

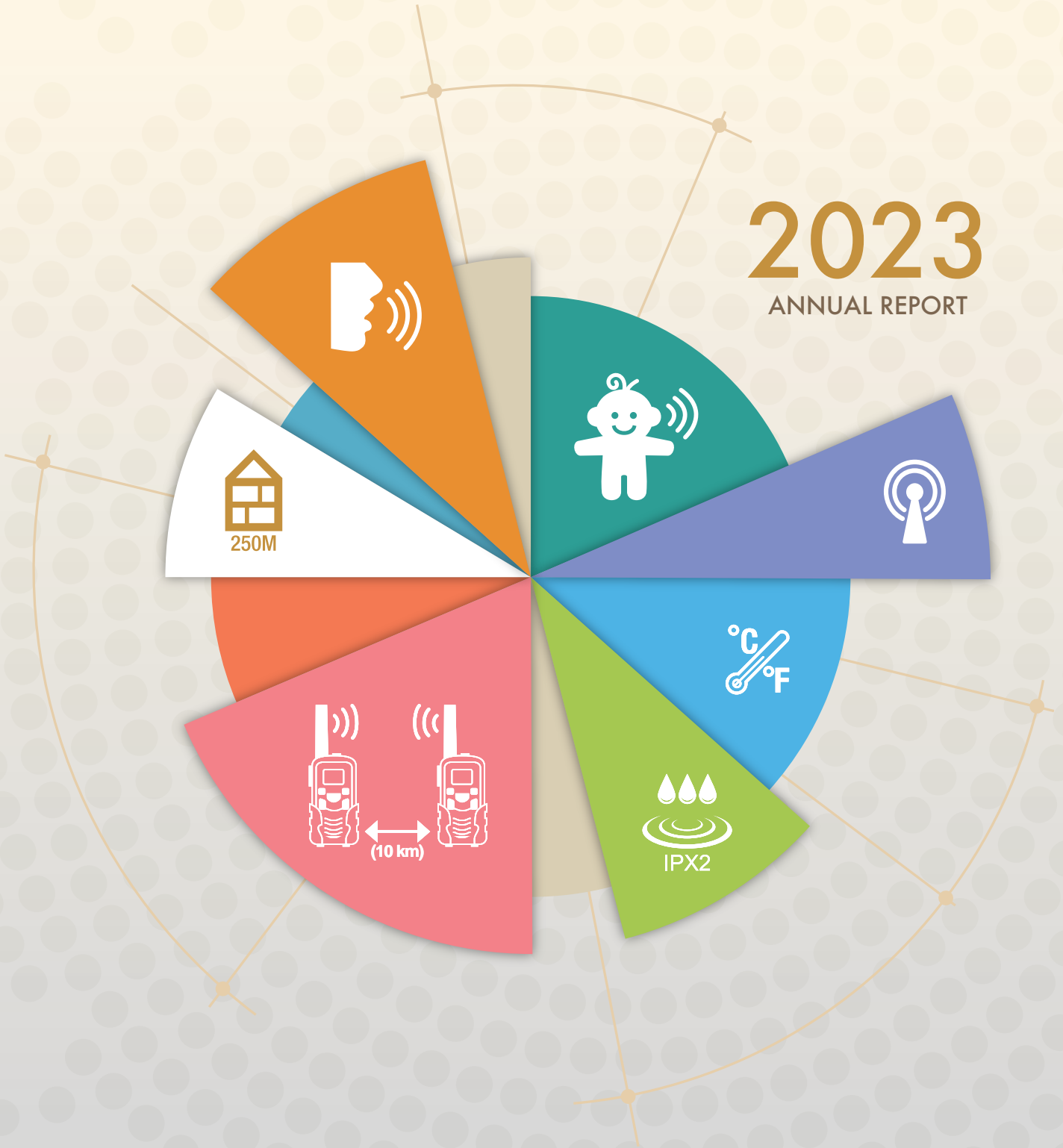


照現生態
ZHAOXIAN SHENGTAI

Zhao Xian Business Ecology International Holdings Limited
照現生態國際控股有限公司

(Formerly known as On Real International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8245)

2023
ANNUAL REPORT



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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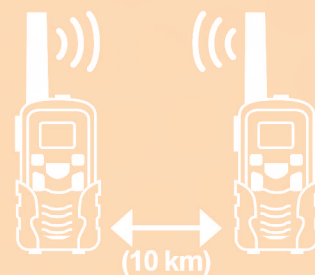
*This report, for which the directors (the “**Directors**”) of Zhao Xian Business Ecology International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the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



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Chan Lung Ming (Resigned on 1 April 2022)
Mr. Yeung Shing Wai
Ms. Sin Pui Ying (Resigned on 30 April 2022)
Mr. Au Yeung Yiu Chung (Appointed on 3 May 2022 and resigned on 30 September 2022)
Ms. Zhu Xiu Zhi (Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022)
Ms. Wong Ming Kwan Victoria (Appointed on 2 September 2022)
Ms. Zhu Yuanyan (Appointed on 5 May 2023)

Non-executive Director:

Mr. Tao Hong Ming (Resigned on 1 June 2022)

Independent Non-executive Directors:

Mr. Chan Shiu Man (Retired on 2 September 2022)
Mr. Wong Ching Wan (Resigned on 22 April 2022)
Mr. Cheng Chai Fu (Resigned on 30 April 2022)
Ms. Zhu Xiu Zhi (Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022)
Mr. Choi Pun Lap (Appointed on 21 April 2022)
Mr. Sheng Wei (Appointed on 16 May 2022)
Ms. Ip Sin Nam (Appointed on 2 September 2022)

AUDIT COMMITTEE

Mr. Choi Pun Lap (Chairman) (Appointed on 21 April 2022)
Mr. Wong Ching Wan (Chairman) (Resigned on 22 April 2022)
Mr. Cheng Chai Fu (Resigned on 30 April 2022)
Mr. Chan Shiu Man (Retired on 2 September 2022)
Mr. Sheng Wei (Appointed on 16 May 2022)
Ms. Zhu Xiu Zhi (Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022)
Ms. Ip Sin Nam (Appointed on 2 September 2022)

REMUNERATION COMMITTEE

Mr. Chan Shiu Man (Chairman) (Retired on 2 September 2022)
Mr. Sheng Wei (Chairmen) (Appointed on 16 May 2022)
Mr. Wong Ching Wan (Resigned on 22 April 2022)
Mr. Cheng Chai Fu (Resigned on 30 April 2022)
Mr. Choi Pun Lap (Appointed on 21 April 2022)
Mr. Sheng Wei (Appointed on 16 May 2022)
Ms. Zhu Xiu Zhi (Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022)
Ms. Ip Sin Nam (Appointed on 2 September 2022)

NOMINATION COMMITTEE

Mr. Choi Pun Lap (Chairman) (Appointed on 21 April 2022)
Mr. Cheng Chai Fu (Chairman) (Resigned on 30 April 2022)
Mr. Chan Shiu Man (Retired on 2 September 2022)
Mr. Sheng Wei (Appointed on 16 May 2022)
Ms. Zhu Xiu Zhi (Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022)
Ms. Ip Sin Nam (Appointed on 2 September 2022)

COMPANY SECRETARY

Mr. Lee Cheuk Man (Resigned on 1 April 2022)
Mr. Lo Cheuk Fei Jeffrey (Appointed on 1 April 2022)

COMPLIANCE OFFICER

Mr. Yeung Shing Wai

AUTHORISED REPRESENTATIVES

Mr. Yeung Shing Wai
Mr. Lee Cheuk Man (Resigned on 1 April 2022)
Mr. Lo Cheuk Fei Jeffrey (Appointed on 1 April 2022)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2/F., 200 Hennessy Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

AUDITOR

Fan, Chan & Co. Limited
Rooms 1007-1012, 10/F
K. Wah Centre, 191 Java Road
North Point, Hong Kong

STOCK CODE

8245

COMPANY'S WEBSITE

www.zhaoxian-int.com

STATEMENT FROM THE BOARD OF DIRECTORS

Dear shareholders,

On behalf of the board of Directors (the “**Board**”) of Zhao Xian Business Ecology International Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”), I am pleased to present to our shareholders the audited annual report of the Group for the financial year ended 31 March 2023 (hereafter referred as the “**Financial Year**”).

OVERVIEW

In the previous years, the outbreak of Novel Coronavirus (“**COVID-19**”) and the trade war between People’s Republic of China (“**PRC**”) and United States (“**US**”) (the “**trade war**”) have caused worldwide economic downturn and have brought significant operating pressure to the Group. These events have caused significant impact on the Group’s production and profitability since early 2020. The number of purchase orders received from our customers has decreased significantly due to diminished demand for two-way radio products caused by the worldwide economic downturn. It has led to a decrease in revenue by approximately 47.4% from approximately HK\$126.2 million for the year ended 31 March 2022 to approximately HK\$66.4 million for the year ended 31 March 2023.

During the financial year, the Board has successfully re-engineered its business model by restructuring the Group’s production unit at the beginning of the financial year and progressively outsourced its major part of its production lines during the year. Accordingly, the manufacturing cost of the Group has decreased significantly during the year and the Group managed to overturn its gross loss position recorded in the prior year and achieved a gross profit amounting to HK\$9.3 million for the year ended 31 March 2023.

On 2 June 2022, a direct wholly-owned subsidiary of the Company entered into the sale and purchase agreement to acquire 100% equity interest in World Smarts Co. Limited from vendors namely Wong Ming Kwan Victoria and DD Innovation Limited, independent third parties to the Group at the time, at a consideration of HK\$15,000,000 which was satisfied by the issue of the Consideration Shares by the Company to the Vendors upon completion. The Group obtained control in World Smarts Co. Limited on the 24 June 2022. During the period between the 2 June 2022 and 24 June 2022, the share price of the Company has risen significantly which has caused the fair value of the Consideration Shares transferred as at the acquisition date on 24 June 2022 to be abnormally high and significantly exceeded the consideration of HK\$15,000,000. As a result, an impairment loss on goodwill amounting to HK\$34.2 million was provided in accordance with HKFRS during the year.

Despite the inevitable provision of impairment loss on goodwill which caused by unmanageable event arisen during the year, the Group could have had achieved a net profit amounting to HK\$7.8 million for the year ended 31 March 2023. Also, the Group has managed to improve its financial position significantly during the year. Although the Group remained at its net current liabilities and net liabilities positions as at the year ended 31 March 2023, the net current liabilities and net liabilities positions have been reduced significantly during the year. The Board will continue to seek for appropriate measures to improve the Group’s financial position in the coming year and expects to overturn the net current liabilities and net liabilities positions in the near future.

In conclusion, the Board is pleased inform all shareholders that the performance of the Group has been improved remarkably during the year and the Board will continuously evaluate the current business strategies of the Group and aims to streamline the Group’s business and to improve its overall performance.

STATEMENT FROM THE BOARD OF DIRECTORS

PROSPECT

Our business objective is to grow our existing business by strengthening our product portfolio and enhancing our information management system and marketing efforts. The Group will continue to invest in research and development of new product lines and seek for new customers and sales channels. We will also continue to subcontract partial of our manufacturing and operation activities to reduce the fix overhead and to enhance the flexibility in terms of fixed cost commitment. We will continue to develop new products and diversify our revenue streams which are expected to bring growth to the turnover of the Group. The Group will enhance our business revenue and profitability by introducing new product categories and/or leveraging our research and development capability to provide design services to our customers. The Group will continue to look for and consider potential investment opportunities from time to time.

STATEMENT FROM THE BOARD OF DIRECTORS

The economic downturn caused by impact of COVID-19 and the effect of trade war have brought about additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group will continue to keep track of development of the COVID-19 and trade war and to evaluate their impacts on the Group's financial position, cash flows and operating results. The Group holds a positive and optimistic attitude toward the possible impacts on Group's performance.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all Shareholders, investors and business partners for their continuous support to the Group. I would also like to express my appreciation to all fellow Directors, management and staff for their contributions to the Group.

Wong Ming Kwan Victoria

Executive Director

Hong Kong
30 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a two-way radio product designer and manufacturer established in 2001. The Group derives revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis.

The Group's revenue decreased from approximately HK\$126.2 million for the year ended 31 March 2022 to approximately HK\$66.4 million for the year ended 31 March 2023, representing a decrease of approximately 47.4%. Such decrease was mainly due to decrease of number of purchase orders from customers for two-way radios during the year ended 31 March 2023.

The Group's revenue of two-way radios decreased by approximately 35.3% from approximately HK\$92.9 million for the year ended 31 March 2022 to approximately HK\$60.2 million for the year ended 31 March 2023 mainly due to the decrease in number of purchase orders received from our customers.

The Group's revenue of baby monitors decreased by approximately 95.4% from approximately HK\$984,000 for the year ended 31 March 2022 to approximately HK\$47,000 for the year ended 31 March 2023 mainly due to the decrease in demand of our audio baby monitor products.

The Group's revenue of plastic products increased by approximately 100% from approximately HK\$Nil for the year ended 31 March 2022 to approximately HK\$2.8 million for the year ended 31 March 2023. The revenue was solely contributed by the new subsidiary acquired during the year.

The Group's revenue of other communication devices decreased by approximately 89.7% from approximately HK\$32.2 million for the year ended 31 March 2022 to approximately HK\$3.3 million for the year ended 31 March 2023 mainly due to the decrease in demand of our other communication devices.

The following table sets forth the breakdown of the revenue of the Group by product/service categories for the year ended 31 March 2023 and 2022:

	2023		For the year ended 31 March 2022		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Two-way radios	60,170	90.6	92,930	73.7	(32,760)	(35.3)
Baby monitors	47	0.1	1,031	0.8	(984)	(95.4)
Plastic products	2,845	4.3	—	—	2,845	100
Other communication devices	3,335	5.0	32,220	25.5	(28,885)	(89.7)
Total	66,397	100	126,181	100	(59,784)	(47.4)

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost, direct labour costs and subcontracting fees. The cost of sales decreased by approximately 61.4% from approximately HK\$147.9 million for the year ended 31 March 2022 to approximately HK\$57.1 million for the year ended 31 March 2023. The gross profit margin decreased from approximately negative 17.2% for the year ended 31 March 2022 to approximately 14.0% for the year ended 31 March 2023, which was mainly contributed by the successful implementation of the Group's restructuring scheme.

Selling and Distribution Expenses

The selling and distribution expenses decreased from approximately HK\$1.3 million for the year ended 31 March 2022 to approximately HK\$0.1 million for the year ended 31 March 2023, which was mainly due to decrease in logistics expenses.

Administrative Expenses

The administrative expenses decreased from approximately HK\$26.3 million for the year ended 31 March 2022 to approximately HK\$12.3 million for the year ended 31 March 2023, which was mainly contributed by the successful implementation of the Group's restructuring scheme.

Loss attributable to owners of the Company

The Group recorded a loss of HK\$26.4 million for the year ended 31 March 2023, compared to loss of HK\$60.4 million for the year ended 31 March 2022. The decrease in the loss was mainly contributed by the successful implementation of the Group's restructuring scheme which has lowered the cost of sales and administrative expenses during the year and the reversal of impairment losses under expected credit loss recognized during the year.

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 March 2023 (2022: HK\$Nil).

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

On 2 June 2022, a direct wholly-owned subsidiary of the Company entered into the sale and purchase agreement to acquire 100% equity interest in World Smarts Co. Limited ("**World Smarts**") ("**Acquisition**") from vendors ("**Vendors**") namely Wong Ming Kwan Victoria and DD Innovation Limited, independent third parties to the Group at the time, at a consideration of HK\$15,000,000 which was satisfied by the issue of the Consideration Shares by the Company to the Vendors upon Completion. World's Smart is a limited company incorporated in Hong Kong in 2014 and is principally engaged in the production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products. During the financial year ended 31 March 2023, the Group obtained control in World Smarts on 24 June 2022.

More details are set out in the Company's announcements dated 2 June 2022, 14 June 2022 and 24 June 2022.

The Group did not have any other immediate plans for material investment and capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Employees and remuneration policies

As at 31 March 2023, the Group had a total of 23 staff (2022: 550). Total staff costs (including Directors' emoluments) were approximately HK\$9.1 million for the year ended 31 March 2023 (2022: approximately HK\$39.2 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

Liquidity and financial resources

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 March 2023, we had short term borrowings and lease liabilities of approximately HK\$9.0 million (as at 31 March 2022: approximately HK\$5.9 million), including factoring loan for trade receivables representing an increase of approximately HK\$3.1 million as compared to that as at 31 March 2022.

Net current liabilities decreased from approximately HK\$28.3 million for the year ended 31 March 2022 to approximately HK\$22.0 million for the year ended 31 March 2023, which was mainly due to reversal of impairment on trade and other receivables and decrease of trade and other payables during the year.

The Company requires cash primarily for working capital need. As of 31 March 2023, the Company had approximately HK\$8.4 million in bank balances and cash (as at 31 March 2022: approximately HK\$7.9 million), representing an increase of approximately HK\$0.5 million as compared to that as at 31 March 2022.

Gearing Ratio

As at 31 March 2023, the gearing ratio of the Group was approximately negative 231.9% (as at 31 March 2022: approximately negative 37.9%). The gearing ratio is calculated based on the sum of borrowings, amount due to related parties and lease liabilities divided by the equity attributable to owners of the company at the end of the reporting period. The decrease of the gearing ratio was mainly attributable to the loss incurred during the year.

Contingent Liabilities

On 20 January 2020, the Company received a third-party notice with legal case no. HCA1643/2019 between the Barton Eagle Limited (the "**Plaintiff**"), Lam Tak Hung (the "**Defendant**") and the Company. The Plaintiff claimed against the Defendant approximately HK\$8 million under a guarantee for debts owned by the Company. The Defendant claims against the Company to be indemnified against the plaintiff's claim and the cost of this action on the grounds that the Company is the principal debtor of the alleged debt. The management of the Company is seeking the legal opinion for the above case.

MANAGEMENT DISCUSSION AND ANALYSIS

Up to the date of this report, the outcome of the proceedings is still uncertain. As the Directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's consolidated financial position, no further provision was made as at 31 March 2023.

Apart from the contingent liabilities disclosed on the above, the Company has no significant contingent liabilities.

Pledged of Assets

At the end of the reporting period, the Group's banking facilities were secured by:

- (i) pledged bank deposits with carrying amount of approximately HK\$Nil (2022: HK\$Nil);
- (ii) a corporate guarantee from the Company with an aggregate amount of approximately HK\$Nil (2022: HK\$Nil).

Capital Commitments

The Company had no capital commitments on acquisition of property, plant and equipment as at 31 March 2023 (as at 31 March 2022: HK\$Nil).

FUND RAISING ACTIVITIES

Placing of New Shares Under General Mandate

On 20 June 2022, the Company entered into the Placing Agreement with a Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placees for up to 6,000,000 new Shares at a price of HK\$0.230 per Placing Share, for and on behalf of the Company.

On 8 July 2022, the Placing was completed and 6,000,000 new shares were issued to not less than six Placees at the Placing Price. More details are set out in the Company's announcements dated 20 June 2022 and 8 July 2022.

As at 31 March 2023, the net proceeds of the Placing had been utilised as follows:

	Actual net proceeds Allocated	Amount utilised up to 31 March 2023	Balance as at 31 March 2023
	HK\$ Million	HK\$ Million	HK\$ Million
General working capital	1.35	1.35	—

In respect of the use of the HK\$1.35 million from the net proceeds of placing of new shares under general mandate, it was utilized as to approximately HK\$636,000 for payment of legal and professional expenses, HK\$453,000 for payment of salaries and HK\$261,000 for other operating expenses.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yeung Shing Wai (楊成偉) (“**Mr. Yeung**”), aged 37, was appointed as executive Director on 21 September 2019. Mr. Yeung had over ten years of working experience in power and data cord industry. He was the executive director of Century Energy International Holdings Limited (stock code: 8132) from November 2010 to December 2014. Afterwards, he makes private investments in various industries. Mr. Yeung was re-appointed as the executive director of Century Energy International Holdings Limited (stock code: 8132) on 16 February 2020.

Ms. Zhu Xiu Zhi (朱秀芝) (“**Ms. Zhu**”), aged 45, was appointed on 11 April 2022 as independent non-executive Director and re-designated to executive Director on 21 June 2022. Ms. Zhu holds a master’s degree of accounting from The University of Sydney. She used to work for Deloitte Australia (Sydney) and Deloitte China (Beijing) and was in charge of annual audit and IPO audit for multi-national entities. She used to be the Project CFO of China US Bridge Capital, mainly responsible for the project due diligence, investment planning, pre IPO counseling, financial management and disclosure matters after listing. She used to be the Financial Controller of Leyshon Group, including Leyshon Resources Ltd. (LRL-AIM and ASX listed) and Leyshon Energy Ltd. (LEN-AIM listed). She was responsible for financial management and disclosure matters, and investor relations. She specialized in financial analysis and evaluation on key projects to support M&A projects. She is currently the General Manager of Hainan Kun Yang Technology Co., Ltd., focusing on company’s overall management and strategic development, supervising the business and finance of subsidiaries. She is a member of CPA Australia.

Ms. Wong Ming Kwan Victoria (王明君) (“**Ms. Wong**”), aged 43, was appointed as executive Director on 2 September 2022. Ms. Wong received her education in Vancouver, Canada. She has over 10 years of extensive experience in the finance industry. She oversees product developments for worldwide brand and participates in global exhibitions.

Ms. Zhu Yuanyan (祝鶯燕) (“**Ms. Zhu**”), aged 44, was appointed as executive Director on 5 May 2023. Ms. Zhu serves as the chairman of the board of Zhejiang Shanyu Health Management Co., Ltd. and devotes herself to the development of the internet health field. Her duties include but not limited to organizing, discussing and deciding the company’s annual business goals, development plans, and investment plans. She is responsible for the company’s overall operations and formation of the company’s management system. Her duties also include reviewing the company’s financial statements and departmental reports on a regular basis to oversee the financial status of the company. She established a health drinks and internet medical system, with a management team of more than 500 people. She has over 22 years of practical marketing experience and 10 years of corporate management experience. She leads a team of 100 people to create an operating income of hundreds of millions a year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Pun Lap (蔡本立) (“**Mr. Choi**”), aged 45, was appointed as independent non-executive Director on 21 April 2022. Mr. Choi is a valuation practitioner of International Association of Certified Valuation Specialists since 2019. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of Certified Practising Accountants Australia and a member of Chartered Global Management Accountant. Mr. Choi graduated from Hong Kong Metropolitan University with a Master of Law (Chinese Business Law) in Hong Kong in 2017. He obtained a Bachelor of Business (Accounting) from Central Queensland University in Australia in 2003 and further studied Postgraduate Diploma of Accounting in Monash University in Australia in 2005.

Mr. Choi is an executive director of Aurum Pacific (China) Group Limited (stock code: 8148), Zhejiang United Investment Holdings Group Limited (stock code: 8366) and Simplicity Holding Limited (stock code: 8367), appointed on 1 June 2021, 30 September 2021 and 26 April 2022 respectively. He is an independent non-executive director and the chairman of audit committee of Sunway International Holdings Limited (stock code: 0058), which is listed on the Main Board of the Stock Exchange of Hong Kong Limited. In addition, he was a financial controller of a company which is listed on the GEM Board in 2019. Mr. Choi was a senior audit manager in the audit department of HLB Hodgson Impey Cheng Limited (“**HLB**”) in Hong Kong. He has worked in HLB for more than ten years from February 2007 to December 2017.

Mr. Sheng Wei (盛煒) (“**Mr. Sheng**”), aged 47, was appointed as independent non-executive Director on 16 May 2022. Mr. Sheng graduated from Beijing University of Civil Engineering and Architecture in 2004. He was qualified as an engineer by Beijing Intermediate Specialised Technique Qualification Evaluation Committee in 2004. He used to work as the Deputy Manager of the Mechanical and Electrical Branch Company of Beijing Urban Construction and Installation Group Co., Ltd., mainly served as the electrical engineering manager of the zone 21–28 of the Kunming Changshui Airport Terminal Project, and the executive manager of the Shunyi Hospital Emergency Ward Comprehensive Building Project. He is currently the Deputy Manager of Intelligent Technology Branch Company of Beijing Urban Construction and Installation Group Co., Ltd, specialized in intelligent technology. He has extensive experience in the field of intelligent technology.

Ms. Ip Sin Nam (葉善嵐) (“**Ms. Ip**”), aged 28, was appointed as independent non-executive Director on 2 September 2022. Ms. Ip graduated from Boston University with a Bachelor’s of Arts in Psychology and a Bachelor’s of Science in Communications, majoring in Public Relations. She has extensive experience in project management, marketing, and business development in the financial services industry.

* *The English translation of the Chinese name is for information only, and should not be regarded as the official English translation of such name. Please refer to the Chinese version of this annual report for the Chinese name.*

CORPORATE GOVERNANCE REPORT

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devote considerable effort to maintain high level of business ethics and corporate governance practices.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 March 2023, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CORPORATE GOVERNANCE STRUCTURE

The Board is primarily responsible for formulating strategies, monitoring performance and managing risks of the Group. At the same time, it also has the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are 3 board committees, namely the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”). All these committees perform their distinct roles in accordance with their respective terms of reference (available on the Company’s website) and assist the Board in supervising certain functions of the senior management.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group had adopted Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors, all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors’ securities transactions during the year ended 31 March 2023.

BOARD OF DIRECTORS

At present, the Board comprises seven directors (“**Directors**”) as follows:

Executive Directors:

Mr. Yeung Shing Wai

Ms. Zhu Xiu Zhi

Ms. Wong Ming Kwan Victoria

Ms. Zhu Yuanyan

Independent Non-executive Directors:

Mr. Choi Pun Lap

Mr. Sheng Wei

Ms. Ip Sin Nam

Biographical details of the Directors are set out in the section of “Biographical Details of Directors” on pages 10 to 11. There are no family or other material relationships among members of the Board.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to the shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

Pursuant to Code Provision C.5.1 of the CG Code, the Board is expected to meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals.

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year ended 31 March 2023 is set out in the following table:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General Meeting
Number of meetings held during the year	21	5	6	6	1

Name of Directors	Number of meetings attended/Number of meetings entitled to attend				
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Executive Directors

Mr. Chan Lung Ming (<i>Resigned on 1 April 2022</i>)	N/A	N/A	N/A	N/A	N/A
Mr. Yeung Shing Wai	20/21	N/A	N/A	N/A	0/1
Ms. Sin Pui Ying (<i>Resigned on 30 April 2022</i>)	3/5	N/A	N/A	N/A	N/A
Mr. Au Yeung Yiu Chung (<i>Appointed on 3 May 2022 and resigned on 30 September 2022</i>)	10/10	N/A	N/A	N/A	1/1
Ms. Zhu Xiu Zhi (<i>Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022</i>)	10/10	N/A	4/4	4/4	0/1
Ms. Wong Ming Kwan Victoria (<i>appointed on 2 September 2022</i>)	5/5	N/A	N/A	N/A	N/A
Ms. Zhu Yuanyan (<i>Appointed on 5 May 2023</i>)	N/A	N/A	N/A	N/A	N/A

Non-executive Director

Mr. Tao Hong Ming (<i>Resigned on 1 June 2022</i>)	5/5	N/A	N/A	N/A	N/A
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Independent Non-executive Directors

Mr. Chan Shiu Man (<i>Retired on 2 September 2022</i>)	8/15	2/2	2/5	1/5	0/1
Mr. Wong Ching Wan (<i>Resigned on 22 April 2022</i>)	3/3	4/4	2/2	2/2	N/A
Mr. Cheng Chai Fu (<i>Resigned on 30 April 2022</i>)	4/5	N/A	2/2	3/3	N/A
Mr. Choi Pun Lap (<i>Appointed on 21 April 2022</i>)	18/18	5/5	4/4	4/4	1/1
Mr. Sheng Wei (<i>Appointed on 16 May 2022</i>)	13/13	5/5	2/2	1/1	0/1
Ms. Ip Sin Nam (<i>Appointed on 2 September 2022</i>)	N/A	N/A	N/A	N/A	N/A

CORPORATE GOVERNANCE REPORT

Code Provision C.5.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or audit committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decisions making with reasonable notice and welcome to include matters in the agenda of each Board meeting. Directors have access to the advice and services of the company secretary of the Company ("**Company Secretary**") who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are opened for inspection as request by Directors. During the year, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company.

If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association (the "**Articles of Association**") of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the Executive Directors and senior management.

All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three Independent Non-executive Directors ("**INED**"), at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the INED has made an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all INED meet the Independence Guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Articles of Association, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision C.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Following the resignation of Mr. Chan Lung Ming, former Chairman, on 1 April 2022, the Company had no designated Director to act as a chairman or a chief executive. The responsibility of a chairman or a chief executive rests with the board of directors of the Company and the Company fails to comply with Code Provision C.2.1 of the Code contained in Appendix 15 to the Listing Rules.

The Company has made endeavors however more time is required to identify suitable candidate to be the chairman and chief executive in order to comply with the Code. The Company will continue with such endeavors and will comply with the Code as soon as possible.

APPOINTMENT, RE-ELECTION AND REMOVAL

During the year, the Directors provided the Company and its subsidiaries with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company. Under Code Provision B.2.2 of the CG Code, each of the Non-Executive Directors and INED has entered into a service contract with the Company for three years but subject to termination in certain circumstance as stimulated in the relevant service contracts. At each annual general meeting, one third of the Directors for the time being (of if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

- (i) developing and reviewing the Company's policies and practices on corporate governance;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2023 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board has to review the policy concerning diversity of Board members and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

AUDIT COMMITTEE

The Company has established an audit committee on 16 September 2015 with written terms of reference that set out the authorities and duties of the Audit Committee. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange. The Audit Committee performs, amongst others, the following functions:

- To review the financial information of the Group.
- To review the relationship with and terms of appointment of the external auditor.
- To review the effectiveness and adequacy of the Company's financial reporting system, internal control system and risk management system.

During the year, the Audit Committee held 5 meetings. The Audit Committee oversaw the internal control system of the Group, reviewed the consolidated financial statements of the Group for the year ended 31 March 2023, quarterly and half yearly results, the accounting principles and practices adopted by the Group, selection and appointment of the external auditor, reports to the Board on any material issues, and made recommendations to the Board. There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 March 2023.

As at 31 March 2023, the Audit Committee comprises three members namely:

Mr. Choi Pun Lap (*Chairman*)
Mr. Sheng Wei
Ms. Ip Sin Nam

All the members are INEDs who possess the appropriate professional qualifications, accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

REMUNERATION COMMITTEE

A remuneration committee was set up on 16 September 2015, with written terms of reference in compliance with the code provisions of the CG Code, which have been reviewed from time to time by the Board to keep them in line with the most up-to-date requirements to oversee the remuneration policy and structure for all Directors and senior management. The most up-to-date written terms of reference of the Remuneration Committee are available on the Company's website and on the website of the Stock Exchange.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and the senior management and determining the remuneration packages of all Executive Directors and senior management. The Remuneration Committee is also responsible to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2023.

The Remuneration Committee held 6 meeting during the year. The members reviewed the remuneration package of Directors and the senior management of the Company.

As at 31 March 2023, the Remuneration Committee comprises three members namely:

Mr. Sheng Wei (*Chairman*)
Mr. Choi Pun Lap
Ms. Ip Sin Nam

All the members are INEDs.

CORPORATE GOVERNANCE REPORT

In addition, pursuant to Code Provision E.1.8 of the CG Code, the number of non-director senior management whose annual remuneration by band during the year ended 31 March 2023 is set out below, details of the Directors remuneration are set out in note 14:

2023

Nil to HK\$1,000,000	2
HK\$1,500,001 to HK\$2,000,000	1

NOMINATION COMMITTEE

The Company has established a nomination committee on 16 September 2015 for making recommendations to the Board on appointment of Directors and succession planning for the directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, reviewing and recommending for the Board's approval of the proposed resolution for re-election of the retiring Directors at 2023 AGM, reviewing the structure, size, composition and diversity of the Board and assessing the independence of each INED.

In considering the appointment of new directors, the Nomination Committee assessed the relevant candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively etc., and made recommendation to the Board for approval.

In accordance with the Articles of Association, Ms. Wong Ming Kwan Victoria, Ms. Zhu Yuanyan and Ms. Ip Sin Nam shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. The Nomination Committee held 6 meeting during the year. The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

As at 31 March 2023, the Nomination Committee comprises three members namely:

Mr. Choi Pun Lap (*Chairman*)
Mr. Sheng Wei
Ms. Ip Sin Nam

All the members are INEDs.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial year which gives a true and fair view. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable and have ensured that the consolidated financial statements are prepared on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout the year and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

The Directors are of the view that given the size, nature and complexity of the business of the Group, the Group uses internal resources to comply with internal audit function to perform the review on risk management and internal control systems of the Group. The risk management and internal control systems are reviewed and assessed on an on-going basis by the Audit Committee and the Board, and will be further reviewed and assessed at least once each year by the Board.

During the year, the Board and Audit Committee have conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment which was made by discussions with the management of the Company and its external auditor. The Board believes that the existing internal control system is adequate and effective.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION OF THE COMPANY

Elite Partners CPA Limited has resigned as the external auditor of the Company on 20 January 2023. More details are set out in the Company's announcement dated 20 January 2023.

Fan, Chan & Co. Limited ("**Fan Chan**") was appointed as the external auditor for the financial year ending 31 March 2023. The statement of Fan Chan in respect of its reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 March 2023 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The fees paid/payable to Fan Chan during the year ended 31 March 2023 are set out as follows:

	Fee paid/payable HK\$'000
Audit services	400,000

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and facilitating communications among Directors as well as with shareholders and management.

On 1 April 2022, Mr. Lee Cheuk Man resigned as the Company Secretary and Mr. Lo Cheuk Fei Jeffrey has been appointed as the Company Secretary. During the year ended 31 March 2023, Mr. Lo Cheuk Fei Jeffrey had undertaken no less than 15 hours of relevant professional training to update their skill and knowledge.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports. The corporate website of the Company (www.zhaoxian.com.hk) has provided an effective communication platform to the public and the shareholders.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to the Directors. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials. All Directors had provided the Company their training records for the year under review and the Company will continue to arrange the training in accordance with Code Provision C.1.4 of the CG Code. The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. The annual general meeting and other general meetings of the Company are primary forums for communication between the Company and its shareholders. The Company provides shareholders with relevant information on the resolution(s) proposed at general meetings in a timely manner in accordance with the GEM Listing Rules. The information provided is reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the meetings.

CONSTITUTIONAL DOCUMENTS

The Company has no significant changes in the Company's constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

MANAGEMENT OF INSIDE INFORMATION

In order to promote transparency, accountability and responsibility in respect of the operation of a listed company, and for the maintenance of good corporate governance, the Company would notify the Stock Exchange and make relevant disclosure to the public as soon as practicable of any inside information of the Company pursuant to the GEM Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles of Association which provides that extraordinary general meetings should 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 secretary 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 the Board fails to proceed to convene an extraordinary general meeting within 21 days of the deposit of the requisition, the requisitioner(s) may convene an extraordinary general meeting himself/themselves, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in Article 85 of the Articles of Association. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal place of business in Hong Kong or at the Hong Kong Branch Share Registrar. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of company secretary, by email: enquiry@zhaoxian-int.com, or by post to 2/F., 200 Hennessy Road, Wan Chai, Hong Kong.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the GEM Listing Rules and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

REPORT OF THE DIRECTORS

The Board has the pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 38 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated financial statements on pages 33 to 105 of this annual report.

The Board does not recommend payment of a dividend in respect of the year ended 31 March 2023 (2022: Nil).

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business are provided in the sections headed "Statement from the Board of Directors" on pages 4 to 5 and "Management Discussion and Analysis" on pages 6 to 9 of the annual report. The discussion forms part of this Director's report.

SHARE CAPITAL

Details of the shares capital of the Company for the year ended 31 March 2023 are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2023, calculated under Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$Nil (2022: HK\$Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 106 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed “Share Option Scheme” below, share options granted was disclosed in note 36 for the year ended 31 March 2023.

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Scheme**”) was adopted pursuant to a resolution passed by the Company’s shareholders on 16 September 2015 for the primary purpose is to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives, Non-executive Directors (including Independent Non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus.

On 24 November 2022, 3,200,000 share options had been granted to 4 employees of the Company pursuant to the share option scheme of the Company adopted by the Company on 16 September 2015 to subscribe for an aggregate of 38,400,000 new ordinary shares of the Company. The total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Scheme was 38,400,000 shares (adjusted as a result of share consolidation effected on 6 February 2020) of the Company, representing approximately 5.3% of the issued share capital of the Company as at 31 March 2023 and the date of this report.

Details of the share options granted are set out in note 36 to the consolidated financial statement and the Company’s announcements dated 24 November 2022, 25 November 2022 and 13 December 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 16 to the consolidated financial statement.

BORROWINGS

Details of movements during the year in borrowings regarding bank borrowings and lease liabilities of the Group are set out in notes 25 and 27 to the consolidated financial statements respectively.

DIRECTORS

The directors of the Company (the “**Director(s)**”) during the year and up to the date of this report were:

Executive Directors:

Mr. Chan Lung Ming (*Resigned on 1 April 2022*)

Mr. Yeung Shing Wai

Ms. Sin Pui Ying (*Resigned on 30 April 2022*)

Mr. Au Yeung Yiu Chung (*Appointed on 3 May 2022 and resigned on 30 September 2022*)

Ms. Zhu Xiu Zhi (*Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022*)

Ms. Wong Ming Kwan Victoria (*Appointed on 2 September 2022*)

Ms. Zhu Yuanyan (*Appointed on 5 May 2023*)

Non-executive Director:

Mr. Tao Hong Ming (*Resigned on 1 June 2022*)

Independent Non-executive Directors:

Mr. Chan Shiu Man (*Retired on 2 September 2022*)

Mr. Wong Ching Wan (*Resigned on 22 April 2022*)

Mr. Cheng Chai Fu (*Resigned on 30 April 2022*)

Ms. Zhu Xiu Zhi (*Appointed on 11 April 2022 as Independent Non-executive Director and re-designated to Executive Director on 21 June 2022*)

Mr. Choi Pun Lap (*Appointed on 21 April 2022*)

Mr. Sheng Wei (*Appointed on 16 May 2022*)

Ms. Ip Sin Nam (*Appointed on 2 September 2022*)

In accordance with Article 84 of the Articles of Association, Ms. Wong Ming Kwan Victoria, Ms. Ip Sin Nam and Ms. Zhu Yuanyan will retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company (“AGM”).

DIRECTORS’ SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors of the Company are set out on pages 10 to 11 of this annual report.

DIRECTOR’S AND CHIEF EXECUTIVE’S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2023, the interests and short positions of the Directors and the 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The shares of associated corporation held by a director

Name of director	Name of associated corporation	Capacity/Nature	No. of share held in the associated corporation	% of shareholding in the associated corporation	No. of share held in the Company
Ms. Wong Ming Kwan Victoria (“Ms. Wong”)	DD Innovation Limited	Beneficial interest	1	100%	96,590,909

REPORT OF THE DIRECTORS

The shares of the Company personally held by a director

In addition to the shares of associated corporation mentioned above, Ms. Wong personally holds 17,045,455 shares of the Company.

Saved as disclosed above, as at 31 March 2023, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

At 31 March 2023, so far as known to the Directors, the following substantial shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
DD Innovation Limited ("DD Innovation") (Note 1)	Beneficial owner	96,590,909	13.45%
Ms. Wong Ming Kwan Victoria ("Ms. Wong") (Note 1)	Beneficial owner and interest in a controlled corporation	113,636,364	15.82%
Solution Smart Holdings Limited ("Solution Smart") (Note 2)	Beneficial owner	112,589,600	18.81%
Mr. Chung Wai Sum ("Mr. Chung") (Note 2)	Interest in a controlled corporation	112,589,600	18.81%
SMK Investment Company Limited ("SMK") (Note 3)	Beneficial owner	90,997,600	15.20%
Mr. Kor Sing Mung Michael (Note 3)	Interest in a controlled corporation	90,997,600	15.20%

Notes:

- Ms. Wong is the sole beneficial shareholder of DD Innovation. Therefore, Ms. Wong is deemed to be interested in the 96,590,909 Shares of the Company held by DD innovation under the SFO. In addition, Ms. Wong personally holds 17,045,455 shares of the Company.
- Mr. Chung Wai Sum is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Chung is deemed to be interested in 112,589,600 shares of the Company held by Solution Smart under the SFO.
- Mr. Kor Sing Mung Michael, is the sole beneficial shareholder of SMK. Therefore, Mr. Kor Sing Mung Michael is deemed to be interested in 90,997,600 shares of the Company held by SMK under the SFO.
- All interests stated above represent long positions.

Save as disclosed above, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO as at 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.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	Percentage of the Group's total purchases
The largest supplier	2.4%
Five largest suppliers in aggregate	10.8%

	Percentage of the Group's total sales
The largest customer	29.5%
Five largest customers in aggregate	88.6%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major supplier and customers.

DONATIONS

No charitable donations and other donation has been made during the year (2022: HK\$Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The possible business risks and uncertainties, interest rate risk and foreign exchange rate risk facing by the Group are set out in section headed "Management Discussion and Analysis" on pages 6 to 9. The financial risk management objectives and policies of the Group are set out in note 32 to the consolidated financial statement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Further discussion on the Group's environmental policy and our relationship with various stakeholders are covered by a separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange no later than three months after the end of the financial year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

A summary of the related transactions entered into by the Group during the year ended 31 March 2023 is contained in note 34 to the consolidated financial statements. Certain related party transactions also constituted continuing connected transactions, but are exempted from the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company's issued shares at the latest practicable date prior to issue of this report under the GEM Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Apart from the transactions disclosed under the heading "Related Party Transactions" as set out in note 34 of this annual report, there were no other contracts of significance in relation to the Group's business to which the Group was a party and which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year and up to the date of this report, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association 164(1) provides that every Director, Company Secretary and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against any actions, cost, charges, losses, damages and expenses, as a result of any act done, concurred in or omitted in or about the execution of their duty. The Company has also maintained the Directors and officers liability insurance during the year.

AUDITOR

The consolidated financial statements have been audited by Fan Chan and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Ming Kwan Victoria
Executive Director

30 June 2023

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF ZHAO XIAN BUSINESS ECOLOGY INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhao Xian Business Ecology International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 33 to 105, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately HK\$26,300,000 for the year ended 31 March 2023 and as of that date, the Group’s current liabilities exceeded its current assets by HK\$21,986,000 and its total liabilities exceeded its total assets by HK\$5,703,000. As stated in Note 3, these conditions, along with other matters as set forth in Note 3 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

In addition to the matters described in the “Material Uncertainty Related to Going Concern” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Impairment assessment of goodwill

We identified annual impairment assessment of goodwill of the Group as a key audit matter due to the involvement of significant judgements and assumptions in determining the recoverable amount of the cash generating unit (“CGU”) to which goodwill has been allocated, which is derived from value in use calculations using discounted cash flow model.

As at 31 March 2023, the Group’s goodwill was allocated to the CGU engaged in the supply of high quality plastic products and amounted to approximately HK\$50,082,000 before recognition of impairment loss for the year then ended. Details are disclosed in Notes 19 and 35 to the consolidated financial statements.

Management’s assessment of goodwill impairment is highly judgmental and involved high estimation uncertainty which is dependent on certain significant inputs including the growth rates, budgeted revenue, budgeted expenses, budgeted capital expenses and discount rates applied, all of which vary based on the relevant industry growth and management’s expectations for the market development of plastic product business worldwide.

As disclosed in Note 19, impairment loss of HK\$34,227,000 has been recognised against the goodwill for the year ended 31 March 2023.

How our audit addressed the key audit matter

Our audit procedures in relation to the management expert’s impairment assessment of goodwill of the Group’s subsidiaries included:

- Evaluating the competence, capabilities, and objectivity of the valuer engaged by management and obtaining an understanding of the valuer’s scope of work and their terms of engagement;
- Evaluating the appropriateness of the valuer’s valuation approach to assess if they meet the requirements of the HKFRSs and industry norms;
- Challenging the reasonableness of the key assumptions adopted and appropriateness of valuation model applied based on available data and our knowledge;
- Assessing the reasonableness of key inputs used in the valuation;
- Checking arithmetical accuracy of calculations; and
- Understand the impairment assessment process, including the impairment model, basis of allocation of goodwill to CGU through enquiries with the management.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed a disclaimer of opinion on those statements on 30 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, but does not include the consolidated financial statements and our auditor’s report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagements, 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 HKSAAs 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 HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 those charged with governance, 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.

Fan, Chan & Co. Limited

Certified Public Accountants

Leung Kwong Kin

Practising Certificate Number P03702

Hong Kong, 30 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	66,397	126,181
Cost of sales		(57,081)	(147,937)
Gross profit/(loss)		9,316	(21,756)
Other income	7	369	645
Other gains and losses	8	90	(428)
Impairment loss on goodwill	19	(34,227)	—
Impairment losses under expected credit loss model, net of reversal	9	11,059	(10,887)
Selling and distribution expenses		(149)	(1,328)
Administrative expenses		(12,256)	(26,315)
Finance costs	10	(576)	(378)
Loss before tax		(26,374)	(60,447)
Income tax expense	11	(74)	—
Loss for the year	12	(26,448)	(60,447)
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(5,665)	1,339
Other comprehensive (expense)/income for the year		(5,665)	1,339
Total comprehensive expense for the year		(32,113)	(59,108)
Loss for the year attributable to:			
Owners of the Company		(26,300)	(60,447)
Non-controlling interests		(148)	—
		(26,448)	(60,447)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(31,965)	(59,108)
Non-controlling interests		(148)	—
		(32,113)	(59,108)
Loss per share (HK cents)	13		
Basic and diluted		(3.81)	(10.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	16	92	94
Right-of-use assets	17	336	125
Goodwill	19	15,855	—
		16,283	219
Current assets			
Inventories	20	1,424	18,637
Other financial asset	21	2,869	—
Trade and other receivables	22	10,210	29,476
Amount due from a related party	26	82	—
Bank balances and cash	23	8,429	7,949
		23,014	56,062
Current liabilities			
Trade and other payables	24	31,773	73,704
Borrowings	25	8,686	5,600
Amounts due to related parties	26	4,200	4,712
Lease liabilities	27	341	316
		45,000	84,332
Net current liabilities		(21,986)	(28,270)
Net liabilities		(5,703)	(28,051)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Capital and reserves			
Share capital	28	8,977	7,481
Reserves		(14,595)	(35,595)
Equity attributable to owners of the Company		(5,618)	(28,114)
Non-controlling interests		(85)	63
Total capital deficiency		(5,703)	(28,051)

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2023 and are signed on its behalf by:

Mr. Yeung Shing Wai
Director

Ms. Wong Ming Kwan Victoria
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company								Non-controlling interests	Total capital deficiency
	Share capital	Share premium	Capital reserve	PRC statutory reserve	Share option reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000	HK\$'000 (Note (c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2021	7,481	93,897	1,465	2,670	–	3,034	(77,553)	30,994	63	31,057
Loss for the year	–	–	–	–	–	–	(60,447)	(60,447)	–	(60,447)
Other comprehensive income for the year										
Exchange difference arising on translation of foreign operations	–	–	–	–	–	1,339	–	1,339	–	1,339
Total comprehensive income/(expense) for this year	–	–	–	–	–	1,339	(60,447)	(59,108)	–	(59,108)
As at 31 March 2022 and as at 1 April 2022	7,481	93,897	1,465	2,670	–	4,373	(138,000)	(28,114)	63	(28,051)
Loss for the year	–	–	–	–	–	–	(26,300)	(26,300)	(148)	(26,448)
Other comprehensive expense for the year										
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(5,665)	–	(5,665)	–	(5,665)
Total comprehensive expense for this year	–	–	–	–	–	(5,665)	(26,300)	(31,965)	(148)	(32,113)
Recognition of equity-settled share based payment	–	–	–	–	240	–	–	240	–	240
Placing of new shares (Note 28(i))	75	1,305	–	–	–	–	–	1,380	–	1,380
Issue of consideration shares (Note 28(ii))	1,421	51,420	–	–	–	–	–	52,841	–	52,841
As at 31 March 2023	8,977	146,622	1,465	2,670	240	(1,292)	(164,300)	(5,618)	(85)	(5,703)

Notes:

- The capital reserve represents the aggregate par value of shares which have been repurchased and cancelled.
- According to the People's Republic of China (the "PRC") Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.
- Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) which are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(26,374)	(60,447)
Adjustments for:		
Bank interest income	(7)	(143)
Loss on deregistration of a subsidiary	653	—
Finance costs	576	378
Depreciation of property, plant and equipment	18	7
Depreciation of right-of-use assets	304	183
Gain on disposal of property, plant and equipment	—	(134)
Impairment loss on goodwill	34,227	—
Write down of inventories	3,793	5,176
Fair value gain on other financial asset	(127)	—
Share-based payment	240	—
(Reversal of)/impairment losses under expected credit loss model, net of reversal	(11,059)	10,887
Operating cash flows before movements in working capital	2,244	(44,093)
Decrease in inventories	12,709	432
Decrease in trade and other receivables	33,658	11,178
(Decrease)/increase in trade and other payables	(44,188)	35,794
Cash generated from operation	4,423	3,311
Income tax paid	(74)	—
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,349	3,311

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(20)	(98)
Proceed from disposal of property, plant and equipment	—	134
Investment deposit paid	—	(2,200)
Acquisition of a subsidiary	88	—
Interest received	7	143
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	75	(2,021)
FINANCING ACTIVITIES		
Interest paid	(576)	(378)
Proceeds from issuance of shares upon placement of shares	1,380	—
Proceeds from borrowings	1,811	9,894
Repayment of borrowings	—	(19,854)
Repayment of lease liabilities	(456)	(354)
(Repayment to)/advance from related companies	(594)	2,369
Decrease in pledged bank deposits	—	1,158
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	1,565	(7,165)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,989	(5,875)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	7,949	11,815
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5,509)	2,009
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD, REPRESENTED BY BANK BALANCES AND CASH	8,429	7,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Zhao Xian Business Ecology International Holdings Limited (formerly known as “On Real Intermediation Holdings Limited”) (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are engaged in designing, trading and manufacturing of two-way radios, baby monitors, other communication devices, plastic products and servicing business of the above products.

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 “**functional currency**”). The functional currency of the Company is Hong Kong dollar (“**HK\$**”). The consolidated financial statements are presented in HK\$ as the directors consider that HK\$ is appropriate presentation currency for the users of the Group’s consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new and amendments to HKFRSs but is not yet in a position to state whether these new and amendments to HKFRSs would have a material impact on its results of operations and financial position:

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance Contracts (including the October 2020 and February 2022 Amendments to HKFRS 17)	1 January 2023
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16, Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKAS 1, Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)	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

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

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

Going concern basis

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its recurring losses incurred and net current liabilities and net liabilities position as at 31 March 2023. The Group incurred a loss attributable to owners of the Company of approximately HK\$26,300,000 for the year ended 31 March 2023. As at 31 March 2023, the Group's current liabilities exceeded its current assets by HK\$21,986,000, and its total liabilities exceeded its total assets by HK\$5,703,000. These conditions cast significant doubt on the Group's ability to continue as a going concern.

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

Basis of preparation of consolidated financial statements (Continued)

Going concern basis (Continued)

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. In the opinion of the directors, the Group will be able to continue to operate as a going concern in the foreseeable future, after taking into consideration the following factors:

- As at 31 March 2023, the Group had total credit facilities granted by a related company of approximately HK\$10,000,000 for at least twelve months from the end of the reporting period, which has not been drawn down as borrowings.
- The management closely monitors the Group's financial performance and liquidity position. The management has been implementing measures to control operating costs including negotiating with the landlords for rental reduction, a salary reduction scheme for management, the minimization of operating costs and administrative expenses. Meanwhile, the management expand its current business by acquisition of new product line.

As at the date of approval of these consolidated financial statements, these measures had not yet been concluded or implemented. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company. The eventual outcome of these measures cannot be estimated with certainty, hence there is material uncertainty related to the conditions described above that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

The consolidated financial statements have been prepared under the historical cost basis, except for other financial asset which is measured at fair value, at the end of the reporting period, as explained in the accounting policies set out below.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of preparation of consolidated financial statements (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent ownership interests entitling their holders to a proportionate share of net assets of the subsidiary upon liquidation.

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

Business combination

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Business combination (Continued)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

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

Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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

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

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the 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
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Internally-generated intangible assets – research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

Financial instruments

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

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

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

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

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

(i) Amortised cost and interest income

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

(ii) FVTPL

Financial assets are measured at FVTPL if the financial asset does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income. Changes in the fair value of the financial asset are recognised in profit or loss.

Derecognition

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Financial instruments (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“**ECL**”) model on financial assets carried at amortised cost (including trade and other receivables (excluded prepayment and value-added tax receivables), and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed using a provision matrix with appropriate groupings. Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

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

(i) *Significant increase in credit risk*

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

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

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

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

Financial instruments (Continued)

Impairment of financial assets (Continued)

(i) *Significant increase in credit risk (Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 6 months past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) *Definition of default*

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The gross carrying amount of a financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Financial instruments (Continued)

Impairment of financial assets (Continued)

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

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

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

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

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

Financial instruments (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables (excluded provision and contract liabilities), borrowings, amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

Revenue from contracts with customers

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

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

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

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

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

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Principal versus agent

When another party is involved in providing goods to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods itself (i.e. the Group is a principal) or to arrange for those goods to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good before that good is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good by another party. In this case, the Group does not control the specified good provided by another party before that good is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods to be provided by the other party.

Revenue from sales of goods

Revenue from sales of goods is recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. The normal credit term is up to 90 days upon delivery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

Revenue from servicing income

The Group provides various services to the customers mainly comprised of assembly services and testing services. Servicing income is recognised as revenue at a point in time when such service is completed. The normal credit term is up to 90 days upon service rendered.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative standalone prices.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

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

Government grants

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the “**MPF Scheme**”) and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, with the employers’ contributions subject to a cap of monthly relevant income of HK\$30,000. The Group’s contributions to the scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years. Where employees leave the scheme prior to the full vesting of the employer’s contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group’s subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes. The Group’s employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 March 2023, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Provisions

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

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

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

Related party transactions

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Related party transactions (Continued)

- (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 (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (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 Group's parent.

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

Close family members 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

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

Principal versus agent consideration

The Group engages in sales of two-way radios, baby monitors, plastic products and other products. The Group concluded that the Group acts as the principal for such transactions 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 the goods and the Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 March 2023, the Group recognised revenue relating to sales of two-way radios, baby monitors, plastic products and other communication devices amounted to approximately HK\$66,397,000 (2022: HK\$126,181,000).

Key sources of estimation uncertainty

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

Provision of ECL for trade and other receivables

Trade and other receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in Note 22 to the consolidated financial statements.

Estimated allowance for inventories

The management of the Group reviews an aging analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, the costs necessary to make the sale and current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE

Revenue represents revenue from sales of two-way radios, baby monitors, plastic products and other communication devices, net of sales related tax where applicable. An analysis of the Group's revenue for the year is as follows:

	2023 HK\$'000	2022 HK\$'000
Revenue comprises revenue from sale of:		
Two-way radios	60,170	92,930
Baby monitors	47	1,031
Plastic products	2,845	—
Other communication devices	3,335	32,220
Revenue from contracts with customers	66,397	126,181

All of the Group's revenue are recognised on a point in time basis.

Transaction prices allocated to the remaining performance obligations for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for two-way radios, baby monitors, plastic products and other products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of two-way radios, baby monitors, plastic products and other products that had an original expected duration of one year or less.

Revenue from contracts with customers

Information about the Group's performance obligations in its contracts with its customers is summarised below:

Sales of two-way radios, baby monitors, plastic products and other communication devices

The performance obligation is satisfied, and hence revenue is recognised, at a point in time when control of the products is transferred to the customer, being at the point when the customer collects the goods at the store or when the goods are delivered. Payment of the transaction price is due within 90 days after delivering of the products. The Group does not provide warranties, right for returns or refunds to the customers.

6. SEGMENT INFORMATION

Information reported to the executive directors and senior management of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The Group has been principally engaged in designing, trading and manufacturing of two-way radios, baby monitors and other communication devices. During the year ended 31 March 2023, the Group became also engaged in designing, trading and manufacturing of plastic products as a result of its acquisition of a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONTINUED)

The CODM have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of two-way radios, baby monitors, plastic products and other communication devices based on gross profit less impairment loss on non-current assets arising in the course of the ordinary activities of a recurring nature.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2023

	Two-way radios HK\$'000	Baby monitors HK\$'000	Plastic products HK\$'000	Other communication devices HK\$'000	Total HK\$'000
Revenue from contracts with customers	60,170	47	2,845	3,335	66,397
Segment profit/(loss)	9,574	(12)	889	(1,135)	9,316
Other income and other gains and losses					459
Impairment loss on goodwill					(34,227)
Reversal of impairment losses under expected credit loss model, net of reversal					11,059
Selling and distribution expenses					(149)
Administrative expenses					(12,256)
Finance costs					(576)
Loss before tax					(26,374)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results (Continued)

For the year ended 31 March 2023 (Continued)

	Two-way radios HK\$'000	Baby monitors HK\$'000	Plastic products HK\$'000	Other communication devices HK\$'000	Total HK\$'000
Amounts included in measure of segment profit or loss:					
Depreciation of property, plant and equipment	17	—	—	1	18
Depreciation of right-of-use assets	—	—	304	—	304
Loss on deregistration of a subsidiary	653	—	—	—	653
Government grants	133	—	—	2	135
Write down of inventories	354	20	—	3,419	3,793
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:					
(Reversal of)/provision of impairment losses recognised on					
— trade receivables, net	(1,964)	—	15	(8,556)	(10,505)
— other receivables, net	(554)	—	—	—	(554)

For the year ended 31 March 2022

	Two-way radios HK\$'000	Baby monitors HK\$'000	Plastic products HK\$'000	Other communication devices HK\$'000	Total HK\$'000
Revenue from contracts with customers	92,930	1,031	—	32,220	126,181
Segment loss	(14,567)	(70)	—	(7,119)	(21,756)
Other income and other gains and losses					217
Impairment losses under expected credit loss model, net of reversal					(10,887)
Selling and distribution expenses					(1,328)
Administrative expenses					(26,315)
Finance costs					(378)
Loss before tax					(60,447)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results (Continued)

For the year ended 31 March 2022 (Continued)

	Two-way radios HK\$'000	Baby monitors HK\$'000	Plastic products HK\$'000	Other communication devices HK\$'000	Total HK\$'000
Amounts included in measure of segment profit or loss:					
Depreciation of property, plant and equipment	7	—	—	—	7
Depreciation of right-of-use assets	183	—	—	—	183
Gain on disposal of property, plant and equipment	134	—	—	—	134
Write down of inventories	5,176	—	—	—	5,176
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:					
(Reversal of)/provision of impairment losses recognised on					
— trade receivables, net	3,869	—	—	(235)	3,634
— other receivables, net	(347)	—	—	7,600	7,253

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned/(loss suffered) from each segment without allocation of selling and distribution expenses, administrative expenses, impairment losses under expected credit loss models, net of reversal, impairment loss of non-current assets, other income, other gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

All analysis of the Group's revenue presented based on the location of the operations is detailed below:

	Revenue from external customers	
	2023 HK\$'000	2022 HK\$'000
Europe (Note (i))	1,306	7,056
People's Republic of China ("PRC")	64,866	119,125
The United Kingdom ("UK")	38	—
The United States ("USA")	187	—
	66,397	126,181

Note:

(i) Europe includes but is not limited to France, Italy and Belgium.

Since over 90% of the Group's non-current assets were located in the PRC, no geographical location of non-current assets is presented.

(c) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2023 HK\$'000	2022 HK\$'000
Customer A ¹	19,589	N/A
Customer B ¹	17,058	N/A
Customer C ²	13,163	14,962
Customer D ¹	N/A	84,913

¹ Revenue from two-way radios segment.

² Revenue from two way radios segment and other communication devices segment.

N/A: Revenue derived from the customer during the year did not contribute over 10% of total revenue of the Group during the respective financial year.

Except disclosed above, no other customer contributed 10% or more to the Group's revenue for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Bank interest income	7	143
Government grants	135	—
Sales of scrap materials	34	32
Sundry income	193	470
	369	645

During the year ended 31 March 2023, the Group recognised government grants of Covid-19 related subsidies, of which all related to Employment Support Scheme provided by the Hong Kong Government.

8. OTHER GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Exchange gain/(loss), net	616	(562)
Gain on disposal of property, plant and equipment	—	134
Loss on deregistration of a subsidiary	(653)	—
Fair value gain on other financial assets	127	—
	90	(428)

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2023 HK\$'000	2022 HK\$'000
(Reversal of)/provision of impairment losses recognised on:		
— trade receivables, net	(10,505)	3,634
— other receivables, net	(554)	7,253
	(11,059)	10,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on:		
— borrowings	566	345
— lease liabilities	10	33
	576	378

11. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong Profits Tax	74	—

- (i) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

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

For the year ended 31 March 2022, no provision for Hong Kong profits tax has been made as, in the opinion of the directors, the Group generated no taxable income during the year.

- (ii) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(26,374)	(60,447)
Tax at domestic income tax rate	(4,869)	(10,912)
Tax effect of expense not deductible for tax purposes	6,487	2,089
Tax effect of income not taxable for tax purpose	(3,487)	(9)
Tax effect of estimated tax loss not recognised	1,943	8,832
Income tax expense for the year	74	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE (CONTINUED)

As at 31 March 2023, the Group has unused estimated tax losses of approximately HK\$92,049,000 (2022: HK\$83,405,000). No deferred tax asset had been recognised in respect of these unused tax losses due to the unpredictability of future profit streams. Except for unrecognised tax losses of the Group of approximately HK\$30,555,000 (2022: HK\$24,449,000) for the year ended 31 March 2023 which will be expired in the next five years ending in 2028 (2022: 2027), other unrecognised tax losses will be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits amounting to HK\$1,402,000 (2022: HK\$1,716,000) of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

12. LOSS FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (<i>Note 14</i>)	1,528	1,356
Salaries, allowances and benefits in kind of employees excluding directors	7,416	36,611
Retirement benefit schemes contributions (excluding directors)	185	1,274
Total staff costs	9,129	39,241
Auditor's remuneration — audit services	400	420
Depreciation of property, plant and equipment	18	7
Depreciation of right-of-use assets	304	183
Cost of inventories sold recognised as an expense	49,201	110,040
Expenses relating to short-term leases	623	2,430
Share based payment expense	240	—
Write down of inventories (included in cost of sales)	3,793	5,176

13. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2023 HK\$'000	2022 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	(26,300)	(60,447)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. LOSS PER SHARE (CONTINUED)

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	690,341	598,500
Weight average number of ordinary shares for the purpose of diluted loss per share	690,341	598,500

Diluted loss per share for the year ended 31 March 2023 was equal to the basic loss per share because the exercise price of the Company's share options was higher than the average market price and therefore the outstanding share options were considered as anti-dilutive.

Diluted loss earnings per share for 2022 was equal to the basic loss per share as there were no potential ordinary shares in issue for 2022.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 March 2023				Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:					
Ms. Sin Pui Ying (Note (8))	–	20	–	1	21
Mr. Yeung Shing Wai	–	240	–	4	244
Ms. Zhu Xiu Zhi (Note (2))	–	210	–	–	210
Mr. Au Yeung Yiu Chung (Note (1))	–	99	–	–	99
Ms. Wong Ming Kwan Victoria (Note (3))	–	275	–	–	275
Ms. Zhu Yuanyan (Note (4))	–	–	–	–	–
Non-executive director:					
Mr. Tao Hong Ming (Note (9))	320	–	–	3	323
Independent non-executive directors:					
Mr. Chan Shiu Man (Note (10))	50	–	–	–	50
Mr. Wong Ching Wan (Note (11))	7	–	–	–	7
Mr. Cheng Chai Fu (Note (12))	10	–	–	–	10
Mr. Choi Pun Lap (Note (5))	114	–	–	–	114
Mr. Sheng Wei (Note (6))	105	–	–	–	105
Ms. Ip Sin Nam Ingrid (Note (7))	70	–	–	–	70
	676	844	–	8	1,528

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

- (1) Mr. Au Yeung Yiu Chung was appointed as an executive director of the Company effected from 3 May 2022 and has resigned on 30 September 2022.
- (2) Ms. Zhu Xiu Zhi was appointed as an independent non-executive effected from 11 April 2022 and re-designated to executive director on 21 June 2022.
- (3) Ms. Wong Ming Kwan Victoria was appointed as an executive director of the Company effected from 2 September 2022.
- (4) Ms. Zhu Yuanyan was appointed as an executive director of the Company effected from 5 May 2023.
- (5) Mr. Choi Pun Lap was appointed as an independent non-executive director of the Company effected from 21 April 2022.
- (6) Mr. Sheng Wei was appointed as an independent non-executive director of the Company effected from 16 May 2022.
- (7) Ms. Ip Sin Nam Ingrid was appointed as an independent non-executive director of the Company effected from 2 September 2022.
- (8) Ms. Sin Pui Ying has resigned as an executive director of the Company effected from 30 April 2022.
- (9) Mr. Tao Hong Ming has resigned as a non-executive director of the Company effected from 1 June 2022.
- (10) Mr. Chan Shiu Man has resigned as an independent non-executive director of the Company effected from 2 September 2022.
- (11) Mr. Wong Ching Wan has resigned as an independent non-executive director of the Company effected from 22 April 2022.
- (12) Mr. Cheng Chai Fu has resigned as an independent non-executive director of the Company effected from 30 April 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Year ended 31 March 2022				Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:					
Mr. Chan Lung Ming	—	240	—	12	252
Ms. Sin Pui Ying	—	240	—	12	252
Mr. Yeung Shing Wai	—	240	—	12	252
Non-executive director:					
Mr. Tao Hong Ming	240	—	—	—	240
Independent non-executive directors:					
Mr. Chan Shiu Man	120	—	—	—	120
Mr. Wong Ching Wan	120	—	—	—	120
Mr. Cheng Chai Fu	120	—	—	—	120
	600	720	—	36	1,356

No emoluments were paid by the Group to the directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or chief executive waived or agreed to waive any emoluments in both years.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were for his services as director of the Company and its subsidiaries, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Except for disclosed in Note 34, no other transactions, arrangements and contracts in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2022: two) were directors for the year ended 31 March 2023. The emoluments of the director is included in the disclosures in Note 14(a) above. The emoluments of the remaining three (2022: three) individuals, who are not directors of the Group were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	2,524	4,211
Retirement benefit scheme contributions	73	74
	2,597	4,285

The aggregated emoluments of each of the remaining highest paid individuals fell within the following band:

	Number of individuals	
	2023	2022
Nil to HK\$1,000,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	2

During the years ended 31 March 2023 and 2022, no emoluments were paid or payable by the Group to the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office. None of the five highest paid individuals waived or agreed to waive any emoluments in both years.

15. DIVIDENDS

No final dividend was paid or proposed during the year, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
As at 1 April 2021	418	11	213	14,116	1,271	16,029
Additions	—	—	—	98	—	98
Disposal and written off	—	—	—	(134)	—	(134)
Exchange realignment	12	1	3	397	17	430
As at 31 March 2022 and as at 1 April 2022	430	12	216	14,477	1,288	16,423
Additions	—	—	—	20	—	20
Disposal and written off	—	—	—	—	(263)	(263)
Exchange realignment	(27)	(1)	(8)	(498)	(39)	(573)
As at 31 March 2023	403	11	208	13,999	986	15,607
ACCUMULATED DEPRECIATION						
As at 1 April 2021	418	11	213	14,116	1,271	16,029
Charged for the year	—	—	—	7	—	7
Eliminated on disposal and written off	—	—	—	(134)	—	(134)
Exchange realignment	12	1	3	394	17	427
As at 31 March 2022 and as at 1 April 2022	430	12	216	14,383	1,288	16,329
Charged for the year	—	—	—	18	—	18
Eliminated on disposal and written off	—	—	—	—	(263)	(263)
Exchange realignment	(27)	(1)	(8)	(494)	(39)	(569)
As at 31 March 2023	403	11	208	13,907	986	15,515
CARRYING AMOUNTS						
As at 31 March 2023	—	—	—	92	—	92
As at 31 March 2022	—	—	—	94	—	94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of term of the lease or 5 years
Furniture and fixtures	20%
Office equipment	20%
Plant and machinery	20% to 33%
Motor vehicles	20%

17. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
<hr/>	
COST	
At 1 April 2021 and 31 March 2022	883
ACCUMULATED DEPRECIATION	
At 1 April 2021	575
Charge for the year	183
At 31 March 2022	758
CARRYING VALUES	
At 31 March 2022	125
COST	
At 1 April 2022	883
Acquired on acquisition of a subsidiary	640
Eliminated on deregistration of subsidiary	(883)
At 31 March 2023	640
ACCUMULATED DEPRECIATION	
At 1 April 2022	758
Charge for the year	304
Eliminated on deregistration of subsidiary	(758)
At 31 March 2023	304
CARRYING VALUES	
At 31 March 2023	336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. RIGHT-OF-USE ASSETS (CONTINUED)

	2023 HK\$'000	2022 HK\$'000
Expense relating to short-term leases	623	2,430
Total cash outflow for lease ¹	1,089	2,817
Additions to right-of-use assets	640	—

¹ Amount included payments of principal and interest portion of lease liabilities and short-term leases.

For both years, the Group leases office for its operations. Lease contracts are entered into for fixed term of 2 years (2022: 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.

The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

18. INTANGIBLE ASSETS

	Knowhow HK\$'000
COST	
As at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	11,114
ACCUMULATED AMORTISATION	
As at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	11,114
CARRYING AMOUNT	
As at 31 March 2023	—
As at 31 March 2022	—

The above intangible assets arose from product development activities carried out by the Group and have finite useful lives. Such intangible assets are amortised on a straight-line basis over three years.

19. GOODWILL

	HK\$'000
COST	
As at 1 April 2021, 31 March 2022 and 1 April 2022	—
Addition	50,082
As at 31 March 2023	50,082
ACCUMULATED IMPAIRMENT	
As at 1 April 2021, 31 March 2022 and 1 April 2022	—
Impairment for the year	(34,227)
As at 31 March 2023	(34,227)
CARRYING AMOUNT	
As at 31 March 2023	15,855
As at 31 March 2022	—

Impairment test for CGUs containing goodwill

The directors have reviewed the carrying amount of goodwill in accordance with HKAS 36 “Impairment of Assets” as follows:

Goodwill amounting to HK\$50,082,000 which arose from the acquisition of World Smarts Co. Limited (“**World Smarts**”) (see Note 35) was allocated to the cash generating unit represented by the whole operations of World Smarts (the “**CGU**”).

The recoverable amount of the CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a five-year period and the pre-tax discount rate of approximately 16.5% that reflects current market assessment of the time value of money and the risks specific to the CGU.

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.5% per annum growth rate. The growth rate does not exceed the long-term average growth rate for the market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. GOODWILL (CONTINUED)

Impairment test for cash-generating units containing goodwill (Continued)

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

Budgeted revenue	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the directors' estimation of the revenue from existing and potential customers. The directors believe that planned revenue growth per year for the next five years is reasonably achievable.
Number of future orders	In order to maintain successful business operations of the CGU, the directors believe that there is no particular difficulty in continuous receiving orders from the existing customers in the CGU.
Budgeted expenses	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the directors' estimation of growth in revenue. The directors believe that planned expenses growth per year for the next five years is reasonably achievable.
Budgeted capital expenditures	The directors considered capital expenditures for maintenance capital expenditures and expansionary capital expenditures, which are based on historical expenditures.

Based on the results for the aforesaid impairment assessments, the directors concluded that impairment on goodwill regarding the World Smarts had to be recognised as of 31 March 2023. Due to the recoverable amount of the CGU was lower than the carrying amount of the CGU as at 31 March 2023, impairment loss of HK\$34,227,000 was recognised in respect of goodwill as at 31 March 2023 and for the year then ended. As a result, the carrying amount of the CGU was reduced and became the same as its recoverable amount of HK\$16,949,000 as at 31 March 2023. The impairment loss arose because on 24 June 2022, the acquisition date of World Smarts, the consideration shares issued as consideration for the acquisition of World Smarts were valued at the fair value of the consideration shares of HK\$52,841,000, representing 113,636,364 shares valued at the closing price of the Company's shares of HK\$0.465 per share as at the acquisition date. The closing price of the Company's shares as at 24 June 2022 was much higher than the agreed price for the consideration shares of HK\$0.132 per share as stipulated in the acquisition agreement dated 2 June 2022, amounting to HK\$15,000,000 based on the consideration shares priced at HK\$0.132 per share. The significant increase in the amount recognised as consideration transferred by the Group in the business combination of World Smarts due to the significant increase in the closing price of the Company's share during the period between the date of the acquisition agreement and the acquisition date was due to market price fluctuations of the Company's shares rather than due to significant increase in the value of World Smarts during this period. As a result, the goodwill recognised upon the acquisition of World Smarts was significantly higher than that expected at the date of the acquisition agreement thus resulted in the recognition of the impairment loss on the goodwill as at 31 March 2023.

20. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	390	11,584
Work in progress	232	5,989
Finished goods	802	1,064
	1,424	18,637

21. OTHER FINANCIAL ASSET

	2023 HK\$'000	2022 HK\$'000
Addition	2,742	—
Change in fair value	127	—
Fair value at the end of the year	2,869	—

World Smarts

The other financial assets of the Group represent the profit guarantee provided by the DD Innovation Limited and Ms. Wong Ming Kwan Victoria (“**Vendors**”) to the Group arising from the acquisition of World Smarts in June 2022.

The Vendors guarantee to the Group that the audited net profit before tax of World Smarts (i) for the year ended 31 March 2023 shall be no less than HK\$1.9 million (“**1st Year Guaranteed Profit**”); and (ii) for the year ended 31 March 2024 shall be no less than HK\$1.9 million (“**2nd Year Guaranteed Profit**”). If the aggregate of the actual audited net profit before tax of the World Smarts for the year ended 31 March 2023 (“**1st Year Actual Profit**”) and for the year ended 31 March 2024 (“**2nd Year Actual Profit**”) shall be less than the aggregate of the 1st Year Guaranteed Profit and 2nd Year Guaranteed Profit, the Vendors shall pay compensation (“**Compensation**”) to the Purchaser according to the following formula:

$$A = 15,000,000 \times \frac{(1^{\text{st}} \text{ Year Guaranteed Profit} + 2^{\text{nd}} \text{ Year Guaranteed Profit}) - (1^{\text{st}} \text{ Year Actual Profit} + 2^{\text{nd}} \text{ Year Actual Profit})}{1^{\text{st}} \text{ Year Guaranteed Profit} + 2^{\text{nd}} \text{ Year Guaranteed Profit}}$$

where A is the Compensation payable to the Group. For the avoidance of doubt, (i) if any of the 1st Year Actual Profit or the 2nd Year Actual Profit shall be negative, such loss shall be offset against the profit for the other period and (ii) if the aggregate 1st Year Actual Profit and 2nd Year Actual Profit shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation shall be HK\$15,000,000.

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the World Smarts for the years ended 31 March 2023 and 31 March 2024 respectively within 3 months after the end of the relevant period. The Compensation (if any) shall be paid by the Vendors to the Group in cash within 7 business days after determination of the 1st Year Actual Profit and 2nd Year Actual Profit.

The Profit Guarantee represents a right to the return of previously transferred consideration for the acquisition of World Smarts when the specified conditions are met and hence constitutes a kind of contingent consideration arrangement to be accounted for as a financial asset at FVTPL in accordance with HKFRS 3 and HKFRS 9. The Profit Guarantee was initially recognised in the consolidated statement of financial position at the acquisition date at a fair value determined by B.I. Appraisals Limited, an independent professional qualified valuer.

The fair value of the Profit Guarantee was determined to be approximately HK\$2,742,000 and HK\$2,869,000 by B.I. Appraisals Limited at completion date and as at 31 March 2023, using a discount rate of 2.47% to 3.16% per annum, under Monte Carlo simulation and taking into consideration of whether the Profit Guarantee is probable to meet. A fair value gain on other financial assets of approximately HK\$127,000 was recognised in profit or loss during the year ended 31 March 2023. Details of the valuation techniques and key input used for other financial assets are disclosed in Note 32 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables from contracts with customers		
— related parties*	955	6,336
— third parties	11,522	21,929
Less: Allowance for credit losses	(11,383)	(13,332)
	1,094	14,933
Prepayment	1,044	616
Value-added tax receivables	3,148	13,256
Deposits	83	82
Other receivables	12,456	8,758
Less: Allowance for credit losses	(7,615)	(8,169)
	9,116	14,543
Total trade and other receivables	10,210	29,476

The Group generally allows a credit period of 30 days to 90 days to its trade customers. The Group does not hold any collateral over these balances.

During the year ended 31 March 2020, the Company entered into assignment of debt agreement with the lender to factor trade receivables with the gross carrying amount of USD1,008,900 (equivalent to approximately HK\$7,809,000) to lender with recourse associated with secured other borrowings. The trade receivables and the other borrowing have not been settled during the years ended 31 March 2023 and 2022.

As at 31 March 2023 and 2022, the Group's other receivables included deposits paid for potential investments with gross carrying amount of HK\$7,600,000, which were fully impaired.

* The trade receivables are due from companies in which Mr. Tam Wing Ki ("**Mr. Tam**"), the ex-director and ex-chairman of the Company, is one of the directors of the relevant parties. Subsequent to the resignation of the director and chairman of the Company, Mr. Tam is still acting as director of certain subsidiaries and as key management personnel of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The aging analysis of the trade receivables, net of credit allowance for credit losses based on invoice date which approximates the respective revenue recognition dates were as follows:

	2023 HK\$'000	2022 HK\$'000
1 to 30 days	353	11,878
31 to 60 days	113	20
61 to 90 days	56	203
91 to 180 days	201	2,003
Over 180 days	371	829
	1,094	14,933

As at 31 March 2023, included in the Group's trade receivables (net of allowance for credit losses) balance are debtors with aggregate carrying amounts of approximately HK\$741,000 (2022: HK\$3,055,000) which are past due at the end of the reporting period. Out of the past due balances, HK\$429,000 (2022: HK\$2,575,000) (net of allowance for credit losses) has been past due 90 days or more and is not considered as in default because of no recent history of default and the directors are in opinion of these balances are still considered as collectible.

The following table shows the movement in lifetime ECL of trade receivables that has been recognised:

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
As at 1 April 2021	235	9,463	9,698
Impairment loss recognised	66	3,568	3,634
Transfer to lifetime ECL (credit impaired)	(119)	119	—
Impairment loss reversed	—	—	—
As at 31 March 2022 and as at 1 April 2022	182	13,150	13,332
Impairment loss recognised	1,920	—	1,920
Impairment loss reversed	(182)	(12,243)	(12,425)
Write-back of impairment loss	—	8,556	8,556
As at 31 March 2023	1,920	9,463	11,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following table show reconciliation of loss allowance of other receivables is as follow:

	12m ECL HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
As at 1 April 2021	57	859	916
Impairment loss recognised	—	7,600	7,600
Impairment loss reversed	—	(347)	(347)
Transfer to Lifetime ECL (credit-impaired)	(48)	48	—
As at 31 March 2022 and as at 1 April 2022	9	8,160	8,169
Impairment loss recognised	15	—	15
Impairment loss reversed	(9)	(560)	(569)
As at 31 March 2023	15	7,600	7,615

Included in trade and other receivables (excluded prepayment and value-add tax receivables) are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2023 HK\$'000	2022 HK\$'000
USD	—	7,062

Details of impairment assessment are set out in Note 32.

23. BANK BALANCES AND CASH

Bank balances represented short-term deposits with a maturity of three months or less. As at 31 March 2023, bank balances carried at interest at floating rates and placed with creditworthy banks with no recent history of default.

As at 31 March 2023, the Group's bank balances and cash denominated in USD and Renminbi ("RMB"), which are other than the functional currency of relevant group entities, are approximately HK\$55,000 (2022: HK\$ nil) and HK\$3,994,000 (2022: HK\$4,614,000) respectively.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the government of the PRC. The Group's bank balances and cash denominated in RMB which are located in Hong Kong are not subject to the foreign exchange control.

The Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	3,554	43,113
Accrued expenses and other payables	13,599	16,271
Contract liabilities	14,620	14,320
	28,219	30,591
	31,773	73,704

The following is an aging analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	—	12,090
31 to 60 days	—	4,644
61 to 90 days	3,382	5,696
More than 90 days	172	20,683
	3,554	43,113

The credit period on purchases of goods is 90 days.

The Group's trade and other payables (excluded contract liabilities) that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2023 HK\$'000	2022 HK\$'000
RMB	434	97
USD	—	5,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. TRADE AND OTHER PAYABLES (CONTINUED)

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products are yet to be delivered. The Group recognises revenue in the amount to which the Group has a right to invoice and that corresponds directly with transfer of control of the products to the customer.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Two-way radios	14,320	4,953
Baby monitors	—	—
Plastic products	—	—
Other communication devices	—	—
	14,320	4,953

Short-term advances are requested from customers for arrangement of the products to be provided to the customers on date of order placing. The amount of advance is negotiated on a case by case basis with the customers. The performance obligation is satisfied when control of the products is transferred to the customer. The remaining contract sum is due from payment within 90 days after the customer obtains the control of the products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Secured bank borrowings (Note (a))	1,086	—
Secured other borrowings (Note (b))	7,600	5,600
	8,686	5,600

Carrying amounts repayable (based on scheduled repayment dates set out in loan agreements):

	2023 HK\$'000	2022 HK\$'000
Within one year	8,686	5,600

Notes:

- (a) Secured bank borrowings were interest bearing at Prime Lending Rate less 2.25% per annum as at 31 March 2023 which and secured by guarantee provided by the Company as appropriate.
- (b) On 16 July 2019, the Company entered into assignment of debt agreement to borrow HK\$5,600,000 with the lender to factor trade receivable with the gross carrying amount of approximately HK\$7,809,000 to lender with recourse. Subsequent to entered into assignment of debt agreement, the secured other borrowings were interest-free and will be settled upon settlement of factored trade receivable with the amounts of HK\$7,308,000.

The borrowing of HK\$2,000,000 is interest bearing at 12% per annum, unsecured and repayable on demand.

- (c) The effective interest rates (per annum) at the end of the respective reporting period are as follows:

	2023	2022
Variable-rate bank borrowings effective interest rate	2.750% to 3.375%	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. AMOUNTS DUE FROM/(TO) RELATED PARTIES

Name of related party	2023 HK\$'000	2022 HK\$'000
Xinxing On Time Electronics Limited (Note (1))	82	(4,712)
Mr. Tam	(1,068)	—
Mr. Tao (Note (2))	(251)	—
Director of a subsidiary	(365)	—
Clearmoon International Limited (Note (3))	(2,516)	—

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

Notes:

- Mr. Tam is one of the directors of Xinxing On Time Electronics Limited.
- Mr. Tao Hong Ming (“**Mr. Tao**”) is the ex-non-executive director of the Company.
- Mr. Tam is one of the directors of Clearmoon International Limited.

27. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:		
Within one year	341	316
Within a period of more than one year but not exceeding two years	—	—
	341	316
Less: Amount due for settlement with 12 months shown under current liabilities	(341)	(316)
Amounts due for settlement after 12 months shown under non-current liabilities	—	—

The incremental borrowing rate applied to lease liabilities range was 2.75% (2022: 9.53%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. SHARE CAPITAL

	Number of shares		Amount	
	2023 '000	2022 '000	2023 HK\$'000	2022 HK\$'000
Ordinary shares of HK\$0.0125 each				
Authorised:				
At the beginning of the reporting period and at the end of the reporting period	3,120,000	3,120,000	39,000	39,000
Issued and fully paid:				
At the beginning of the reporting period	598,500	598,500	7,481	7,481
Placing of new shares (Note (i))	6,000	—	75	—
Issue of consideration shares (Note (ii))	113,636	—	1,421	—
At the end of the reporting period	718,136	598,500	8,977	7,481

All the issued shares rank pari passu in all respects including all rights as to dividends, voting rights and return of capital.

Notes:

- (i) On 20 June 2022, the Company issued a total of 6,000,000 new shares as a result of the placing. Net proceeds of approximately HK\$1,350,000 were raised. Details of the placing are set out in the announcement of the Company dated 20 June 2022.
- (ii) On 24 June 2022, the Company's directly wholly owned subsidiary has completed an acquisition for 100% equity interest in World Smarts Co. Limited at the consideration of HK\$15 million to be settled by the allotment and issue of 113,636,364 new shares.

29. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Group's subsidiary in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiary is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is made the specified contributions under the schemes. The contributions are charged to profit or loss as incurred.

The total expense recognised in consolidated profit or loss of approximately HK\$193,000 (2022: HK\$1,310,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts which include borrowings, amounts due to related parties and lease liabilities, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors review the capital structure periodically. As part of the review, the directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new shares or redemption of existing shares as well as issue of new debt or redemption of existing debts.

The Group is not subject to any external imposed capital requirements.

The net debt-to-adjusted equity ratio at 31 March 2023 and 2022 was as follows:

	2023 HK\$'000	2022 HK\$'000
Total debts	13,227	10,628
Less: Cash and bank balances	8,429	7,949
Net debt	4,798	2,679
Total capital deficiency	(5,703)	(28,051)
Net debt-to-adjusted equity ratio	N/A	N/A

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000 (restated)
Financial assets		
Other financial asset at FVTPL	2,869	—
Financial assets at amortised cost	14,529	23,553
Financial liabilities		
Financial liabilities at amortised cost	30,380	70,012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables (excluded prepayment and value-added tax receivables), bank balances and cash, amount due from a related party, trade and other payables (excluded contract liabilities), borrowings, amounts due to related parties and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly HK\$ denominated assets. In addition, the Group has certain assets denominated in RMB, USD and EUR.

The HK\$ is pegged to USD and thus foreign currency exposure is considered as minimal and is not hedged.

The carrying amounts of the Group's monetary assets and liabilities denominated in RMB and EUR (other than functional currency of the respective Group entity) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000
RMB	3,994	4,614	434	97
EUR	—	9	—	—

The transactions and monetary assets denominated in EUR is minimal, the Group considers there has no material foreign exchange risk exposure in respect of EUR. Therefore, EUR is excluded from the analysis below.

In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of HK\$ against RMB.

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the years ended 31 March 2023 and 2022.

	2023 HK\$'000	2022 HK\$'000 (restated)
RMB	134	169

Management considered the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of each reporting period does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (Note 25) and lease liabilities (Note 27). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 23) and variable-rate bank borrowings (Note 25). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Prime Lending Rate arising from the Group's bank borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank balances and variable-rate borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on variable rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2023 would increase/decrease by approximately HK\$5,400 (2022: HK\$nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, other receivables, deposits and bank balances. As at 31 March 2023, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to pledged bank deposits and bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 March 2023 and 2022 were minimal.

For other receivables and deposits, the directors make periodic individual assessment on the recoverability of other receivables and based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For those receivables and deposits where that there is no significant increase in credit risk of the Group's outstanding balances of other receivables and deposits since initial recognition, the Group provide impairment based on 12m ECL. Based on the assessment, reversal of impairment of other receivables amounting to approximately HK\$554,000 was recognised in profit or loss during the year ended 31 March 2023 (2022: Impairment of other receivables (net of reversal) amounting to approximately HK\$7,253,000 was recognised in profit or loss).

The Group has concentration of credit risk as 28% (2022: 27%) and 87% (2022: 97%) of the trade receivables was due from the Group's largest customer and five largest customers respectively.

The Group's policy to manage credit risk is to deal only with credit worthy counterparties. In order to minimise the credit risk, the management of the Group has formulated a credit policy and, delegated a team responsible for determination of credit limits credit approvals and other monitoring procedures to ensure that follow-up action is taken.

Trade receivables are assessed based on provision matrix. Reversal of impairment allowance of HK\$10,505,000 (2022: Impairment allowance of HK\$3,634,000) were recognised in profit or loss for ECL on trade receivables. The Group performed impairment assessment for the trade receivables equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The following table provides information about the Group's exposure to credit risk for trade receivables which are assessed collectively based on provision matrix except for those who are assessed individually or credit-impaired:

	Expected loss %	Gross carrying amounts HK\$'000	Loss allowance HK\$'000
As at 31 March 2023			
Current (not past due)	0.56	355	2
1 to 30 days past due	0.88	114	1
31 to 60 days past due	—	56	—
61 to 90 days past due	1.38	145	2
91 to 180 days past due	1.68	179	3
Over 180 days past due	97.82	11,628	11,375
		12,477	11,383
	Expected loss %	Gross carrying amounts HK\$'000	Loss allowance HK\$'000
As at 31 March 2022			
Current (not past due)	0.67	11,958	80
1 to 30 days past due	4.79	21	1
31 to 60 days past due	26.98	278	75
61 to 90 days past due	87.95	2,132	1,875
91 to 180 days past due	80.78	13,399	10,824
Over 180 days past due	100.00	477	477
		28,265	13,332

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

During the year ended 31 March 2023, the Group recognised reversal of impairment amounts of approximately HK\$10,505,000 and HK\$554,000 (2022: the Group recognised impairment amounts of approximately HK\$3,634,000 and HK\$7,253,000) for trade receivables and other receivables respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Group's financial assets other than trade receivables, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount		Loss allowance	
					At 31 March 2023 RMB'000	At 31 March 2022 RMB'000	At 31 March 2023 RMB'000	At 31 March 2022 RMB'000
Financial assets at amortised cost								
Other receivables and deposits	22	n/a	Low risk	Lifetime ECL (not credit impaired and assessed individually)	4,939	680	15	9
			Loss	Lifetime ECL (credit impaired)	7,600	8,160	7,600	8,160
Amounts due from related parties	26	n/a	Low risk	12-month ECL (assessed individually)	82	–	–	–
Bank balances and cash	23	AAA to AA+	Low risk	12-month ECL (assessed individually)	8,429	7,949	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

In management of 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. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	As at 31 March 2023			Carrying amount HK\$'000
	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
Non-derivative financial liabilities				
Trade and other payables	17,153	—	17,153	17,153
Borrowings	8,960	—	8,960	8,686
Amounts due to related parties	4,200	—	4,200	4,200
Lease liabilities	345	—	345	341
	30,658	—	30,658	30,380

	As at 31 March 2022			Carrying amount HK\$'000 (restated)
	Within one year or on demand HK\$'000 (restated)	More than one year but less than two years HK\$'000	Total contractual undiscounted cash flow HK\$'000 (restated)	
Non-derivative financial liabilities				
Trade and other payables	59,384	—	59,384	59,384
Borrowings	5,600	—	5,600	5,600
Amount due to a related company	4,712	—	4,712	4,712
Lease liabilities	325	—	325	316
	70,021	—	70,021	70,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurements

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation technique and significant unobservable inputs
	2023 HK\$'000	2022 HK\$'000		
Other financial asset				
Receivable arising from profit guarantee	2,869	—	Level 3	Probability approach Key inputs: Projected net profit before tax for 2024: HK\$2,206,000 to HK\$2,985,000, and discount rate 3.16% (Note (a))

Note:

- (a) A significant increase/(decrease) in net profit before tax would result in a significant decrease/(increase) in fair value of the profit guarantee receivable. A 5% increase/(decrease) in the projected net profit tax for 2024, holding all other variables constant, the fair value of the profit guarantee receivable would (decrease)/increase by approximately HK\$497,000 as at 31 March 2023.

A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) in the fair value of the profit guarantee receivable. A 5% increase/(decrease) in the discount rate, holding all other variables constant, the fair value of the profit guarantee receivable would (decrease)/increase by approximately HK\$133,000 as at 31 March 2023.

There have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 March 2023.

Reconciliation for financial instruments at recurring fair value measurement based on significant unobservable inputs (Level 3) is as follows:

Profit guarantee receivable arising from profit guarantee

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	—	—
Addition	2,742	—
Change in fair value during the year	127	—
At end of the year	2,869	—
Gain recognised in consolidated profit or loss relating to financial instruments held by the Group at the reporting date	127	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group has no pledge of assets.

34. RELATED PARTY TRANSACTIONS

The Group has entered into the following significant transactions with related parties during the year.

(a) Compensation of key management personnel

The remuneration of key management personnel of the Group during the years ended 31 March 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	4,044	4,451
Retirement benefit schemes contributions	81	86
	4,125	4,537

The remuneration of the directors and other key management personnel is determined by the board of directors regarding to the performance of individuals and market trends.

(b) In addition to the balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

Name of related party	Nature of transactions	Notes	2023 HK\$'000	2022 HK\$'000
Xinxing On Time Electronics Limited	Rental and utilities expenses	(i)	526	1,813
Clearmoon Electronics (Yunfu) Co., Ltd	Sales	(i)	19,589	2,517
Shenzhen Anyue Innovation Electronic Technology Co., Ltd	Sales	(i)	17,058	4,524
Shenzhen Anyue Innovation Electronic Technology Co., Ltd	Purchase	(i)	16,859	6,625
Clearmoon International Limited	Consulting fee	(i)	360	1,800
Mr. Tam	Interest Expense	(i)	186	—
Mr. Tao	Interest Expense	(ii)	30	—

Notes:

- (i) Mr. Tam, the ex-director and ex-chairman of the Company, is one of the directors of the relevant parties. Subsequent to the resignation of the director and chairman of the Company, Mr. Tam is still acting as director of certain subsidiaries and as key management personnel of the Group.
- (ii) Mr. Tao is the ex-director of the Company and resigned on 1 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. BUSINESS COMBINATION

On 2 June 2022, a directly wholly-owned subsidiary of the Company entered into agreement to acquired 100% equity interest in World Smarts at the consideration of HK\$15 million to be settled by the allotment and issue of shares. World Smarts was incorporated in Hong Kong with limited liability and provides one-stop solutions in the supply of high quality plastic products to customers worldwide with aggregate fair value of the identifiable net assets at the date of acquisition amounting to HK\$17,000. The transaction was completed and the Group obtained control in World Smarts on 24 June 2022.

Leveraging on the years of experience in the B2B market and understanding of market needs, World Smarts is expanding into the B2C market through online platforms to capture more customers in different areas. The directors consider that the acquisition represents a good opportunity to expand its current business and to develop product diversification. The acquisition will also serve as a lateral expansion of the Group's business in sale, trading, distribution, and processing of branded consumer products.

	At the date of acquisition HK\$'000
Consideration transferred:	
Shares issued	52,841
Less: Fair value of financial guarantee	2,742
	50,099
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Trade and other receivables	4,973
Right-of-use assets	640
Cash and bank balances	88
Borrowings	(1,275)
Trade and other payables	(3,769)
Lease liability	(640)
	17
Total identifiable net assets	
	50,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. BUSINESS COMBINATION (CONTINUED)

Goodwill arose from the factor caused by the significant increase in the closing price of the Company's shares during the period from the acquisition agreement date and acquisition date, details of which are explained in Note 19. Goodwill also arose from a number of other factors, the significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs amounting to approximately HK\$39,000 have been excluded from consideration transferred and have been recognised as an expense during the year, within the "administrative expense" line item in the consolidated statement of profit or loss and other comprehensive income.

The fair value and the gross contractual amount of trade and other receivables at the date of acquisition were HK\$4,973,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Net cash inflow on acquisition of World Smarts:

	HK\$'000
Cash consideration paid	—
Add: cash and cash equivalents acquired	88
	88

The acquired business of World Smarts contributed total revenue of HK\$7,565,000, net profit of HK\$377,000, and impairment loss on goodwill of HK\$34,227,000 to the Group for the period from its acquisition date to 31 March 2023. If World Smarts had been consolidated from 1 April 2022, the consolidated statement of comprehensive income for the year ended 31 March 2023 would show pro-forma revenue of HK\$67,227,000 and loss of HK\$26,446,000.

36. SHARE-BASED PAYMENT TRANSACTIONS

The Group operates a share option scheme for remuneration of its full-time employees (including directors), consultants, agents and advisors of the Group.

All services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the fair value of share options granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

Share option

The Company operates a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include full-time employees (including directors), consultants, agents and advisors of the Group. The Share option scheme is valid and effective until 15 September 2025.

Terms of share option scheme

At 31 March 2023, the total number of shares available for issue under the share option scheme was 35,200,000 shares (2022: 38,400,000), representing approximately 4.90% (2022: 6.42%) of the issued share capital of the Company.

Without prior approval from the Company’s shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

No amount is payable on acceptance of an offer to grant an option to subscribe for the shares of the Company granted pursuant to the Share Option Scheme (the “**Offer**”). The Share Option Scheme may be exercised at any time for a period of ten years commencing from the date of acceptance of the Offer, subject to the conditions imposed by the board of the directors. The exercise price of the option shares would be at a price equal to the higher of: (i) the closing price of the shares of the Company on the Stock Exchange’s daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

As at 31 March 2023, 3,200,000 share options have been granted by the Company (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option (Continued)

Terms of share option scheme (Continued)

The following table discloses movements in the Company's share options during the year:

Category	Grant date dd/mm/yyyy	Exercise price (HK\$)	Vesting period	Exercise period dd/mm/yyyy	Number of share options		
					Outstanding at 01/04/2022	Granted during the year	Outstanding at 31/03/2023
Employees in aggregate	24/11/2022	0.28	Nil	24/11/2022– 23/11/2025	–	3,200,000	3,200,000
Exercisable at the end of the year					–	3,200,000	3,200,000
Weighted average exercise price					–	0.28	0.28

At the end of the reporting period, the Company had 3,200,000 (2022: Nil) share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in issue of 3,200,000 (2022: Nil) additional ordinary shares of the Company and additional paid in share capital of approximately HK\$896,000 (2022: Nil) (before the issue expenses).

The following major assumptions were used to calculate the fair values of the share options granted during the year ended 31 March 2023:

Inputs into the model

Fair value of option at measurement date	HK\$0.075
Grant date share price	HK\$0.260
Exercisable period	3 years
Vesting period	N/A
Exercise price	HK\$0.28
Expected life	2.65 years
Expected volatility	100.27%
Dividend yield	0.00%
Risk-free interest rate	4.273%

The Company has used the binominal option pricing model to value the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The expected life of the options was determined with reference to the historical share price records of the Company and the expected volatility was determined with reference to the historical volatilities of the share prices of the Company over the period that is equal to the expected life of the options before the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK\$'000	2022 HK\$'000
Non-current asset		
Investment in a subsidiary	16,949	—
Current assets		
Prepayment and other receivables	190	235
Bank balances and cash	222	50
	412	285
Current liabilities		
Other payables and accruals	6,915	6,285
Amounts due to subsidiaries	594	65
Other borrowings	7,600	5,600
	15,109	11,950
Net current liabilities	(14,697)	(11,665)
Net assets/(liabilities)	2,252	(11,665)
Capital and reserves		
Share capital	8,977	7,481
Reserves (<i>Note</i>)	(6,725)	(19,146)
Total equity/(total capital deficiency)	2,252	(11,665)

Signed on its behalf by:

Mr. Yeung Shing Wai
Director

Ms. Wong Ming Kwan Victoria
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

Reserves of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 April 2021	93,897	—	(77,046)	16,851
Loss for the year	—	—	(35,997)	(35,997)
Other comprehensive income for the year				
Exchange difference arising on translation of foreign operations	—	—	—	—
Total comprehensive income/(expense) for this year	—	—	(35,997)	(35,997)
As at 31 March 2022 and as at 1 April 2022	93,897	—	(113,043)	(19,146)
Loss for the year	—	—	(40,544)	(40,544)
Total comprehensive income/(expense) for this year	—	—	(40,544)	(40,544)
Recognition of equity-settled share based payment	—	240	—	240
Placing of new shares (Note 28(i))	1,305	—	—	1,305
Issued of consideration shares (Note 28(iii))	51,420	—	—	51,420
As at 31 March 2023	146,622	240	(153,587)	(6,725)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries:

Name of Company	Place/country of incorporation or establishment/operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company				Principal activities
			Direct		Indirect		
			2023	2022	2023	2022	
On Real (BVI) Limited	BVI/BVI	Ordinary shares USD2	100%	100%	—	—	Investment holding
On Real Limited	Hong Kong/PRC	Ordinary shares HK\$2,000,000	—	—	100%	100%	Trading of two-way radios and servicing business
Onward Technology Development Limited	Hong Kong/PRC	Ordinary shares HK\$10,000	—	—	100%	100%	Trading of plastic covers to On Real Limited and its subsidiaries
Xinxing Great Success Plastic Limited* (Note)	PRC/PRC	Paid up capital HK\$8,000,000	—	—	100%	100%	Design and manufacture of two-way radios and baby monitors
On Real I.O.T Group Limited	Hong Kong/PRC	Ordinary shares HK\$100	—	—	51%	51%	Technology development
Real Shine Investment Development Limited	BVI/BVI	Ordinary shares USD10,000	100%	100%	—	—	Investment holding
Empire Profit Limited	Hong Kong/Hong Kong	Ordinary shares HK\$100	—	—	100%	100%	Investment holding
Shenzhen Great Success Electronics Technology Limited*	PRC/PRC	Paid up capital RMB1,000,000	—	—	100%	100%	Design and trading of two-way radios and baby monitors
Joyful Earn Holdings Limited	Hong Kong/Hong Kong	Ordinary shares capital HK\$100	100%	—	—	—	Investment holding
World Smarts	Hong Kong/Hong Kong	Ordinary shares capital HK\$100	—	—	100%	—	Production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products.

All companies now comprising the Group, except for Xinxing Great Success Plastic Limited* and Shenzhen Great Success Electronics Technology Limited* which have adopted 31 December as the financial year end date, have adopted 31 March as the financial year end date.

None of the subsidiaries had issued any debt securities subsisting at the end of both years or any time during both years.

All of the subsidiaries are private companies with limited liabilities.

The directors consider that the Group's non-controlling interests were insignificant to the Group and thus no further disclosures concerning the subsidiaries with non-controlling interests are provided in these consolidated financial statements for both years. In addition, no separate financial information of this non-wholly owned subsidiary is required to be presented.

Note: Wholly foreign owned enterprise.

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payables	Borrowings	Amounts due to related parties	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2021	—	15,560	2,281	674	18,515
Financing cash flows	—	(9,960)	2,369	(354)	(7,945)
Interest paid	(345)	—	—	(33)	(378)
Interest expense recognised (<i>Note 10</i>)	345	—	—	33	378
Exchange realignment	—	—	62	(4)	58
As at 31 March 2022	—	5,600	4,712	316	10,628
Financing cash flows	—	1,811	(512)	(456)	843
Interest paid	(98)	(252)	(216)	(10)	(576)
Interest expense recognised (<i>Note 10</i>)	98	252	216	10	576
Acquisition of a subsidiary	—	1,275	—	640	1,915
Deregistration of a subsidiary	—	—	—	(159)	(159)
As at 31 March 2023	—	8,686	4,200	341	13,227

40. TRANSFERS OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 March 2023 that were transferred to lender by endorsing these receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the receivables, it continues to recognise the full carrying amounts of the trade receivables and has recognised the relevant borrowings (*Note 25*). These financial assets are carried at amortised cost, net of allowance for credit losses, in the Group's consolidated statement of financial position.

	2023 HK\$'000	2022 HK\$'000
Carrying amounts of transferred assets — trade receivable (net of allowance for credit losses)	—	—
Carrying amounts of associated liabilities — borrowings	(5,600)	(5,600)
Net position	(5,600)	(5,600)

41. CONTINGENT LIABILITIES

On 20 January 2020, the Company received a third-party notice with legal case no. HCA1643/2019 between the Barton Eagle Limited (the “**Plaintiff**”), Lam Tak Hung (the “**Defendant**”) and the Company. The Plaintiff claimed against the Defendant for approximately HK\$8 million under a guarantee for debts owned by the Company. The Defendant claims against the Company to be indemnified against the plaintiff’s claim and the cost of this action on the grounds that the Company are the principal debtor of the alleged debt. The management of the Company is seeking the legal opinion for the above case.

Up to the date of this report, the outcome of the proceedings is still uncertain. As the directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group’s consolidated statement of financial position, no provision was made as at 31 March 2023.

Apart from the contingent liabilities disclosed on the above, the Group has no other significant contingent liabilities.

42. EVENTS AFTER THE REPORTING PERIOD

There was no significant events after the reporting period for the year ended 31 March 2023.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2023.

FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last five financial years are as follows:

RESULTS

	Years ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	66,397	126,181	250,599	334,586	323,506
Loss before tax	(26,374)	(60,447)	(34,417)	(18,344)	(8,327)
Income tax expense	(74)	—	(169)	(1,133)	(1,386)
Loss for the year	(26,448)	(60,447)	(34,586)	(19,477)	(9,713)
Attributable to:					
Owners of the Company	(26,300)	(60,447)	(34,581)	(19,474)	(9,789)
Non-controlling interest	(148)	—	(5)	(3)	76
	(26,448)	(60,447)	(34,586)	(19,477)	(9,713)

ASSETS, EQUITY AND LIABILITIES

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
ASSETS					
Non-current assets	16,283	219	5,849	3,123	20,513
Current assets	23,014	56,062	81,313	181,430	183,675
Total assets	39,297	56,281	87,162	184,553	204,188
EQUITY AND LIABILITIES					
(Total capital deficiency)/total equity	(5,703)	(28,051)	31,057	63,518	63,352
Non-current liabilities	—	—	315	—	—
Current liabilities	45,000	84,332	55,790	121,035	140,836
Total liabilities	45,000	84,332	56,105	121,035	140,836
Total equity and liabilities	39,297	56,281	87,162	184,553	204,188