**	100%	Investment holding
Indirectly held					
Hong Kong Zhi Phong	Hong Kong, limited liability company	HK$1	**100%**	100%	Investment holding
Hong Kong Cheng Phong	Hong Kong, limited liability company	HK$100	**100%**	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
Bow Chak	Hong Kong, limited liability company	HK$100	**100%**	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
MGW Swans	BVI, limited liability company	US$100	**100%**	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
Quick Tech#	The PRC, limited liability company	RMB10,750,000	**100%**	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services in the PRC
Min Fu Technology (Hong Kong) Limited	Hong Kong, limited liability company	HK$1	**100%**	100%	Investment holding
Min Fu Investment (Nanjing) Limited#	The PRC, limited liability company	US$5,000,000	**100%**	100%	Investment holding
Min Fu Holding (Shenzhen) Limited#	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Provision of burial business, agency services for sale of burial plots and columbarium units
民富（廣東）網絡科技有限公司*	The PRC, limited liability company	RMB5,000,000	**51%**	Nil	Provision of internet and other related services

Registered as wholly foreign owned enterprise under the PRC law.

* Registered as domestic owned enterprise under the PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 LEASE COMMITMENTS

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

	2023 HK$'000	2022 HK$'000
Within 1 year	**55**	198

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party

Name	Relationship
Tecway Technology Limited	Shareholder of the Company
Ms. Ye Jialing	Executive director of the Company

(b) Key management compensation

	2023 HK$'000	2022 HK$'000
Fees, salaries bonuses and other benefits	**4,675**	2,314
Contribution to pension scheme	**251**	73
Total	**4,926**	2,387

(c) Balance with related party

	2023 HK$'000	2022 HK$'000
Amount due to related party included in other payables		
Tecway Technology Limited	**2,492**	1,500

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

	2023 HK$'000	2022 HK$'000
Amount due to a director included in other payables		
Ms. Ye Jialing	**4,572**	–

The amount due was unsecured, interest-free and repayable on demand.

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**19,143**	31,118
Current assets		
Prepayments	**6**	2
Amounts due from subsidiaries	**3,629**	6,219
Cash and cash equivalents	**217**	33
	3,852	6,254
Total assets	**22,995**	37,372
EQUITY		
Share capital	**375**	312
Other reserves *(Note)*	**76,020**	70,783
Accumulated losses *(Note)*	**(64,885)**	(39,498)
Total equity	**11,510**	31,597
LIABILITIES		
Current liabilities		
Other payables	**7,895**	2,860
Amounts due to subsidiaries	**3,590**	2,915
Total liabilities	**11,485**	5,775
Total equity and liabilities	**22,995**	37,372

The Company's statement of financial position was approved by the board of directors of the Company on 27 June 2023 and was signed on its behalf.

Zeng Weijin *Director*	**Huang Minzhi** *Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note:

Reserve movement of the Company

	Other reserve *HK$'000* *(Note)*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1 April 2021	70,783	(34,807)	35,976
Loss and total comprehensive loss for the year	–	(4,691)	(4,691)
Balance at 31 March 2022 and 1 April 2022	**70,783**	**(39,498)**	**31,285**
Loss and total comprehensive loss for the year	**–**	**(25,387)**	**(25,387)**
Placing of new shares *(note 21)*	**5,457**	**–**	**5,457**
Transaction cost attributable to placing of new shares	**(220)**	**–**	**(220)**
Balance at 31 March 2023	**76,020**	**(64,885)**	**11,135**

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

33 RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% (2022: 5%) of the salaries and wages subject to a monthly maximum amount of HK$1,500 (2022: HK$1,500) per employee and vest fully with employees when contributed into the MPF Scheme.

As stipulated under the relevant rules and regulations in the PRC, the employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

34 EVENTS AFTER THE REPORTING PERIOD

1. **Proposed rights Issue**

   On 30 May 2023, the Company proposes to conduct the rights issue (the "Rights Issue") on the basis of one rights share (the "Rights Share") for every two issued shares at the subscription price of HK$0.1 per Rights Share, to raise up to HK$24,000,000 before expenses by way of issuing up to 240,000,000 Rights Shares.

   The Rights Issue was not yet completed at the approval date of this report.

   Details of the Rights Issue are set out on the Company's announcement dated 30 May 2023 and prospectus dated 16 June 2023.

2. **Agreement to acquire 20% equity interest in Huanggang Fuyuan Culture Development Co., Ltd. (the "Target Company")**

   As disclosed in the Company's announcement dated 13 April 2023, the Company entered into the agreement with an independent third party of the Company (the "Vendor") pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 20% equity interest in the Target Company, subject to the terms and conditions of the agreement for a consideration of RMB4,195,000 (equivalent to approximately HK$4,795,000).

   As at the date of this report, the possible acquisition had not been completed. Details of the possible acquisition are set out in the Company's announcement dated 13 April 2023.

FINANCIAL SUMMARY

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

	Year ended 31 March				
	2019	2020	2021	2022	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	52,397	54,892	39,962	31,514	31,974
Gross profit	27,270	31,132	16,380	12,568	9,703
(Loss)/Profit before income tax	9,371	6,199	(6,391)	(9,355)	(26,778)
(Loss)/Profit for the year	7,311	3,138	(3,339)	(9,245)	(28,412)

	As at 31 March				
	2019	2020	2021	2022	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	70,004	79,266	88,777	71,763	61,948
Total liabilities	(7,310)	(15,354)	(25,522)	(15,370)	(32,050)
Net assets	62,694	63,912	63,255	56,393	29,898
Current ratio	9.39	4.75	3.51	3.17	1.22

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