



**Huasheng International Holding Limited**  
**華盛國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1323)**

**ANNUAL  
REPORT  
2019/2020**





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# Corporate Information

## Executive Directors

Mr. Wong Wai Sing (*Chairman and Chief Executive Officer*)  
Mr. Chan Kin Lung  
Mr. Wong Jeffrey

## Independent Non-executive Directors

Mr. Kwok Kam Tim  
Mr. Tso Ping Cheong, Brian

## Audit Committee Members

Mr. Kwok Kam Tim (*Chairman*)  
Mr. Tso Ping Cheong, Brian

## Remuneration Committee Members

Mr. Kwok Kam Tim (*Chairman*)  
Mr. Tso Ping Cheong, Brian

## Nomination Committee Members

Mr. Tso Ping Cheong, Brian (*Chairman*)  
Mr. Kwok Kam Tim

## Authorised Representatives

Mr. Wong Jeffrey  
Ms. Chan Chiu Wing

## Company Secretary

Ms. Chan Chiu Wing

## Listing Information

Main Board of  
The Stock Exchange of Hong Kong Limited  
Stock Code: 1323

## Company's Website

[www.huashengih.com](http://www.huashengih.com)

## Registered Office

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

## Principal Place of Business in Hong Kong

Suites 2804-07, 28/F.  
Shui On Centre  
6-8 Harbour Road, Wanchai  
Hong Kong

## Principal Share Registrar and Transfer Office in Cayman Islands

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

## Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong

## Principal Bankers

Bank of East Asia, Limited  
Bank of Communications Co. Ltd.  
Hong Kong Branch

## Auditor

ZHONGHUI ANDA CPA Limited  
Unit 701, 7/F  
Citicorp Centre  
18 Whitfield Road  
Causeway Bay, Hong Kong

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Director(s)**”) of Huasheng International Holding Limited (the “**Company**”), I am pleased to present to you the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2020 (the “**Year**”).

## Result of the Group

During the Year, the Group recorded a revenue of approximately HK\$213.5 million (2018/19: approximately HK\$115.2 million), representing an increase of 85.3% as compared to the same period last year. The increase was mainly due to the completion of acquisition of the remaining 80% of the issued share capital of Alpha Youth Limited (“**Alpha Youth**”) in January 2020. Loss attributable to owners of the Company for the Year amounted to approximately HK\$78.2 million as compared to approximately HK\$15.5 million last year. The increase in loss for the Year was mainly due to the increase in other losses which mainly comprised of (i) loss on deemed disposal of associates; (ii) impairment loss on goodwill from digital technology business; (iii) impairment loss on other intangible assets from education business; and (iv) net impairment loss on loan receivables. These negative drivers were partially offset by the increase in gross profit and the decrease in finance costs.

## Dividend

The Directors do not recommend for payment of a final dividend for the year ended 31 March 2020.

## Prospect

Alpha Youth, together with its subsidiaries (“**Alpha Youth Group**”), is principally engaged in the sales and production of ready-mixed concrete in Hainan Province, People's Republic of China (the “**Concrete Business**”). Since the acquisition of 20% of the issued share capital of Alpha Youth in February 2018, management of the Company continued to evaluate its financial performance and assess the economic benefit to the Group. With the positive and stable financial performance of Alpha Youth Group, the Group has exercised the call option to acquire the remaining 80% of the issued share capital of Alpha Youth and the acquisition was subsequently completed during the Year. Since then the accounts of Alpha Youth Group has been consolidated to the Group's financial statements and the Concrete Business has become one of the Group's principal businesses. For the Year, revenue generated from the Concrete Business amounted to approximately HK\$91.8 million, representing approximately 43.0% of the total revenue generated by the Group. Performance of the Concrete Business is more than satisfactory given the disastrous impact of COVID-19 pandemic which had disrupted its business operation.

# Chairman's Statement

For the years ended 31 March 2019 and 2020, the segment loss incurred by our digital technology business was approximately HK\$1.8 million and HK\$2.0 million respectively. We evaluated the keen competition in the digital technology market, potential growth and profit generating ability of the business and decided to divert our resources towards other business segments. In June 2020, the Group has disposed the business to an independent third party at an aggregate consideration of HK\$30.0 million. We believe the disposal provides an opportunity for the Group to realise a capital gain and generate additional financial resources for the Group. After the disposal, the Group will have additional working capital for existing operations of the Group and/or for future investments if opportunities arise. Looking ahead, the Group will continue to streamline our business operations by disposing loss making business segment(s) and will focus the Group's resources on profit making business segments.

With the actual impact of COVID-19 pandemic to the Group is yet to determine, the local social unrest and tense international political tension, we expect the coming years will be full of challenges. The Group will further enhance and strengthen our risk management and internal control systems to safeguard and maximise shareholder's return. We are looking to the future with confidence and are excited about the opportunities and challenges that lie ahead. We are committed to continue to explore new markets and opportunities with an aim to enhancing the competitiveness of the Group and ultimately achieve positive returns for our shareholders.

## Gratitude

I wish to take this opportunity to thank my fellow Directors, the management and all our staffs for their continuous dedication, commitment and hard work throughout the past years. Thank you also to our business associates, suppliers, customers and most importantly our shareholders and investors for keeping faith in us. Together, we shall take the Group towards success.

**Wong Wai Sing**

*Chairman*

19 June 2020

# Management Discussion and Analysis

## Business and Financial Review

During the year, the Group has been engaged in (i) wholesale and retail of household consumables (“Household Consumables Business”); (ii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); (iii) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”); (iv) provision of money lending services (“Money Lending Business”); and (v) production and sales of ready-mixed commercial concrete (“Concrete Business”). Besides, the Group has suspended the operations of its coal trading business due to the uncertainty in the recovery of the trade receivables due from its sole customer.

The Group recorded a net loss attributable to owners of the Company of approximately HK\$78.2 million as compared to approximately HK\$15.5 million for the year ended 31 March 2019.

## Revenue

The Group’s revenue increased by approximately HK\$98.3 million or 85.3% from approximately HK\$115.2 million for the year ended 31 March 2019 to approximately HK\$213.5 million for the corresponding period in 2020.

The following table sets forth a breakdown of the Group’s revenue by segments and geographical locations and as a percentage of the Group’s total revenue for the year ended 31 March 2020, with comparative figures for the corresponding period in 2019:

	Year ended 31 March			
	2020 HK\$’000	2020 %	2019 HK\$’000	2019 %
By segment:				
Concrete Business	91,821	43.0	–	–
Household Consumables Business	53,796	25.2	44,533	38.7
Digital Technology Business	763	0.4	2,021	1.8
Education Business	10,312	4.8	16,722	14.5
Money Lending Business	56,764	26.6	51,888	45.0
Total	213,456	100.0	115,164	100.0

# Management Discussion and Analysis

## Business and Financial Review (Continued) Revenue (Continued)

	Year ended 31 March			
	2020 HK\$'000	2020 %	2019 HK\$'000	2019 %
By geographical location:				
The People's Republic of China (the "PRC")	93,184	43.7	9,791	8.5
United Kingdom (the "UK")	53,796	25.2	44,533	38.7
Hong Kong	66,476	31.1	60,840	52.8
Total	213,456	100.0	115,164	100.0

The acquisition of Concrete Business was completed on 6 January 2020 and the segment contributed approximately HK\$91.8 million revenue to the Group since its acquisition. The Group is confident that Concrete Business would be the major revenue generator of Group. As it was newly acquired during the year, no comparative information for this business is shown.

The Group's revenue from Household Consumables Business increased by approximately HK\$9.3 million or 20.8% from approximately HK\$44.5 million for the year ended 31 March 2019 to approximately HK\$53.8 million for the corresponding period in 2020 was mainly due to increase in sales volume resulted from a returned customer which doubled their orders compared with corresponding period in 2019.

Revenue from Digital Technology Business decreased by approximately HK\$1.3 million from approximately HK\$2.0 million for the year ended 31 March 2019 to approximately HK\$0.8 million during the corresponding period in 2020 was mainly due to intensive competition among the industry that involved many large-scale, well-funded and experienced participants, especially in the PRC which resulted in a significant decrease in sales volume.

Revenue from Education Business decreased by approximately HK\$6.4 million or 38.3% from approximately HK\$16.7 million for the year ended 31 March 2019 to approximately HK\$10.3 million during the corresponding period in 2020 was mainly due to decrease in number of participants enrolled in English language proficiency tests especially held in the PRC.

Revenue from Money Lending Business increased by approximately HK\$4.9 million or 9.4% from approximately HK\$51.9 million for year ended 31 March 2019 to approximately HK\$56.8 million during the corresponding period in 2020 was due to increase in average loan portfolio to customers from approximately HK\$287.9 million for the year ended 31 March 2019 to approximately HK\$304.7 million for the corresponding period in 2020.

# Management Discussion and Analysis

## Business and Financial Review (Continued)

### Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and the gross profit margin by business segment for the year ended 31 March 2020, with comparative figures for the corresponding period in 2019:

	Year ended 31 March			
	2020 HK\$'000	2020 GP%	2019 HK\$'000	2019 GP%
By segment:				
Concrete Business	11,322	12.3	–	–
Household Consumables Business	10,486	19.5	8,614	19.3
Digital Technology Business	(36)	–	680	33.6
Education Business	7,245	70.3	9,791	58.6
Money Lending Business	56,764	100.0	51,888	100.0
Overall	85,781	40.2	70,973	61.6

Gross profit increased by approximately HK\$14.8 million or 20.9% from approximately HK\$71.0 million for the year ended 31 March 2019 to approximately HK\$85.8 million year-on-year.

Since Concrete Business was acquired during the year, no comparative information for the business is shown. The gross profit margin for Concrete Business for the year ended 31 March 2020 is approximately 12.3%. In view of the prospect and future profitability of Concrete Business, the Group is confident that the overall gross profit would be significantly improved in the coming year by the positive gross profit margin contribution from Concrete Business.

The Group's gross profit margin for Household Consumables Business remained constant at approximately 19% for both years ended 31 March 2020 and 2019.

Performance of Digital Technology Business significantly deteriorate and resulted in gross loss for the year ended 31 March 2020 due to the decrease in sales volume due to keen competition in the PRC while cost of services which primarily comprised of labour cost remains fixed and constant.

The gross profit margin for Education Business increased from approximately 58.6% for the year ended 31 March 2019 to approximately 70.3% for the same corresponding period in 2020 as the demand from provision of educational technology solutions through online education programs increased, which has a higher profit margin as compared to the provision of English language proficiency tests services.

The gross profit margin for Money Lending Business is 100% for both years ended 31 March 2020 and 2019 and continue contributed a positive impact to the Group's gross profit margin.



# Management Discussion and Analysis

## **Business and Financial Review** *(Continued)*

### **Other Income**

Other income mainly consists of bank interest income, rental income and litigation income. Other income decreased by approximately HK\$0.7 million from approximately HK\$1.5 million for the year ended 31 March 2019 to approximately HK\$0.8 million for the corresponding period in 2020 due to the disposal of an indirectly wholly-owned subsidiary, Treasure Profit Limited during the year ended 31 March 2019, which held a commercial property in Hong Kong and generated rental income approximately HK\$1.2 million to the Group during year ended 31 March 2019; while approximately HK\$0.1 million rental income was recognised for the corresponding period in 2020.

### **Other Gains and Losses, Net**

Other gains and losses, net for the year ended 31 March 2020 mainly comprise of impairment loss on goodwill arising from Digital Technology Business of approximately HK\$8.2 million, impairment loss on other intangible assets from Education Business of approximately HK\$13.2 million, impairment loss on loan receivables, net of approximately HK\$28.1 million and loss on deemed disposal of associates of approximately HK\$17.0 million; whereas offset by the reversal of impairment loss on trade, retention and other receivables of approximately HK\$12.3 million.

For the corresponding period in 2019, the other gains and losses, net mainly comprise of fair value loss on derivative financial asset of approximately HK\$28.6 million and impairment loss on goodwill arising from Digital Technology Business of approximately HK\$7.0 million; whereas such loss was partially offset by a fair value gain on investments at fair value through profit or loss ("FVTPL") of approximately HK\$12.4 million, reversal of impairment loss on loan receivables of approximately HK\$8.6 million and net gain on sales of trade receivables and payables to an independent third party of approximately HK\$36.4 million.

Further details in relation to the above impairment losses are discussed under paragraphs headed "Impairments" in this report.

### **Selling and Distribution Expenses**

Selling and distribution expenses mainly consist of transportation expenses, staff cost for distribution staff and commissions paid to sales agents. Approximately HK\$13.2 million was recognised during the year ended 31 March 2020 which increased by approximately HK\$12.6 million compared with the corresponding period in 2019. The significant increase due to the acquisition of Concrete Business during the year ended 31 March 2020 which became the largest scale of business operation among the Group's existing businesses.

### **Administrative Expenses**

Administrative expenses mainly consist of staff costs (including directors' remuneration), legal and professional fees, consultancy fees and depreciation charges. Administrative expenses increased by approximately HK\$14.4 million or 23.9% from approximately HK\$60.1 million for the year ended 31 March 2019 to approximately HK\$74.5 million for the corresponding period in 2020 mainly due to the increase in staff benefits; the increase in administrative expenses in relation to Concrete Business, which was acquired in January 2019 and legal and professional fee incurred for the acquisition of the remaining 80% equity interest in Alpha Youth Limited during the year.

# Management Discussion and Analysis

## Business and Financial Review *(Continued)*

### Finance Costs

Finance costs mainly represent interest expenses on convertible bonds, promissory notes, other borrowings and unsecured bonds. The finance costs decreased by approximately HK\$22.8 million or 47.3% from approximately HK\$48.1 million for the year ended 31 March 2019 to approximately HK\$25.4 million for corresponding period in 2020 due to gradual early redemption of convertible bonds at an aggregate principal amount of HK\$100.0 million during the years ended 31 March 2019 and 2020.

### Loss before Income Tax

The Group recorded a loss before income tax of approximately HK\$82.9 million for the year ended 31 March 2020 as compared to approximately HK\$4.2 million for the year ended 31 March 2019. The increase in loss for year ended 31 March 2020 was mainly due to the increase in other losses which mainly comprised of loss on deemed disposal of associates of approximately HK\$17.0 million, impairment loss on goodwill from Digital Technology Business and impairment loss on other intangible assets from Education Business totalling of approximately HK\$21.4 million; legal and professional fee incurred in the acquisition of Alpha Youth Limited of approximately HK\$12.7 million and net impairment loss on loan receivables of approximately HK\$28.1 million. These negative drivers were partially offset by the increase in gross profit of approximately HK\$14.8 million primarily arising from Money Lending Business and the newly acquired Concrete Business and the decrease in finance costs of approximately HK\$22.8 million.

### Income Tax (Credit) Expense

The Group recorded an income tax credit of approximately HK\$4.7 million during the year ended 31 March 2020 as compared to an income tax expense of approximately HK\$7.7 million during the year ended 31 March 2019. The subsidiaries operating in Hong Kong were subject to Hong Kong Profits Tax at two-tiered profits tax rates regime for the year ended 31 March 2020. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of the qualifying group entity is calculated at 8.25%, and for profits above HK\$2.0 million is taxed at 16.5% (2019: 16.5%). For the subsidiaries operating in the PRC, pursuant to the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Regulation on the implementation of the EIT Law, the general enterprise income tax rate of the PRC entities was 25% from 1 January 2008 onwards, the majority subsidiaries operating in the PRC was subject to a tax rate of 25% (2019: 25%) except for subsidiaries which were recognised as a high and new technology enterprise is subject to a preferential tax rates ranged from 12.5% to 15% (2019: 15%) and a subsidiary which has been granted for a "two plus three" tax concessions in which the subsidiary is entitled to have two-year income tax holiday and three-year half income tax holiday. For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both years.

The major reasons for the significant change in income tax for the year was mainly due to (i) increase in deferred tax credit related to the amortisation and impairment loss on other intangible assets, which mainly comes from Education Business and the newly acquired Concrete Business, amounted to approximately HK\$2.6 million, (ii) the deferred tax credit related to the provision of impairment loss on loan receivables amounted to approximately HK\$2.6 million and the (iii) overprovision of profit tax for the Group for the year ended 31 March 2020 amounted to approximately HK\$2.2 million.

# Management Discussion and Analysis

## Business and Financial Review *(Continued)*

### Impairments

During the year under review, the Group had the following impairments:

- (a) The Group had recognised impairment losses on goodwill of approximately HK\$8.2 million in relation to Digital Technology Business. The recoverable amount of this unit of business has been determined based on its fair value less cost of disposal with reference to the agreed consideration amounted to HK\$30.0 million stated in the sale and purchase agreement entered by the Group and purchaser on 15 June 2020.
- (b) Impairment losses were recognised on other intangible assets of approximately HK\$13.2 million in relation to Education Business. An independent professional valuer was engaged to perform impairment assessment and found that the recoverable amount of the respective cash generating unit was less than the carrying amount of this business segment. Thus impairment on the other intangible asset is considered necessary. The impairment loss was mainly attributable to the increase in competition among other market participants and the change in customers' needs, which led to reduce the growth rate in our cashflow projection.
- (c) net impairment loss recognised on loan receivables of approximately HK\$28.1 million as those customers were in financial difficulties and default in repayment. The Group considered that the recoverability of the amounts due to these customers is remote.

### Total Comprehensive Loss for the Year Attributable to Owners of the Company

The total comprehensive loss for the year attributable to owners of the Company approximately HK\$83.7 million for the year ended 31 March 2020 as compared to approximately HK\$20.9 million for the year ended 31 March 2019.

### Liquidity and Financial Resources

As at 31 March 2020, the Group had indebtedness comprising promissory notes, liability component of convertible bonds, interest-bearing unsecured bond and long term loans amounting to approximately HK\$318.1 million (2019: approximately HK\$189.6 million).

As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$18.2 million (2019: approximately HK\$45.4 million) which were mainly denominated in HK\$, RMB and GBP.

As at 31 March 2020, the Group's current ratio, calculated based on current assets over current liabilities, was approximately 1.8 (2019: approximately 1.7), reflecting the abundance of financial resources. The Group's gearing ratio was approximately 43.1% (2019: approximately 48.0%), calculated based on the total debts of approximately HK\$318.1 million (2019: approximately HK\$189.6 million) over shareholder's equity of approximately HK\$738.3 million (2019: approximately HK\$395.2 million).

# Management Discussion and Analysis

## Business and Financial Review *(Continued)*

### Capital Structure

The capital structure of the Group as at 31 March 2020 are summarised as follows:

#### **(A) Share Capital**

As at 31 March 2020, the Company has 3,274,758,672 ordinary shares (2019: 2,423,783,201 ordinary shares) in issue with total shareholders' equity of the Group amounted to approximately HK\$738.3 million (31 March 2019: approximately HK\$395.2 million).

During the year ended 31 March 2020, the Company issued total of 850,975,471 ordinary shares in which 397,300,000 ordinary shares by way of placing, 1,600,000 ordinary shares through exercise of share options and 132,075,471 ordinary shares upon conversion of convertible bonds and 320,000,000 ordinary shares are issued and allotted as consideration shares.

#### **(B) Share Option**

On 29 August 2016, the Company granted 57,900,000 share options under the share option scheme of the Company adopted on 26 February 2015 to certain Directors and employees at an exercise price of HK\$0.48 per share, which were vested immediately on the date of grant (i.e. 29 August 2016). All outstanding share options were lapsed on 28 August 2019.

#### **(C) Convertible Bonds**

##### *Convertible Bond 2019*

On 4 August 2017, the Company, as issuer, Mr. Wong Wai Sing, as guarantor, and Lead Thrive Investments Limited ("Lead Thrive"), as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK\$200.0 million with an initial conversion price at HK\$0.46 per share due on 10 August 2019 (the "Convertible Bonds 2019"). The Convertible Bonds 2019 was issued on 11 August 2017.

During the year ended 31 March 2020, the Company, Mr. Wong Wai Sing and Lead Thrive entered into several deeds of amendments to amend certain terms and conditions of the Convertible Bonds 2019. Details of the amendments and the movement of the Convertible Bond 2019 are set out in note 20 to the consolidated financial statement of this report.

During the year ended 31 March 2020, no Convertible Bonds 2019 has been converted into shares of the Company. As at 31 March 2020, the outstanding principal amount of the Convertible Bonds 2019 was HK\$100.0 million, representing a maximum of 188,679,245 new shares may be issued upon its full conversion.

# Management Discussion and Analysis

## Business and Financial Review (Continued)

### Capital Structure (Continued)

#### (C) Convertible Bonds (Continued)

##### Convertible Bond 2023

The Company issued a non-interest bearing convertible bond (the “Convertible Bond 2023”) in the principal amount of HK\$70.0 million as part of consideration for the acquisition of 80% equity interest of the Alpha Youth Limited on 6 January 2020. All the Convertible Bond 2023 have been converted into 132,075,471 ordinary shares of the Company during the year ended 31 March 2020 at conversion price of HK\$0.53 per share.

#### (D) Promissory notes

Summary of the promissory notes movement during the year ended 31 March 2020 are as follows. Further details are set out in note 29 to the consolidated financial statements of this report:

Date of issue	Maturity date	Interest rate per annum	Principal amount (HK\$)		
			As at 31.03.2019	Redeemed during the year	As at 31.03.2020
15 February 2018 <sup>1</sup>	15 February 2020	–	15,500,000	15,500,000	–
6 January 2020 <sup>2</sup>	6 January 2021	2%	36,000,000	36,000,000	–
6 January 2020 <sup>2</sup>	6 January 2022	2%	36,000,000	16,000,000	20,000,000
6 January 2020 <sup>2</sup>	6 January 2023	2%	60,942,624	–	60,942,624
Total			148,442,624	67,500,000	80,942,624

Notes:

1. The promissory note was issued as part of the consideration for the acquisition of the 20% issued share capital of Alpha Youth Limited.
2. The promissory notes were issued as part of the consideration for the acquisition of the remaining 80% issued share capital of Alpha Youth Limited.

Details of borrowings of the Group are set out in note 27 of this report.

#### Currency and Interest Rate Exposure

Certain sales transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risks. Currently, the Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Certain monetary financial assets are denominated in foreign currencies as at 31 March 2020. The exposure in exchange rate risks mainly arose from fluctuations of United States Dollar (“USD”), British Pound (“GBP”) and Renminbi (“RMB”) to Hong Kong Dollar (“HKD”). The Group’s currency risk exposure in relation to the monetary financial assets is expected to be minimal as USD is pegged with HKD.

The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the Group’s bank balances and the Group’s exposure to interest rate risk on bank balances is expected to be minimal.

# Management Discussion and Analysis

## Business and Financial Review (Continued)

### Charge on Assets

As at 31 March 2020, the Group did not have any assets under charge or pledged (2019: Nil).

### Contingent Liabilities

As at 31 March 2020, the Group did not have any contingent liabilities or guarantee that would have a material impact on the financial position or results of operations (2019: Nil).

### Capital Commitment

As at 31 March 2020, the Group had the following commitments:

	2020 HK\$'000	2019 HK\$'000
Capital commitment contracted but not provided for:		
Limited partnership interest	26,610	–

### Operating Lease Commitments

#### The Group as Lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	–	11,520
In the second to fifth years, inclusive	–	14,945
	–	26,465

Upon the initial application of HKFRS 16 on 1 April 2019, operating lease commitments was remeasured and recognised as adjustments to the lease liabilities immediately after the date of initial application. Hence, there was no operating lease commitment as at 31 March 2020.

#### The Group as Lessor

As at 31 March 2020, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	50	–
In the second to fifth years, inclusive	–	–
	50	–

# Management Discussion and Analysis

## Material Acquisition

On 27 September 2019, Bright World Investment Limited, a wholly-owned subsidiary of the Company as purchaser, issued an option notice to Mr. Zhou Fengtang, as vendor to exercise the call option and entered into a sale and purchase agreement in relation to the acquisition of the remaining 80% of the issued share capital of Alpha Youth Limited (together with its subsidiaries the “Alpha Youth Group”) at consideration of RMB390,038,400 (equivalent to HK\$432,942,624) (the “Acquisition Agreement”). The consideration shall be settled in (i) HK\$20.0 million in cash upon signing the Acquisition Agreement; (ii) HK\$50.0 million in cash upon completion; (iii) HK\$160.0 million by the allotment and issue of 320.0 million consideration shares at the issue price of HK\$0.5 per consideration share by the Company to the vendor upon completion; (iv) HK\$70.0 million by issue of convertible bond at conversion price of HK\$0.53 per conversion share by the Company to the vendor upon completion; and (v) remaining of HK\$132,942,624 by issue of three promissory notes in respective principal amounts of HK\$36.0 million, HK\$36.0 million and HK\$60,942,624 by the Company upon completion.

The Alpha Youth Group is principally engaged in production and sales of ready-mixed commercial concrete in Hainan province, the PRC. The acquisition was completed on 6 January 2020 and Alpha Youth Group became an indirectly wholly-owned subsidiary of the Company since then.

Details of the acquisition are set out in the circular of the Company dated 9 December 2019 and announcements of the Company dated 27 September 2019 and 6 January 2020.

## Fund Raising Activities

The Group has conducted three placing of shares (the “Placing”) under the general mandate during the year ended 31 March 2020.

The placing shares of each placing were allotted and issued to not less than six placees, who and whose ultimate beneficial owners (if applicable) are independent third parties as defined under the rules governing the listing of securities on the Stock Exchange. All newly issued placing shares rank pari passu in all respects with the existing shares.

The Directors considered that the Placing represented an opportunity to raise additional funding for the business operations of the Group and would strengthen the Group’s financial position, and enlarge shareholders’ base of the Company which might in turn enhance the liquidity of the shares, and provide working capital to the Group to meet any financial obligations of the Group.



# Management Discussion and Analysis

## Fund Raising Activities (Continued)

Details of the Placing and the use of the proceeds which has been fully utilised are set as below:

Date and particulars of the placing	Closing market price per share of the Company on the date on which the terms of the issue were fixed (HK\$)	Gross and Net proceeds raised (HK\$)	Intended use of proceeds	Actual use of proceeds as at 31 March 2020
Placing of 84,500,000 ordinary shares under general mandate on 29 April 2019 at placing price of HK\$0.53 per share	0.57	Approximately 44.79 million (Gross) 43.65 million (Net) (approximately HK\$0.517 per share)	(i) approximately HK\$30.0 million for business development of Money Lending Business; and	(i) approximately HK\$30.0 million for the business development of Money Lending business; and
			(ii) approximately HK\$13.65 million for general working capital of the Group	(ii) approximately HK\$13.65 million for general working capital of the Group, of which approximately HK\$10.5 million being used for partial repayment of promissory notes of the Company
Placing of 152,800,000 ordinary shares under general mandate on 11 November 2019 at placing price of HK\$0.46 per share	0.52	Approximately 70.0 million (Gross) 68.0 million (Net) (approximately HK\$0.445 per share)	(i) approximately HK\$28.0 million for the payment of interest of the convertible bonds of the Company; and	fully utilised as intended
			(ii) approximately HK\$40.0 million for funding the acquisition of 80% of the issued share capital of Alpha Youth Limited	
Placing of 160,000,000 ordinary shares under general mandate on 23 January 2020 at placing price of HK\$0.44 per share	0.53	Approximately 70.4 million (Gross) 67.3 million (Net) (approximately HK\$0.421 per share)	(i) approximately HK\$30.0 million for general working capital; and	fully utilised as intended
			(ii) approximately HK\$37.3 million for repayment of bonds and its accrued interest and the interest of convertible bonds.	

Further details are set out in the announcements of the Company dated 15 April 2019, 29 April 2019, 21 October 2019, 11 November 2019, 7 January 2020 and 23 January 2020.



# Management Discussion and Analysis

## Significant Investments Held

The Group completed acquisition of 20% equity interest of Alpha Youth Limited in February 2018. Alpha Youth Group, as an associate, contributed approximately HK\$12.9 million to the Group during the year ended 31 March 2020. On 27 September 2019, the Group exercised its call option to acquire the remaining 80% of the issued share capital of Alpha Youth Limited and the acquisition was completed in January 2020 and it became an indirectly wholly-owned subsidiary of the Group.

Save as aforesaid or as otherwise disclosed herein, there was no other significant investment made during the year ended 31 March 2020.

## Significant Event after the Reporting Period

Details of events after the reporting period had been disclosed in note 42 to the consolidated financial statements of this report.

Other than disclosed above, there is no significant event after the reporting period that should be notified to shareholders of the Company.

## Employee Information and Remuneration Policy

As at 31 March 2020, the Group employed a total of 300 (31 March 2019: 72) employees. During the year ended 31 March 2020, staff costs, including directors' emoluments under the continuing operations, amounted to approximately HK\$38.3 million (2019: approximately HK\$34.4 million).

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefits.

The Company adopted the share option scheme on 26 February 2015, where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group.

## Impact by COVID-19 Outbreak On The Group's Performance

The outbreak of COVID-19 poses threats to the global economy. As the development of such epidemic remains to be unpredictable, the extent of its impact on the global economy is subject to much uncertainty. The industries which the Group operates in may be directly or indirectly affected. However, as most countries around the world are implementing countermeasures to try to slow down or stop the spreading of the epidemic, most part of the world are starting to get back on its feet and resume work and production. In addition, the PRC, Hong Kong and UK government have introduce measures to stimulate economic growth after the COVID-19 outbreak. The Group will continue to closely monitor the development of COVID-19 on the industry the Group operates in, and plan proactively to its impact on the financial position and operating results of the Group.

# Management Discussion and Analysis

## Prospects

The newly acquired Concrete Business has demonstrated its financial stability and resilience during the global political turmoil and operational disruption caused by the COVID-19 pandemic and it has contributed a strong and stable revenue to the Group. Looking ahead, we will adopt a cautious approach to explore potential investment and/or business opportunities, mainly focusing on the sales and production of concrete or in building and construction industry, with a target to find new growth drivers to support the long term development of the Group.

## Concrete Business

The Group completed the acquisition of the remaining 80% equity interest of Alpha Youth Limited in the last quarter of the financial year ended 31 March 2020 and since then, the Group have commenced to engage in production and sales of ready-mixed commercial concrete in Haikou City, Hainan Province, the PRC. With the strong demand for concrete in Hainan Province in the coming years, together with good relationship between the suppliers and the signed framework agreements with the customers, the Group believes the future demand of concrete is secured with a stable supply of raw materials for production of concrete. The Group expects that Concrete Business would contribute significant revenue and profit and help to overturn the loss making situation of the Group in the past few years.

## Household Consumables Business

During the year ended 31 March 2020, there was an increase in revenue while the gross profit margin remained constant. The Group purchased two warehouses in the United Kingdom in June 2019 for future expansion of Household Consumables Business, which provides more storage space to increase its product portfolio for wholesaling and retailing. With the expansion of the sales team, new business opportunities and new product mix will continue to be further explored. Furthermore, with the increased number of business from the returning customers, the Group expects the revenue of this business segment would increase in the near future.

## Education Business

The never ending demand for education-related products and services in Hong Kong and the PRC drives the continuous growth in this industry as a whole. The Company believes that the positive industry outlook will attract more entrants, which could induce more intense competition. The Group will continue to assess the performance and potential growth in this segment.

## Money Lending Business

Money Lending Business continues to contribute a stable and favorable income stream to the Group. Money Lending Business is one of the third-tier licensed money lenders in Hong Kong, with the growing money lender market in Hong Kong, the Group is a small but resilient market player in the industry relying on our stringent and continuous risk assessment procedures. With the continual growth in the money lending business market in Hong Kong, the board believes that Money Lending Business will provide an excellent platform for the Group to expand, explore and capitalize this business market. In considering of the deteriorating economy, the Group will continue to develop this business under prudent credit control procedures and strategies to balance between business growth and risk exposure.

# Directors and Senior Management

## Executive Directors

**Mr. Wong Wai Sing (“Mr. Wong”)**, aged 34, joined the Company in October 2011 and is currently the Chairman of the Board, Chief Executive Officer and an executive Director. Mr. Wong was also the Vice Chairman of the Company from October 2011 to June 2013, and the Chief Executive Officer of the Company from May 2012 to July 2014. Mr. Wong has taken up the management role as a director of a number of subsidiaries of the Company. Mr. Wong is a member of the Hong Kong Institute of Directors and a member of the Hong Kong Concrete Institute. Mr. Wong holds a Bachelor of Science degree in international trade and business from the Canterbury University, London, an international master degree of business administration from the Stratford University, Falls Church, Virginia, the United States of America and a master of arts from the Universidad Empresarial De Costa Rica. He also obtained a certificate of three-tiers’ integrate coal mine’s safety (三級煤礦安全技術綜合考試) from the Bureau of Xinjiang Coal Mine Safety Supervision, the PRC (中國新疆煤礦安全監察局).

Mr. Wong has experience in a wide range of businesses, including coal mining and trading in natural resources, provision of internet e-gaming, travel agent services, entertainment programme production and provision of motor vehicles beauty services. He also invested in companies with principal activities regulated under the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong (the “SFO”).

**Mr. Chan Kin Lung (“Mr. Chan”)**, aged 51, joined the Company in October 2013 as an executive Director and is the Chief Investment Officer of the Company. Mr. Chan holds a bachelor’s degree of Management of the Economy# (經濟管理) from the Air Force Engineering University of People’s Liberation Army, the PRC# (中國人民解放軍空軍工程大學) and holds a diploma of Senior Energy Valuer# (能源審計評估師(高級)) from the Ministry of Human Resources and Social Security of the PRC# (中華人民共和國人力資源和社會保障部). Mr. Chan has extensive experience in the coal mining industry (being both open-pits and undergrounds), exploration, exploitation, production in the Xinjiang Uyghur Autonomous Region, the PRC and the Guizhou Province, the PRC. Mr. Chan also has over 15 years of experience in corporate management. Mr. Chan adopted a proactive management approach and delivered outstanding performances in various areas, specifically in the areas of corporate managements and providing mining’s technical supports and solutions to the senior managements.

**Mr. Wong Jeffrey**, aged 33, was appointed as an executive Director in September 2015 and Chief Operating Officer of the Company in September 2016. He has taken up the management role as a director of a number of subsidiaries of the Company. He joined the Group in July 2013 as the chairman assistant and was subsequently promoted to the project coordinator and the senior project officer of Bright Rising Enterprise Limited, a wholly-owned subsidiary of the Company, in July 2014 and January 2015 respectively.

Mr. Wong Jeffrey obtained a Bachelor degree of Applied Science (Laboratory Medicine) from the Royal Melbourne Institute of Technology University in Australia in 2008 and a Master degree of Business Administration (International) from the Deakin University in Australia in 2013. Mr. Wong Jeffrey is also a member of the Hong Kong Institute of Directors and a member of the Hong Kong Concrete Institute. Prior to joining the Group, Mr. Wong Jeffrey worked as medical scientist in various hospitals in Australia from February 2007 to June 2013.

# Directors and Senior Management

## Independent Non-Executive Directors

**Mr. Kwok Kam Tim (“Mr. Kwok”)**, aged 43, joined the Company in April 2012 as an independent non-executive Director. Mr. Kwok is currently the Chairman of each of the Audit Committee and the Remuneration Committee of the Company, and a member of the Nomination Committee of the Company. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Kwok holds a Bachelor of Engineering degree from the Hong Kong University of Science and Technology, a Bachelor of Arts degree in Accountancy and a Master degree in Corporate Governance from the Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 18 years of experience in accounting, auditing and financial management.

Mr. Kwok is currently a financial controller of Silk Road Logistics Holdings Limited (stock code: 988), a company listed on the Main Board of the Stock Exchange.

**Mr. Tso Ping Cheong, Brian (“Mr. Tso”)**, aged 40, joined the Company in February 2015 as an independent non-executive Director. Mr. Tso is currently the Chairman of the Nomination Committee of the Company, and a member of each of the Audit Committee and Remuneration Committee of the Company. He graduated from the Hong Kong Polytechnic University in Hong Kong, with a bachelor’s degree of arts in accountancy in November 2003 and obtained a master degree of corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. Tso has over 16 years of experience in accounting and financial management. From September 2003 to July 2007 and August 2007 to November 2008, Mr. Tso worked at Ernst & Young Hong Kong office and Ernst & Young Shenzhen office, a multinational accounting firm, respectively, with the last position as manager. Mr. Tso is currently a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Since January 2013, Mr. Tso has been the sole proprietor of Teton CPA Company, an accounting firm. Mr. Tso is currently an independent non-executive director of each of Shenglong Splendecor International Limited (stock code: 8481), Guru Online (Holdings) Limited (stock code: 8121), EFT Solutions Holdings Limited (stock code: 8062) and Maxicity Holdings Limited (stock code: 8216), all companies listed on the GEM of the Stock Exchange. He was initially appointed as an independent non-executive director and the chairman of the board of Asia-Pac Financial Investment Company Limited (stock code: 8193), a company listed on the GEM of the Stock Exchange in July 2014, and subsequently resigned as an independent non-executive director in January 2018. Mr. Tso was an independent non-executive director of Larry Jewelry International Company Limited (stock code: 8351), a company listed on the GEM of the Stock Exchange, from October 2014 to September 2019.

# Directors and Senior Management

## Senior Management

**Mr. Chan Kin Yip (“CKY”)**, aged 47, has joined the Company as the Chief Financial Officer since September 2015. CKY has taken up the management role as a director of a number of subsidiaries of the Company. CKY graduated from The Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. He served as an internal control consultant of Evershine Group Holdings Limited (“Evershine”) (stock code: 8022) from September 2007 to March 2009 and was appointed as an executive director of Evershine from March 2009 to March 2012. He has extensive experience in the fields of audit, internal control and treasury and is a member of the Hong Kong Institute of Certified Public Accountants.

# The English translation of Chinese names or words above, where indicated, are indicated for information purpose only and should not be regarded as official English translation names of such Chinese names or words.

# Corporate Governance Report

The Company and the Board are devoted to achieve and promote a high standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholder's value and safeguarding interests of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles with emphasis on effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

## Compliance of the Code Provisions

Throughout the year, the Company has complied with all the code provisions contained in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules"), with the exception of the following deviations:

### Code provision A.2.1

The code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Wai Sing ("Mr. Wong") held the role of chairman of the Board ("Chairman") and chief executive officer of the Company during the year ended 31 March 2020.

The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

### Code provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders.

An independent non-executive Director was unable to attend the extraordinary general meeting of the Company held on 27 March 2020 due to other business engagements.

The Company will request all the independent non-executive Directors and other non-executive Director(s) (if any) to attend all future general meetings in order to comply with the code provision A.6.7 of the CG Code.

# Corporate Governance Report

## **Compliance of the Code Provisions** *(Continued)*

### **Code provision E.1.2**

The code provision E.1.2 of the CG Code stipulates, among other things, that the chairman of the board should attend the annual general meeting.

Mr. Wong, the Chairman, was unable to attend the annual general meeting held on 30 August 2019, the extraordinary general meeting held on 24 December 2019 and 27 March 2020 due to other commitment and Mr. Wong appointed Mr. Wong Jeffrey, an executive Director, to act as his representative and to take the chair of the general meetings and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

### **Rules 3.10(1) and 3.21**

Dr. Hui Chik Kwan had tendered his resignation as an independent non-executive Director, member of audit committee, remuneration committee and nomination committee of the Company with effect from with effect from 31 March 2020 as he desires to devote more time for his personal affairs. Following his resignation, the Company fails to meet the requirements of (i) having at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; and (ii) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules.

Pursuant to Rules 3.11 and 3.23 of the Listing Rules, the Company should appoint an additional independent non-executive Director within three months after failing to meet the requirements under Rules 3.10(1) and 3.21 of the Listing Rules. In this regard, the Company will use its best endeavor to identify a suitable candidate to fill the vacancy as soon as practicable. Further announcement(s) will be made by the Company in relation to such appointment(s) as and when appropriate.

### **Model Code for Securities Transactions**

The Company had adopted a code of conduct regarding directors' securities transactions with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company had made specific enquiries to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions throughout the year ended 31 March 2020.



# Corporate Governance Report

## Board

### Responsibilities

The Chairman provides leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value. The Directors are expected to make decisions objectively in the interests of the Company and its shareholders as a whole.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the internal control and risk management systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or re-appointment of Board members, auditor and company secretary;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to monitor and disclose with reasonable accuracy of the financial position of the Group. The Board updates shareholders on the operations and financial position of the Group through interim and annual reports and results announcements as well as the publication of timely reports and announcements of inside information and other disclosure required as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to the shareholders 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 empowers the executive Directors and senior management team to implement the decisions of the Board under the leadership of the CEO, with department heads responsible for different aspects of the business. CEO is responsible for overall operational management and reports to the Board. In entrusting management and administrative functions to the management team, the Board provides clear instructions regarding the powers delegated to management, and requires the prior approvals of the Board before or making important decisions and commitments on behalf of the Company.

The Board is of the view that there is adequate balance of power. Responsibilities for the Company's daily business management are shared amongst executive Directors. Besides, all major decisions are made in consultation with members of the Board and appropriate committees of the Board.



# Corporate Governance Report

## **Board** *(Continued)*

### **Composition**

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company.

The latest List of Directors and their Role and Function has been published on the websites of the Company and the Stock Exchange. As at the date of this annual report, the Board comprises three executive Directors namely Mr. Wong Wai Sing (Chairman and CEO), Mr. Chan Kin Lung and Mr. Wong Jeffrey; and two independent non-executive Directors, namely Mr. Kwok Kam Tim and Mr. Tso Ping Cheong, Brian. Biographical details of the Directors and their relationship (if any) are shown on pages 18 to 19 of this annual report and set out on the website of the Company.

Save for those disclosed under the sub-paragraph “Compliance of the Code Provisions – Rules 3.10(1) and 3.21” in this annual report, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise throughout the year ended 31 March 2020.

### **Insurance Cover**

The Company has arranged appropriate insurance cover in respect of any legal action against its directors and officers. The extent of insurance cover is reviewed on an annual basis.

### **Non-Executive Directors**

The Company has two independent non-executive Directors, namely Mr. Kwok Kam Tim and Mr. Tso Ping Cheong, Brian. The non-executive Directors advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board.

All independent non-executive Directors were appointed for a specific term of two years unless terminated by either party giving not less than one (1) month’s written notice. All Directors are subject to the retirement by rotation and re-election in accordance with the articles of association of the Company (the “Articles”), which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting.

Each of the independent non-executive Director has made written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the independent non-executive Directors are independent.

### **Appointment, Re-Election and Removal of Directors**

The Articles set out a formal procedure for the appointment of new Directors to the Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board 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 Report

## **Directors' and Auditor's Responsibilities for the Consolidated Financial Statements**

The Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the financial position of the Group and of the financial performance and cashflows for that period. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors also warrant that the Group's consolidated financial statements will be published in a timely manner.

In preparing the consolidated financial statements for the year ended 31 March 2020, the Board has selected suitable accounting policies and applied them consistently, prepared the consolidated financial statements on a going concern, fair and reasonable basis. As at 31 March 2020, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditor of the Company about their reporting responsibilities on the Group's consolidated financial statements for the year ended 31 March 2020 is set out in the section "Independent Auditor's Report" in this annual report.

## **Induction and Continuous Professional Training**

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company provided continuous professional training and Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates from time to time. In addition, all Directors were requested to provide the Company with the records of the other training they received. All Directors are also encouraged to attend relevant training courses at the Company's expense. The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, and the Company provides support whenever relevant and necessary.

During the year ended 31 March 2020, all Directors have participated in professional training relevant to the Group's business, the economy, market trends, corporate governance, rules and regulations, accounting, financial or other professional skills or directors' duties and responsibilities. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors' duties. The Company has received from each director his individual training record for the year.

# Corporate Governance Report

## Meetings

The Board meets at least four times each year and as business need arises. The Company's memorandum of association and the Articles provide for participation at meetings through telephone and other electronic means. The Directors have full access to information on the Group at all times whenever deemed necessary by the Directors.

The Board held 14 meetings during the year ended 31 March 2020. The attendance of each Director at the Board, committees and general meetings are as follows:

Directors	Number of meetings attended/eligible to attend				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meetings	General Meeting
<i>Executive Directors:</i>					
Mr. Wong Wai Sing (Chairman and CEO)	6/14	N/A	N/A	N/A	0/3
Mr. Chan Kin Lung	14/14	N/A	N/A	N/A	3/3
Mr. Lee Chi Shing, Caesar <sup>1</sup>	7/9	N/A	N/A	N/A	2/2
Mr. Wong Jeffrey	14/14	N/A	N/A	N/A	3/3
<i>Independent Non-Executive Directors:</i>					
Mr. Kwok Kam Tim	14/14	3/3	2/2	2/2	3/3
Dr. Hui Chik Kwan <sup>2</sup>	4/13	2/3	1/2	1/2	2/3
Mr. Tso Ping Cheong, Brian	7/14	3/3	2/2	2/2	3/3

Notes:

1. Resigned on 31 January 2020
2. Resigned on 31 March 2020

Reasonable notices have been given to all meetings of the Board. Directors are given all materials to enable the Board to make informed decision. Except for those circumstances permitted by the Articles, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration, will abstain from voting on the relevant resolution and such Director is not counted as quorum.

## Board Committees

The Board established the audit committee, remuneration committee and nomination committee (the "Committees") on 17 December 2010 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference. The independent views and recommendations of the Committees ensure proper control of the Group expected from a listed company. The chairman of each committee reports the outcome of the Committees' meetings to the Board for further discussions and approvals, and execute the powers delegated to the Committees.

# Corporate Governance Report

## **Board Committees** *(Continued)*

### **Audit Committee**

The Board has established the audit committee of the Company (“Audit Committee”) with specific written terms of reference setting out the duties, responsibilities and authorities delegated by the Board. The major duties and responsibilities of the Audit Committee include (i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, and addressing any questions of resignation or dismissal of such auditors, reviewing and monitoring the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and developing and implementing policies in the engagement of the external auditors to supply non-audit services; (ii) monitoring the integrity of financial statements and reports of the Group and reviewing significant financial reporting judgements contained therein; and (iii) reviewing the effectiveness of the financial reporting, risk management and internal control systems of the Group.

The Audit Committee comprises all independent non-executive Directors and is chaired by an independent non-executive Director who is an accountant with related financial management expertise. The company secretary of the Company (the “Company Secretary”) acts as the secretary to the Audit Committee. As at 31 March 2020, the members of the Audit Committee were Mr. Kwok Kam Tim (*Chairman*) and Mr. Tso Ping Cheong, Brian.

During the year ended 31 March 2020, the Audit Committee held 3 meetings to review the annual report for the year ended 31 March 2019, the interim report for the six months ended 30 September 2019, the internal control and risk management matters of the Group, audit scope and matters for the year ended 31 March 2020 and engagement of service provider for internal audit.

### **Auditor’s Remuneration**

During the year, the remuneration paid/payable to the external auditor of the Company, ZHONGHUI ANDA CPA Limited, in respect of statutory audit was approximately HK\$1,150,000 (for the year ended 31 March 2019: approximately HK\$1,100,000) and non-audit services was approximately HK\$15,000 (for the year ended 31 March 2019: approximately HK\$165,000). Non-audit services represent the preparation of a report on agreement with the preliminary announcement of results of the Group for the year ended 31 March 2020.

### **Internal Control and Risk Management**

The Board is responsible for internal control and risk management systems of the Group and for reviewing its effectiveness. Internal control and risk management systems will be reviewed by the Board annually.

The Board requires the senior management to establish and maintain sound and effective internal control. The management assessed the likelihood of risk occurrence, ranked these risks according to the likelihood and the severity of the impact on the Group, provided treatment plans, and monitored the risk management progress.

# Corporate Governance Report

## **Board Committees** *(Continued)*

### **Internal Control and Risk Management** *(Continued)*

Control procedures have been designed to safeguard assets against unauthorised use and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information; and to provide reasonable assurance against material misstatement, loss or fraud.

The Group has policy in place for handling and dissemination of inside information, which stipulates the handling of inside information on a need-to-know basis and prohibit any dissemination of non-public information.

The internal control and risk management systems of the Group aim to manage, but not completely eliminate, the risks which hinder the achievement of business objectives, which only provides reasonable assurance, while cannot guarantee that material false statements and damages will be fully avoidable.

For the year ended 31 March 2020, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control systems of the Group's Concrete Business, and no significant deficiency and weakness on the internal control and risk management systems have been identified. Result of the review has been reported to the Audit Committee, which was recommended to the Board. Improvements in internal control and risk management measures to enhance the risk management and internal control systems of the Group and to mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations, as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems of the Group were effective and adequate and concluded that there were no significant areas of concern which might affect shareholders' interests during the financial year.

### **Remuneration Committee**

The remuneration committee of the Company ("Remuneration Committee") is responsible for, among other functions, making recommendations to the Board on the policies and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time, and determining the specific remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, which includes any compensation payable for loss or termination of their office or appointment. No individual Director is involved in deciding his/her own remuneration.

The Remuneration Committee comprises all independent non-executive Directors. The Company Secretary acts as the secretary to the Remuneration Committee. As at 31 March 2020, the members of the Remuneration Committee were Mr. Kwok Kam Tim (*Chairman*) and Mr. Tso Ping Cheong, Brian.

The Remuneration Committee held 2 meetings during the year ended 31 March 2020, whereby the members of the Remuneration Committee reviewed and recommended to the Board on the re-appointments of independent non-executive Directors, remuneration packages of the Directors (other than members of the Remuneration Committee) and senior management with reference to the prevailing market conditions, the Company's performance and his or her time, effort and expertise to be exercised on the Group's affairs of the Company.

# Corporate Governance Report

## **Board Committees** *(Continued)*

### **Nomination Committee**

The nomination committee of the Company (“Nomination Committee”) is responsible for reviewing the structure, size and composition (including but not limited to the skills, gender, knowledge and experience) of the Board with reference to the Board diversity policy on a regular basis and making recommendations to the Board regarding any proposed changes; identifying individuals qualified to become Board members with reference to the Board nomination policy and making recommendations to the Board on the selection of individuals nominated for directorships (in particular candidates who can add value to the management through their contributions in strategic business areas and whose appointment will lead to a strong Board), assessing the independence of the independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of the Directors and succession planning for the Directors in particular for the Chairman and CEO.

The Nomination Committee comprises all independent non-executive Directors. The Company Secretary acts as the secretary to the Nomination Committee. As at 31 March 2020, the members of the Nomination Committee were Mr. Tso Ping Cheong, Brian (*Chairman*) and Mr. Kwok Kam Tim.

The Nomination Committee held 2 meetings during the year ended 31 March 2020, whereby the members of the Nomination Committee discussed and made recommendation to the Board on the re-election of retiring Directors, reviewed the size, structure, composition and diversity of the Board, assessed the independence of independent non-executive Directors, discussed the roles of the Chairman and the CEO and re-appointments of independent non-executive Directors.

### **Board Nomination Policy**

The nomination policy provides guidance on nomination of Directors to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

In assessing the suitability of a proposed candidate, the Nomination Committee should take into account the candidate’s reputation for integrity, commitment in respect of available time and relevant interest, qualification, skills, experience, independence and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Candidates were identified, selected and proposed by the Nomination Committee and recommended to the Board for consideration. Proposed candidates will be asked to submit the necessary personal information together with their written consent to be appointed as a Director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary. All necessary information relevant for consideration of the suitability of the candidates will be provided to the Board prior to its meeting. Prior to the end of the Director’s terms of appointment, his or her re-appointment will be assessed and considered by the Nomination Committee under the same criteria in the nomination policy. Recommendation from the Nomination Committee will then be submitted to the Board for consideration.

The Nomination Committee will review the Board nomination policy periodically to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

# Corporate Governance Report

## Board Diversity Policy

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, consideration has been made from a number of aspects, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of Board members will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable objectives (including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) have been set to implement the board diversity policy and such objectives will be reviewed from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

As at the date of this annual report, the Board comprises of 5 male Directors with different age, length of service, professional expertise and management background. Details of which have been disclosed in section "Directors and Senior Management" on pages 18 to 20 of this annual report.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of educational and professional background, experience and skills.

The Nomination Committee will review the board diversity policy periodically. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

## Dividend Policy

Pursuant to code Provision E.1.5 of the CG Code, the Company has adopted a dividend policy. In considering the payment of dividends, there shall be a balance between maintaining sufficient capital to grow the Group's business and rewarding the shareholders.

The Board shall also take into account, among other things, when considering the declaration and payment of dividends: (i) the Group's overall results of operation, financial position, capital requirement, cash flows and future prospects; (ii) the amount of distributable reserves of the Company; and (iii) other factors that the Board deems relevant. The declaration and payment of dividends by the Company is subject to restrictions under all applicable laws and regulations.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the policy at any time.



# Corporate Governance Report

## Company Secretary

Ms. Chan Chiu Wing (“Ms. Chan”), has been appointed as the Company Secretary since April 2018. Ms. Chan confirmed that she has complied with all the qualifications, experience, and professional training requirements of the Listing Rules. During the year ended 31 March 2020, Ms. Chan has taken no less than 15 hours of relevant professional training.

The appointment and removal of the Company Secretary is subject to approval by the Board in physical meeting and accordance with the Articles.

## Corporate Governance Function

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

- (a) to develop and review the Company’s policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company’s compliance with the corporate governance code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2020, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

## Communications with Shareholders

The Group reports to the shareholders at least twice a year through interim and annual results, which are announced as early as possible to keep shareholders informed of the Group’s performance. General meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meetings to discuss the progress of the Group’s business. The chairman of each of the general meetings are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company’s website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the shareholders to access information on the Group on a timely basis.

## Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.



# Corporate Governance Report

## **Communications with Shareholders** *(Continued)*

### **Procedures for Shareholders to put forward proposals at Shareholders' meetings**

Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedures set out above.

### **Investor Relations**

The Company's website ([www.huashengih.com](http://www.huashengih.com)) offers communication channel between the Company and the shareholders and potential investor. Apart from disclosure of all necessary information to the shareholders in compliance with the Listing Rules, news update on the Company's business development and operation are available on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company. Notices of general meetings are circulated to all shareholders in accordance with the requirements of the Listing Rules and the Articles. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

Any comments and suggestions to the Board can be addressed by post to our principal place of business in Hong Kong or email at [general@huashengih.com](mailto:general@huashengih.com).

### **Constitutional Documents**

During the year ended 31 March 2020, there was no change in the Company's constitutional documents.

# Report of the Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are (i) wholesale and retail of household consumables; (ii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application; (iii) provision of educational technology solutions through online education programs and provision of English language proficiency tests; (iv) provision of money lending services; and (v) sales and production of ready-mixed commercial concrete. Besides, the Group has suspended the operations of its coal trading business due to the uncertainty in the recovery of the trade receivables due from its sole customer. Details of the principal activities of the Company's principal subsidiaries are set out in Note 32 to the consolidated financial statements contained herein.

## Results and Dividends

The Group's financial performance for the year ended 31 March 2020 are set out in the consolidated statement of comprehensive income on page 51.

The Directors do not recommend for payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

## Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 154 of this annual report. This summary does not form part of the audited consolidated financial statements.

## Business Review and Performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's businesses are provided in the section "Management Discussion and Analysis" on pages 5 to 17 of this annual report and it forms part of this Report of the Directors.

## Relationships With Employees, Suppliers and Customers

The Group dedicates to provide a healthy, safe and comfortable working environment for all employees. The Group has formulated comprehensive training program and various career development paths.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfill its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the products and services to its customers.

# Report of the Directors

## Environmental, Social and Governance

Environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group complies with environmental legislation and promotes awareness towards environmental protection to the employees by, for example, encouraging staff consume electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste.

## Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to the Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company for the year ended 31 March 2020.

## Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Apart from those risks and uncertainties discussed in the section "Management Discussion and Analysis" on pages 5 to 17 of this annual report, certain key risks and uncertainties are identified by the Group and listed as follows:

### (i) Business and Financial Risks

The profitability and financial position may be materially and adversely affected if any of our major customers ceased their business relationship with the Group. The business and financial position may be materially and adversely affected if there is a global economic downturn in the geographic locations in which the Group operates.

### (ii) Operational Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Financial risk factors are set out in Note 38(b) to the consolidated financial statements of this annual report. Details of risk management are set out in the Corporate Governance Report under the paragraph headed "Internal Control and Risk Management" on page 28 of this annual report. The Discussion forms an integral part of this Report of the Directors. There may be other risks and uncertainties in addition to those known to the Group or which may not be material now but could turn out to be material in the future.

# Report of the Directors

## Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in Note 14 to the consolidated financial statements contained herein.

## Property, Plant and Equipment

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

## Share Capital and Shares Issued

Details of the movements in the Company's share capital and shares issued during the year are set out in Note 31 to the consolidated financial statements contained herein, which form an integral part of this Report of Directors.

## Equity-linked Agreements

Details of the equity-linked agreements entered into during the year ended 31 March 2020 or subsisted at the end of the year are set out below:

### (a) Share Option Scheme

The Company has adopted a share option scheme on 26 February 2015 (the "Share Option Scheme") for the purpose of providing incentives and rewards to those at the sole determination of the Board, have contributed or will contribute to the Company or its subsidiaries, such as (a) any full-time or part-time employee of the Company and/or any subsidiary of the Company; (b) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary of the Company; and (c) any consultant or adviser, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary of the Company.

The Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such option can be exercised and/or any other terms as the Board may determine in its absolute discretion. There is no general requirement on the minimum period for which an option must be held.

The life of the Share Option Scheme is 10 years from the date of adoption (26 February 2015), after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted.

# Report of the Directors

## Equity-linked Agreements *(Continued)*

### (a) Share Option Scheme *(Continued)*

The subscription price shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of: (a) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a share.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group which provide for the grant of options to acquire or subscribe for shares must not exceed such number of shares as shall represent 30% of the shares of the Company in issue from time to time. No option shall be granted under the Share Option Scheme if this will result in such limit being exceeded.

Subject to the aforesaid limit, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Group must not, in aggregate, exceed 10% of the shares of the Company in issue as at the adoption date of the Share Option Scheme unless shareholders' approval in general meeting is obtained to renew the scheme mandate limit, which shall not exceed 10% of the shares of the Company in issue at the date of such approval. Any further grant of options is subject to shareholders' advanced approval in a general meeting (the "Scheme Mandate Limit"). The existing Scheme Mandate Limit was approved by the Shareholder in the annual general meeting of the Company on 26 September 2016 and the outstanding number of options available for issue under the Share Option Scheme is 234,753,320, which represents 7.17% of the issued shares of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to an eligible participant would result in excess of such limit, such further grant shall be subject to the approval of the shareholders at a general meeting with such eligible participant and his associates abstaining from voting.

Pursuant to the Share Option Scheme, HK\$1.00 per offer of grant is payable by the grantee to the Company on acceptance of the option offer as consideration for the grant. The option must be accepted within 10 days from the date on which an offer of option is made to a grantee.

# Report of the Directors

## Equity-linked Agreements (Continued)

### (a) Share Option Scheme (Continued)

Any grant of options to a connected person or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee). Where options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the shareholders taken on a poll at a general meeting.

Details of the share options movements during the year ended 31 March 2020 under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise price (HK\$)	Exercise period (Note 2)	Number of share options					Balance as at 31.03.2020
				Balance as at 01.04.2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
<b>Directors</b>									
Mr. Kwok Kam Tim	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	800,000	–	(800,000)	–	–	–
Dr. Hui Chik Kwan	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	800,000	–	–	(800,000)	–	–
Mr. Tso Ping Cheong, Brian	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	800,000	–	(800,000)	–	–	–
<b>Sub-Total</b>				2,400,000	–	(1,600,000)	(800,000)	–	–
<b>Employees</b>									
In aggregate	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	4,900,000	–	–	(4,900,000)	–	–
<b>Sub-Total</b>				4,900,000	–	–	(4,900,000)	–	–
<b>Total</b>				7,300,000	–	(1,600,000)	(5,700,000)	–	–

Notes:

1. The closing price of the shares immediately before 29 August 2016, on which those options were granted, was HK\$0.40.
2. The exercise period of the share options is 29 August 2016 to 28 August 2019 (both days inclusive).

# Report of the Directors

## Equity-linked Agreements *(Continued)*

### (b) Convertible Bonds

On 4 August 2017, the Company, as issuer, Mr. Wong Wai Sing, as guarantor, and Lead Thrive Investments Limited (“Lead Thrive”), as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK\$200 million with an initial conversion price at HK\$0.46 per share due on 10 August 2019 (the “Convertible Bonds”). The Convertible Bonds was issued on 11 August 2017.

On 9 August 2019, the Company, Mr. Wong Wai Sing and Lead Thrive entered into the first deed of amendment (as amended and restated by the amended and restated deed of amendment dated 23 August 2019) to amend certain terms and conditions of the Convertible Bonds such that, among other things, (i) the maturity date be extended to 10 November 2019; (ii) the conversion price be revised from HK\$0.46 per share to HK\$0.52 per share (subject to adjustments); and (iii) the interest rate of the Convertible Bonds be revised from 8% per annum to 12% per annum with effect from 11 August 2019. The above amendment provided flexibility to the Company’s working capital management and it took effect on 27 August 2019.

On 11 November 2019, the Company, Mr. Wong Wai Sing and Lead Thrive entered into the second deed of amendment to amend certain terms of the Convertible Bonds such that (i) the maturity date be extended to 10 May 2020; and (ii) the conversion price be revised from HK\$0.52 per share to HK\$0.53 per share (subject to adjustments). The above amendment provided flexibility to the Company’s working capital management and it took effect on 14 November 2019.

On 11 May 2020, the Company, Mr. Wong Wai Sing and Lead Thrive entered into the third deed of amendment to amend certain terms of the Convertible Bonds such that the maturity date be extended to 10 November 2020. The above amendment provided flexibility to the Company’s working capital management. As at the date of this annual report, the third deed of amendment is yet to complete.

The Company shall redeem the Convertible Bonds at 100% of its outstanding principal amount plus 8% premium per annum on maturity.

During the year ended 31 March 2020, no Convertible Bonds has been converted into shares of the Company. As at 31 March 2020, the outstanding principal amount of the Convertible Bonds was HK\$100 million, representing a maximum of 188,679,245 new shares may be issued upon full conversion.

Further details are set out in the announcements of the Company dated 4 August 2017, 11 August 2017, 29 March 2019, 9 August 2019, 23 August 2019, 28 August 2019, 11 November 2019, 14 November 2019, 11 May 2020 and 1 June 2020 and circular of the Company dated 9 June 2020.

# Report of the Directors

## Equity-linked Agreements *(Continued)*

### (c) Consideration shares and consideration convertible bonds

On 27 September 2019, Bright World Investment Limited, a directly wholly-owned subsidiary of the Company, as purchaser and Mr. Zhou Fengtang, as vendor entered into the sale and purchase agreement in relation to the acquisition of the remaining 80% of the issued share capital of Alpha Youth Limited at an aggregate consideration of HK\$432,942,624. The consideration shall be settled by, among others, (i) issue of 320,000,000 ordinary shares at the issue price of HK\$0.50 per share by the Company to the vendor upon completion; and (ii) issue of the convertible bonds at the conversion price of HK\$0.53 per conversion shares by the Company to the vendor upon completion. The consideration shares were issued on 6 January 2020. Details of the consideration convertible bonds are provided in Note 28 to the consolidated financial statements of this annual report.

### (d) Placing of shares

The Company has conducted three placing of shares during the year ended 31 March 2020. Details of which are provided under “Fund Raising Activities” in the section “Management Discussion and Analysis” of this annual report.

## Distributable Reserves

The Company had no distributable reserve as at 31 March 2020 (31 March 2019: Nil), calculated in accordance with the Companies Law of the Cayman Islands.

## Donation

No charitable donation was made by the Group during the year ended 31 March 2020 (2019: HK\$71,200).

## Directors

The Directors during the year and up to the date of this annual report were:

### *Executive Directors*

Mr. Wong Wai Sing

*(Chairman and CEO)*

Mr. Chan Kin Lung

Mr. Lee Chi Shing, Caesar

*(resigned on 31 January 2020)*

Mr. Wong Jeffrey

### *Independent Non-executive Directors*

Mr. Kwok Kam Tim

Dr. Hui Chik Kwan *(resigned on 31 March 2020)*

Mr. Tso Ping Cheong, Brian

Pursuant to Article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board 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.

In accordance with Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.



# Report of the Directors

## **Directors** *(Continued)*

The Directors' biographical details are set out on pages 18 to 19.

Each of the independent non-executive Director has made written annual confirmation in respect of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee is of the view that all independent non-executive Directors are independent.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting (the "AGM") has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Mr. Wong Wai Sing has entered into a letter of appointment as an executive Director with effect from 12 December 2018 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Chan Kin Lung has entered into a letter of appointment as an executive Director with effect from 1 January 2016 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Wong Jeffrey has entered into a letter of appointment as an executive Director with effect from 1 September 2016 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Kwok Kam Tim and Mr. Tso Ping Cheong, Brian have each entered into a letter of appointment with effect from 1 January 2020 for a term of two (2) years unless terminated by either party giving not less than one (1) month's written notice.

## **Permitted Indemnity Provision**

Pursuant to Article 164(1) of the Articles, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto, and no Director shall be liable for any loss, misfortune or damage which may happen to or be incurred by the Company in the execution of the duties of his or her office or in relation thereto.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by Section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

## **Management Contracts**

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2020.

# Report of the Directors

## Directors' Interests in Competing Business

As far as the Directors are aware of, none of the Directors or their close associates has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 March 2020.

## Directors' Material Interest in Transactions, Arrangements or Contracts that are significant in relation to the Group's Business

Save as disclosed in the subsection "Connected Transactions" below and Note 36 to the consolidated financial statements of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's businesses to which the Company or its subsidiaries was a party and in which a Director or his or her connected entities had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the year ended 31 March 2020.

## Interests of Directors and Chief Executive

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

### Long position in the Shares

Name of Directors	Capacity	Total number of shares held	Approximate percentage of shareholding in the Company (Note 2)
Mr. Wong Wai Sing (Note 1)	Beneficial owner and interest of a controlled corporation	481,500,000	14.70%
Mr. Chan Kin Lung	Beneficial owner	10,000,000	0.31%

Notes:

1. Mr. Wong Wai Sing holds 22,694,000 shares in personal capacity, he also beneficially owned the entire issued share capital of Twin Star Global Limited, which is interested in 458,806,000 shares of the Company.
2. As at 31 March 2020, the total number of issued shares of the Company was 3,274,758,672.

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Report of the Directors

## Interests of Substantial Shareholders

As at 31 March 2020, the following persons (not being a Director or chief executives of the Company) have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long Position in the Shares and underlying shares

Name	Nature of interest	Total number of shares or underlying shares held	Approximate percentage of interest in the Company (Note 3)
Twin Star Global Limited (Note 1)	Beneficial owner	458,806,000 shares	14.01%
Lead Thrive Investments Limited (Note 2)	Beneficial owner	188,679,245 underlying shares	5.76%
Mr. Fu Sze Shing (Note 2)	Beneficial owner	18,000,000 shares	6.31%
	Interest of a controlled corporation	188,679,245 underlying shares	
Mr. Zhou Feng Tang	Beneficial owner	320,000,000 shares	9.77%

Notes:

1. Twin Star Global Limited is wholly owned by Mr. Wong Wai Sing, the Chairman and an executive Director. Accordingly, Mr. Wong Wai Sing is deemed to be interested in the shares held by Twin Star Global Limited.
2. These underlying shares of the Company represent a maximum of 188,679,245 new shares that may be issued upon full conversion of the Convertible Bonds which are beneficially owned by Lead Thrive Investments Limited whose entire issued share capital is beneficially owned by Mr. Fu Sze Shing. By virtue of the SFO, Mr. Fu Sze Shing is deemed to be interested in the underlying shares held by Lead Thrive Investments Limited.
3. As at 31 March 2020, the total number of issued shares of the Company was 3,274,758,672.

Save as disclosed herein, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2020.

# Report of the Directors

## Arrangement to Purchase Shares or Debenture

Save as disclosed under the subsection “Share Option Scheme” above, at no time during the year and up to the date of this annual report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or any of their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Connected Transactions

Details of the related party transactions of the Group during the year ended 31 March 2020 are set out in Note 36 to the consolidated financial statements contained herein. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders’ approval requirements under the Listing Rules.

Payments of emoluments to the Directors pursuant to their respective service contracts with the Company were exempt connected transactions under Rule 14A.95 of the Listing Rules while payments of emoluments/ consultancy fee to senior management do not constitute connected transactions under Chapter 14A of the Listing Rules.

## Emolument Policy

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group’s employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefits.

The emoluments of the Directors will be reviewed and recommended by the Remuneration Committee for the Board’s approval having regard to the Company’s performance and the time, effort and expertise to be exercised on the Group’s affairs by the individual Director. Details of the Directors’ and employees’ emoluments are set out in Note 11 to the consolidated financial statements contained herein.

## Retirement Benefit Plans

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension schemes operated by the Macao government authority, United Kingdom government authority, and the People’s Republic of China state-managed retirement benefit scheme, the Group has not operated any other retirement benefit schemes for the Group’s employees. Particulars of the retirement benefit plans are set out in Note 3 to the consolidated financial statements under the sub-heading “Pension obligations”.

# Report of the Directors

## Purchase, Sales or Redemption of Listed Securities

Save as those disclosed under paragraphs headed “Fund Raising Activities” and “Material Acquisition” in the section “Management Discussion and Analysis” of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange during the year ended 31 March 2020.

## Pre-Emptive Rights

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

## Tax Relief

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company’s securities.

## Sufficiency of Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this annual report.

## Major Suppliers and Customers

In the year under review, the Group’s largest supplier accounted for 17.0% (2019: 13.0%) of the Group’s total purchases. The Group’s five largest suppliers accounted for 50.7% (2019: 50.3%) of the Group’s total purchases.

In the year under review, the Group’s sales to its five largest customers accounted for 19.4% (2019: 24.9%) of the Group’s total sales. The Group’s largest customer accounted for 6.3% (2019: 7.4%) of the Group’s total sales.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) has a beneficial interest in the Group’s five largest customers or five largest suppliers.

## Subsequent Events

Save as disclosed under the subsection “Significant Event after the Reporting Period” in the section “Management Discussion and Analysis”, the Group does not have any other significant event after the reporting period.

## Closure of Register of Members

In order to ascertain the entitlement to attend and vote at the AGM of the Company, which is proposed to be held on Friday, 7 August 2020, the register of members of the Company will be closed from Tuesday, 4 August 2020 to Friday, 7 August 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 August 2020.

# Report of the Directors

## Review of Financial Statements by Audit Committee

The Audit Committee has reviewed the management accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 March 2020.

## Corporate Governance

The Company has published its corporate governance report, which is set out on pages 21 to 32 of this annual report.

## Auditor

The consolidated financial statements of the Group for the year ended 31 March 2018 was audited by Moore Stephens CPA Limited (“Moore”). The consolidated financial statements of the Group for the years ended 31 March 2019 and 2020 were audited by ZHONGHUI ANDA CPA Limited (“ZHONGHUI ANDA”).

Moore resigned as auditor of the Group with effect from 15 March 2019 and ZHONGHUI ANDA was appointed on 15 March 2019 as the new auditor to fill the causal vacancy. A resolution for the appointment of ZHONGHUI ANDA as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Wong Wai Sing**

*Chairman and Executive Director*

Hong Kong, 19 June 2020

# Independent Auditor's Report



中匯安達會計師事務所有限公司  
ZHONGHUI ANDA CPA LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

**Huasheng International Holding Limited (formerly known as Newtree Group Holdings Limited)**

華盛國際控股有限公司 (前稱友川集團控股有限公司)

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

### Opinion

We have audited the consolidated financial statements of Huasheng International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 153, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

# Independent Auditor's Report

## Key Audit Matters

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

## Impairment of other intangible assets and goodwill

Refer to Note 17, 18 and 19 to the consolidated financial statements.

The Group tested the amount of other intangible assets and goodwill for impairment. This impairment test is significant to our audit because the balances of other intangible assets and goodwill of approximately HK\$116,992,000 and HK\$218,716,000, respectively, as at 31 March 2020 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions including revenue growth, profit margins, terminal growth rates and discount rates;
- Checking input data to supporting evidence;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model; and
- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for other intangible assets and goodwill are supported by the available evidence.



# Independent Auditor's Report

## Loan receivables

Refer to Note 22 to the consolidated financial statements.

The Group tested the amount of loan receivables for impairment. This impairment test is significant to our audit because the balance of loan receivables of approximately HK\$321,505,000 as at 31 March 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers;
- Assessing the value of collateral for the debts; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for loan receivables is supported by the available evidence.

# Independent Auditor's Report

## Trade, retention and other receivables and prepayments

Refer to Note 23 to the consolidated financial statements.

The Group tested the amount of trade, retention and other receivables and prepayments for impairment. This impairment test is significant to our audit because the balance of trade, retention and other receivables and prepayments of approximately HK\$732,236,000 as at 31 March 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade, retention and other receivables and prepayments is supported by the available evidence.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's 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 will 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.

# Independent Auditor's Report

## Responsibilities of Directors for the Consolidated Financial Statements

The directors of 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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## 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. We report our opinion solely to you, as a body, 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

## **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Sze Lin Tang**

*Audit Engagement Director*

Practising Certificate Number P03614

Hong Kong, 19 June 2020

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Other revenue		156,692	63,276
Interest revenue		56,764	51,888
Total revenue	5	213,456	115,164
Cost of sales		(127,675)	(44,191)
Gross profit		85,781	70,973
Other income	6	760	1,455
Other gains and losses, net	7	(69,191)	22,964
Selling and distribution expenses		(13,232)	(634)
Administrative expenses		(74,490)	(60,101)
Finance costs	8	(25,377)	(48,141)
Share of profit of associates	20	12,880	9,253
Loss before income tax		(82,869)	(4,231)
Income tax credit (expense)	9	4,677	(7,736)
Loss for the year	10	(78,192)	(11,967)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		(5,519)	(5,399)
Other comprehensive loss for the year, net of income tax		(5,519)	(5,399)
Total comprehensive loss for the year, net of income tax		(83,711)	(17,366)
(Loss) profit for the year attributable to:			
Owners of the Company		(78,234)	(15,539)
Non-controlling interests		42	3,572
		(78,192)	(11,967)
Total comprehensive (loss) income for the year attributable to:			
Owners of the Company		(83,726)	(20,921)
Non-controlling interests		15	3,555
		(83,711)	(17,366)
Loss per share attributable to owners of the Company	13		
Basic and diluted (HK cents)		(2.92)	(0.65)

# Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	14	4,470	–
Property, plant and equipment	15	67,255	1,068
Right-of-use assets	16(a)	19,464	–
Other intangible assets	17	116,992	48,362
Goodwill	18	218,716	72,446
Interests in associates	20	–	102,655
Retention receivables	23	68,275	–
Deferred tax assets	30	4,473	–
		<b>499,645</b>	224,531
<b>CURRENT ASSETS</b>			
Inventories	21	12,928	5,765
Loan receivables	22	321,505	328,792
Trade, retention and other receivables and prepayments	23	663,961	15,465
Derivative financial asset	24	–	222
Investments at fair value through profit or loss	24	–	17,029
Tax recoverable		10,446	–
Bank balances and cash	25	18,238	45,383
		<b>1,027,078</b>	412,656
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	26	433,563	37,158
Lease liabilities	16(b)	12,721	–
Interest-bearing borrowings	27	13,313	–
Convertible bonds	28	119,449	176,038
Promissory notes	29	–	13,589
Tax payable		2,960	10,908
		<b>582,006</b>	237,693
<b>NET CURRENT ASSETS</b>			
		<b>445,072</b>	174,963
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>944,717</b>	399,494
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	16(b)	9,184	–
Interest-bearing borrowings	27	117,014	–
Promissory notes	29	68,365	–
Deferred tax liabilities	30	15,600	8,040
		<b>210,163</b>	8,040
<b>NET ASSETS</b>			
		<b>734,554</b>	391,454

# Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	31	32,748	24,238
Reserves		705,523	370,948
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		738,271	395,186
Non-controlling interests		(3,717)	(3,732)
<b>TOTAL EQUITY</b>		<b>734,554</b>	391,454

The consolidated financial statements on pages 51 to 153 were approved and authorised for issue by the Board of Directors on 19 June 2020 and are signed on its behalf by:

\_\_\_\_\_  
**Mr. Wong Wai Sing**  
DIRECTOR

\_\_\_\_\_  
**Mr. Jeffrey Wong**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note (i))	Convertible bonds equity reserve HK\$'000	Share option reserve HK\$'000
At 1 April 2018	23,788	1,112,811	49	65,174	8,127
(Loss) profit for the year	-	-	-	-	-
Other comprehensive loss, net of income tax:					
– Exchange differences arising on translation of foreign operations	-	-	-	-	-
Total comprehensive (loss) income for the year	-	-	-	-	-
Issue of shares upon exercise of share options	450	28,170	-	-	(7,020)
Lapse of share options	-	-	-	-	(28)
Redemption of convertible bonds	-	-	-	(482)	-
Transactions with owners	450	28,170	-	(482)	(7,048)
At 31 March 2019	24,238	1,140,981	49	64,692	1,079
(Loss) profit for the year	-	-	-	-	-
Other comprehensive loss, net of income tax:					
– Exchange differences arising on translation of foreign operations	-	-	-	-	-
Total comprehensive (loss) income for the year	-	-	-	-	-
Issue of shares upon exercise of share options (Note 31(iii))	16	1,015	-	-	(263)
Issue of shares pursuant to placing agreements (Note 31(i))	3,973	181,500	-	-	-
Transaction cost attributable to issue of placing shares	-	(6,011)	-	-	-
Lapse of share options	-	-	-	-	(816)
Extinguishment of convertible bonds (Note 28)	-	-	-	(64,492)	-
Loss on the Extended Convertible Bonds 2019 (Note 28)	-	-	-	250	-
Issue of shares upon conversion of convertible bonds (Note 31(iv))	1,321	75,836	-	(24,703)	-
Redemption of convertible bonds (Note 28)	-	-	-	(426)	-
Acquisition of subsidiaries (Notes 28, 31(iii) and 40(a))	3,200	166,400	-	24,703	-
Transactions with owners	8,510	418,740	-	(64,668)	(1,079)
At 31 March 2020	32,748	1,559,721	49	24	-

Notes:

- (i) In accordance with the provisions of Macao Commercial Code, Two-Two-Free Limited-Macao Commercial Offshore (“Two-Two-Free”), a subsidiary of the Company, is required to transfer a minimum of 25% of annual net profit to legal reserve until the legal reserve equals half of the quota capital. This reserve is not distributable to shareholders.
- (ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in preparing for listing on The Stock Exchange of Hong Kong Limited.
- (iii) The other reserves represent the difference between the fair value of interest-free advance to Mr. Chum Tung Hang, an ex-shareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK\$6,000,000.

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

## Attributable to owners of the Company

Special reserve HK\$'000 (Note (ii))	Exchange reserve HK\$'000	Other reserves HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
678	(380)	(6,000)	(809,258)	394,989	(7,287)	387,702
-	-	-	(15,539)	(15,539)	3,572	(11,967)
-	(5,382)	-	-	(5,382)	(17)	(5,399)
-	(5,382)	-	(15,539)	(20,921)	3,555	(17,366)
-	-	-	-	21,600	-	21,600
-	-	-	28	-	-	-
-	-	-	-	(482)	-	(482)
-	-	-	28	21,118	-	21,118
678	(5,762)	(6,000)	(824,769)	395,186	(3,732)	391,454
-	-	-	(78,234)	(78,234)	42	(78,192)
-	(5,492)	-	-	(5,492)	(27)	(5,519)
-	(5,492)	-	(78,234)	(83,726)	15	(83,711)
-	-	-	-	768	-	768
-	-	-	-	185,473	-	185,473
-	-	-	-	(6,011)	-	(6,011)
-	-	-	816	-	-	-
-	-	-	64,492	-	-	-
-	-	-	-	250	-	250
-	-	-	-	52,454	-	52,454
-	-	-	-	(426)	-	(426)
-	-	-	-	194,303	-	194,303
-	-	-	65,308	426,811	-	426,811
678	(11,254)	(6,000)	(837,695)	738,271	(3,717)	734,554



# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before income tax	(82,869)	(4,231)
Adjustments for:		
Depreciation of property, plant and equipment	2,840	445
Depreciation of right-of-use assets	10,729	–
Amortisation of other intangible assets	3,869	834
Impairment loss (reversal of impairment loss) on loan receivables	28,075	(8,583)
(Reversal of impairment loss) impairment loss on trade, retention and other receivables	(12,282)	72
Impairment loss on goodwill	8,235	7,019
Impairment loss on other intangible assets	13,169	–
Disposal of trade receivables	–	(45,182)
Written-off of trade receivables	–	379
Interest expenses on convertible bonds	18,488	44,632
Interest expenses on bank and other borrowings	3,693	3,509
Interest expenses on promissory notes	2,027	–
Interest expenses on lease liabilities	1,169	–
Gain on disposal of subsidiaries and an associate	–	(7,797)
Fair value loss on investment properties	264	–
Fair value loss on investments at fair value through profit or loss and derivative financial asset, net	6,889	16,216
Bank interest income	(26)	(58)
Fair value loss on promissory notes	193	1,938
Fair value loss on contingent consideration receivable	–	1,335
Share of profit of associates	(12,880)	(9,253)
Loss on early redemption of promissory notes	5,360	2,033
(Gain) loss on early redemption of convertible bonds	(191)	1,023
Loss on deemed disposal of associates	17,005	–
Loss on the Extended Convertible Bonds 2019	2,477	–
Operating cash flows before changes in working capital	16,234	4,331
(Increase)/decrease in inventories	773	(538)
Increase in loan receivables	(20,788)	(37,071)
Decrease in trade, retention and other receivables, prepayments and deposit	82,120	73,464
Purchase of investments at fair value through profit or loss	(684)	(54,583)
Proceeds from disposal of investments at fair value through profit or loss	10,824	73,625
Decrease in trade and other payables and accruals	(69,122)	(67,340)
Cash generated from (used in) operating activities	19,357	(8,112)
Income tax paid	(8,622)	(922)
Lease interests paid	(1,169)	–
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>9,566</b>	<b>(9,034)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
<b>INVESTING ACTIVITIES</b>		
Net cash outflow on acquisition of subsidiaries	(68,607)	(109,639)
Purchase of investment properties	(4,884)	–
Net cash inflow on disposal of subsidiary	–	153,623
Purchase of property, plant and equipment	(236)	(219)
Interest received	26	58
<b>NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES</b>	<b>(73,701)</b>	43,823
<b>FINANCING ACTIVITIES</b>		
Proceed from interest-bearing borrowings	17,500	–
Proceed from exercise of share options	768	21,600
Proceed from placing of shares, net	179,448	–
Repayment of convertible bonds	(58,418)	(50,000)
Repayment of promissory notes	(67,500)	(8,500)
Repayment of interest-bearing borrowings	(5,150)	–
Principal portion of lease payments	(9,540)	–
Interest paid	(11,154)	(18,940)
<b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>	<b>45,954</b>	(55,840)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(18,181)</b>	(21,051)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>45,383</b>	67,013
Effect of foreign exchange rate changes	(8,964)	(579)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>	<b>18,238</b>	45,383
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	18,238	45,383

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 1. General Information

Huasheng International Holding Limited (formerly known as Newtree Group Holdings Limited) (the “Company”) was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2010. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 13 January 2011. The registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The principal activities of the Group are (i) wholesale and retail of household consumables (“Household Consumables Business”); (ii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); (iii) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”); and (iv) provision of money lending services (“Money Lending Business”); and (v) production and sales of ready-mixed commercial concrete (“Concrete Business”).

During the year, the Group acquired the remaining 80% equity interest in Alpha Youth Limited (“Alpha Youth”), and its subsidiaries (collectively referred to as the “Alpha Youth Group”). Alpha Youth Group is principally engaged in Concrete Business. Further details of which are set out in Note 40(a).

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

### 2.1 Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time for the current year’s financial statements.

HKFRS 16	<i>Leases</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group’s consolidated financial statements, the nature and the impact of the new and revised HKFRSs are described below:

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### 2.1 Changes in accounting policies and disclosures (Continued)

#### (a) HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

#### *New definition of a lease*

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

#### *As a lessee – Leases previously classified as operating leases*

##### **Nature of the effect of adoption of HKFRS 16**

The Group has lease contracts for various items of buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### 2.1 Changes in accounting policies and disclosures (Continued)

#### (a) HKFRS 16 (Continued)

*As a lessee – Leases previously classified as operating leases (Continued)*

#### Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019.

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019.

#### *Financial impacts at 1 April 2019*

The impacts arising from the adoption of HKFRS 16 at 1 April 2019 are as follows:

	HK\$'000
<b>Assets</b>	
Increase in right-of-use assets	24,355
Increase in total assets	24,355
<b>Liabilities</b>	
Increase in lease liabilities	24,355
Increase in total liabilities	24,355

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### 2.1 Changes in accounting policies and disclosures (Continued)

#### (a) HKFRS 16 (Continued)

##### Financial impacts at 1 April 2019 (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	26,465
Lease liabilities discounted at relevant incremental borrowing rates of 5.5%	24,805
Less: Recognition exemption – short-term leases	(228)
Less: Recognition exemption – low-value assets	(222)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	24,355
Analysed as:	
Current portion	10,910
Non-current portion	13,445
	24,355

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 Leases were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17 Leases. The total cash flows are unaffected. The adoption of HKFRS 16 Leases does not result in a significant change in presentation of cash flows within the consolidated statement of cash flows.

#### (b) HK (IFRIC)-Int 23

HK (IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the determination of unused tax losses. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### 2.2 Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business <sup>1</sup>
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Amendments in relation to Hedge Accounting Requirement <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sales or Contribution of Assets between an investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Materials <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs.

The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### 2.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 (revised) and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group’s consolidated financial statements.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

## 3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs which collective terms includes all applicable HKFRSs, HKAS and Interpretations issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by investment properties, derivative financial asset and investments at fair value through profit or loss (“FVTPL”) which are carried at their fair values.

The consolidated financial statements have been presented in Hong Kong dollars (“HK\$”), which is the Company’s functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the management of the Group to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 4.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Basis of Consolidation

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

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

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Business combinations and goodwill

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

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

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

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of "impairment of assets" as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units (the "CGU") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Associates

An associate is an entity in which the Group has significant influence, which is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Interests in associates are accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Revenue recognition

#### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

#### Other income

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial assets.

Rental income is recognised on a straight-line basis over the lease term.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expenses item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated as rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line method. The estimated useful lives and residual value are as follows:

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Plant and machinery	10 years
Motor vehicles	5 years
Leasehold improvement	Over the term of the leases, or 10 years whichever is the shorter
Furniture, fixtures and equipment	5 years

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.

Construction in progress, which mainly represents construction on plant and machinery, is stated at cost less any identified impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for use.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Investment properties

Investment properties are land and buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

### Leases (applicable from 1 April 2019)

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

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	Over the term of leases
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued) Leases (applicable from 1 April 2019) (Continued) Group as a lessee (Continued)

### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or finance leases.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative standalone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is recognised in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Leases (applicable from 1 April 2019) (Continued)

#### Group as a lessor (Continued)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

#### Foreign currency translation

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Foreign currency translation (Continued)

#### (iii) Translation on consolidation

The results and financial position of all the Group's entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

### Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all qualified employees. Contributions to the schemes by the Group and employees are calculated at a rate specified in the rules. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

### Share-based payments

The Group operates a share option scheme for remuneration of its employees (including the Directors).

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).

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in “share option reserve” within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Other intangible assets

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

Subsequent to initial recognition, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives, as follows:

Customer Network	7-10 years
Exclusive License	15 years

Other intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis (see the accounting policy in respect of impairment losses on non-financial assets below).

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

### Financial instruments

#### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at FVTPL. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Financial assets at FVTPL.

#### (i) Financial assets at amortised cost

Financial assets (including trade, loan and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for ECL.

#### (ii) Financial assets at FVTPL

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at FVTPL include derivative financial asset and investments at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (2014) (including loan receivables, trade, retention and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Impairment of financial assets (Continued)

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

- 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.

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 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

##### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Impairment of financial assets (Continued)

##### (iii) Credit-impaired financial assets

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- 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;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

##### (iv) Written-off policy

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

##### (v) Measure 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Impairment of financial assets (Continued)

##### (v) Measure and recognition of ECL (Continued)

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

- Nature, size and industry of debtors;
- Past-due status; and
- Nature of financial instruments (i.e. the Group's loan receivables, trade and retention receivables and other receivables are each assessed as a separate group).

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 loan receivables, trade and retention receivables where the corresponding adjustment is recognised through a loss allowance account.

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

##### Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible bonds and the fair values assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### Convertible bonds (Continued)

If the identifiable consideration received by the Company appears to be less than the fair value of the convertible bonds issued, the Company measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in the profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

##### Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

##### Interest-bearing borrowings

Interest-bearing borrowing is recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

##### Promissory notes

Promissory notes are recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

##### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

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

### Segment reporting

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent; or of a parent of the Company;
- (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 the employees of either the Group or an entity related to the Group. If the group is itself such a plan, the sponsoring employers are also related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); 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 a parent of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Significant Accounting Policies (Continued)

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. Critical Judgement and Key Estimates

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

### (a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at 31 March 2020 was approximately HK\$218,716,000 after an impairment loss of approximately HK\$8,235,000 was recognised during year ended 31 March 2020. Details of the impairment loss calculation are provided in Note 19.

### (b) Useful lives of other intangible assets

As at 31 March 2020, the carrying amount of the Group's other intangible assets was approximately HK\$116,992,000. The estimated useful lives of the assets reflect the Directors' estimate of the periods over which the other intangible assets are expected to generate net cash flows for the Group based on certain assumptions including attrition of customers base and possibility of renewal of sales contracts. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore amortisation expenses and impairment losses in the future years. Details of the other intangible assets are set out in Note 17.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. Critical Judgement and Key Estimates (Continued)

### (c) Estimated impairment of loan receivables and trade, retention and other receivables

The Group follows the guidance of HKFRS 9 (2014) to estimate the amount of loss allowance for ECL on loan receivable, trade, retention and other receivables. The Group uses provision matrix to calculate ECL for trade and retention receivables. The provision rates are based on the Groups historical settlement experience and historical recoverability rate as groupings of various debtors that have similar loss patterns. The provision matrix is based on the provision rates, taking into account forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and retention receivables with significant balances and credit impaired, and other receivables are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's loan receivables and trade, retention and other receivables are disclosed in Notes 22 and 23.

### (d) Provision for income taxes

The Group is subject to income and other forms of taxes in different jurisdictions and significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for taxes based on estimates of the taxes that are likely to become due. The Group believes that its provisions for taxes is adequate for the reporting periods based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

### (e) Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

### (f) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. Critical Judgement and Key Estimates (Continued)

### (g) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

## 5. Revenue and Segment Information

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Concrete Business – Production and sales of ready-mixed commercial concrete
- Household Consumables Business – Wholesale and retail of household consumables
- Digital Technology Business – Design and development of three-dimensional animations, augmented reality technology application and e-learning web application
- Education Business – Provision of educational technology solutions through online education programs and provision of English language proficiency tests
- Money Lending Business – Provision of money lending services

The Group has suspended the operations of its Coal Business due to the uncertainty in the recovery of the trade receivables due from its sole customer and Coal Business is not being separately classified as operating and reportable segments and those related results and its assets and liabilities are classified under central administrative cost and unallocated segment. Certain comparative amounts have been restated in connection with this.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued)

### Revenue

Disaggregation of revenue from contracts with customers:

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers:		
Sales of goods from Concrete Business	91,821	–
Sales of goods from Household Consumables Business	53,796	44,533
Services income from Digital Technology Business	763	2,021
Services income from Education Business	10,312	16,722
	<b>156,692</b>	63,276
Revenue from other source:		
Interest income from Money Lending Business	56,764	51,888
	<b>213,456</b>	115,164
Timing of revenue recognition:		
At point in time	154,809	58,066
Over time	1,883	5,210
Revenue from contracts with customers	<b>156,692</b>	63,276
Geographical market:		
The PRC	93,184	9,791
United Kingdom (the "UK")	53,796	44,533
Hong Kong	9,712	8,952
Revenue from contracts with customers	<b>156,692</b>	63,276

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other services income are recognised when services are provided.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued)

### Segment revenues and results

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

	Concrete Business	Household Consumables Business	Digital Technology Business	Education Business	Money Lending Business	Total
For the year ended 31 March 2020	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	91,821	53,796	763	10,312	56,764	213,456
Segment profit (loss)	(3,142)	3,932	(1,964)	426	11,274	10,526
Bank interest income						26
Exchange differences						(15)
Fair value loss on investments at FVTPL						(6,889)
Fair value loss on promissory notes						(193)
Loss on early redemption of promissory notes						(5,360)
Gain on redemption of convertible bonds						191
Amortisation of other intangible assets						(3,869)
Impairment loss on other intangible assets						(13,169)
Impairment loss on goodwill						(8,235)
Loss on the Extended Convertible Bonds 2019						(2,477)
Share of profit of associates						12,880
Loss on deemed disposal of associates						(17,005)
Central administration costs						(49,280)
Loss before income tax						(82,869)

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued) Segment revenues and results (Continued)

	Household Consumables Business HK\$'000	Digital Technology Business HK\$'000	Education Business HK\$'000	Money Lending Business HK\$'000	Total HK\$'000 (restated)
<b>For the year ended 31 March 2019</b>					
Revenue from external customers	44,533	2,021	16,722	51,888	115,164
Segment profit (loss)	2,166	(1,836)	(402)	58,252	58,180
Bank interest income					58
Exchange differences					(163)
Fair value gain on investments at FVTPL					12,416
Fair value loss on derivative financial asset					(28,632)
Fair value loss on contingent consideration receivable					(1,335)
Fair value loss on promissory notes					(1,938)
Loss on early redemption of promissory note					(2,033)
Loss on redemption of convertible bonds					(1,023)
Amortisation of other intangible assets					(834)
Impairment loss on goodwill					(7,019)
Share of profit of associates					9,253
Gain on disposal of subsidiary					7,797
Central administration costs					(48,958)
Loss before income tax					(4,231)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss incurred from) each segment without allocation of bank interest income, exchange differences, change in fair value of investments at FVTPL; derivative financial asset; contingent consideration receivables and promissory notes, gain (loss) on redemption of convertible bonds, loss on early redemption of promissory note, loss on the Extended Convertible Bonds 2019, amortisation of other intangible assets, impairment loss on goodwill and other intangible assets, share of profit of associates, gain on disposal of subsidiary, loss on deemed disposal of associates, central administration costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued)

### Segment assets and liabilities

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

### Segment assets

	2020 HK\$'000	2019 HK\$'000
Concrete Business	788,395	–
Household Consumables Business	20,041	14,014
Digital Technology Business	515	863
Education Business	2,724	2,169
Money Lending Business	322,248	328,925
Total segment assets	1,133,923	345,971
Other intangible assets	116,992	48,362
Goodwill	218,716	72,446
Interests in associates	–	102,655
Amounts due from related parties	1,361	1,585
Derivative financial asset	–	222
Investments at FVTPL	–	17,029
Tax recoverable	10,446	–
Deferred tax assets	4,473	–
Bank balances and cash	18,238	45,383
Unallocated corporate assets	22,574	3,534
Consolidated total assets	1,526,723	637,187

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued)

### Segment assets and liabilities (Continued)

#### Segment liabilities

	2020 HK\$'000	2019 HK\$'000
Concrete Business	<b>394,639</b>	–
Household Consumables Business	<b>4,771</b>	3,471
Digital Technology Business	<b>1,153</b>	1,016
Education Business	<b>2,372</b>	4,424
Money Lending Business	<b>10,256</b>	168
Total segment liabilities	<b>413,191</b>	9,079
Tax payable	<b>2,960</b>	10,908
Interest-bearing borrowings	<b>130,327</b>	–
Convertible bonds	<b>119,449</b>	176,038
Promissory notes	<b>68,365</b>	13,589
Deferred tax liabilities	<b>15,600</b>	8,040
Unallocated corporate liabilities	<b>42,277</b>	28,079
Consolidated total liabilities	<b>792,169</b>	245,733

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

- All assets are allocated to operating segments other than other intangible assets, goodwill, interests in associates, derivative financial asset, investments at FVTPL, amounts due from related parties, tax recoverable, deferred tax assets, bank balances and cash and unallocated corporate assets.
- All liabilities are allocated to operating segments other than tax payable, interest-bearing borrowings, convertible bonds, promissory notes, deferred tax liabilities and unallocated corporate liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued)

### Other segment information

The following is an analysis of other segment information:

	Concrete Business HK\$'000	Household Consumables Business HK\$'000	Digital Technology Business HK\$'000	Education Business HK\$'000	Money Lending Business HK\$'000	Unallocated Corporate Office HK\$'000	Total HK\$'000
<b>For the year ended 31 March 2020</b>							
Capital additions	189	4,931	-	-	-	-	5,120
Depreciation of property, plant and equipment	2,476	168	-	124	-	72	2,840
Impairment loss on other intangible assets	-	-	-	13,169	-	-	13,169
Impairment loss on goodwill	-	-	8,235	-	-	-	8,235
(Reversal of impairment loss) impairment loss on trade, retention and other receivables	(1,754)	70	-	-	-	(10,598)	(12,282)
Depreciation of right-of-use assets	229	905	-	-	201	9,394	10,729
Impairment loss on loan receivables, net	-	-	-	-	28,075	-	28,075

	Household Consumables Business HK\$'000	Digital Technology Business HK\$'000	Education Business HK\$'000	Money Lending Business HK\$'000	Unallocated Corporate Office HK\$'000 (restated)	Total HK\$'000
<b>For the year ended 31 March 2019</b>						
Capital additions	19	-	200	-	-	219
Depreciation of property, plant and equipment	173	-	116	-	156	445
Impairment loss on trade receivables	31	-	41	-	-	72
Impairment loss on goodwill	-	7,019	-	-	-	7,019
Written-off of loan receivables	-	-	-	50	-	50
Written-off of trade receivables	379	-	-	-	-	379
Net gain on sales of trade receivables and payables	-	-	-	-	(36,374)	(36,374)
Reversal of impairment loss on loan receivables	-	-	-	(8,583)	-	(8,583)

These segment information has been included in the measures of segment results or assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued)

### Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2020 HK\$'000	2019 HK\$'000
Sales of goods from Concrete Business	91,821	–
Sales of goods from Household Consumables Business	53,796	44,533
Services income from		
– Digital Technology Business	763	2,021
– Education Business	10,312	16,722
Interest income from Money Lending Business	56,764	51,888
	<b>213,456</b>	115,164

### Information about geographical areas

In determining the Group's information about geographical areas, revenue is analysed based on the locations of the customers.

The following table provides an analysis of the Group's revenue generated from external customers by geographical market, irrespective of the origin of the goods.

	Revenue by geographical market	
	2020 HK\$'000	2019 HK\$'000
The PRC	93,184	9,791
UK	53,796	44,533
Hong Kong	66,476	60,840
	<b>213,456</b>	115,164

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. Revenue and Segment Information (Continued)

### Information about geographical areas (Continued)

As at 31 March 2020, approximately HK\$308,672,000, HK\$16,611,000 and HK\$101,315,000 and HK\$299,000 of the non-financial assets classified as non-current assets are located in the PRC, the UK, Hong Kong and Macau, respectively.

As at 31 March 2019, approximately HK\$102,723,000, HK\$12,553,000, HK\$108,946,000 and HK\$309,000 of the non-financial assets classified as non-current assets are located in the PRC, the UK, Hong Kong and Macau, respectively.

### Information about major customers

There is no revenue from customers for the both year ended 31 March 2020 and 2019 contributing over 10% of the total revenue of the Group.

## 6. Other Income

	2020 HK\$'000	2019 HK\$'000
Bank interest income	26	58
Rental income	99	1,180
Litigation income (Note)	552	–
Sundry income	83	217
	<b>760</b>	<b>1,455</b>

Note:

There were litigation claims initiated by the Group against certain trade debtors to demand for immediate repayment of the unsettled trade and retention receivables. Pursuant to the respective judgements of the courts, approximately HK\$552,000 in aggregate amount of interests, penalties and recharges of corresponding legal costs received from those trade debtors during the year ended 31 March 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 7. Other Gains and Losses, Net

	2020 HK\$'000	2019 HK\$'000
Exchange differences	(15)	(163)
Gain (loss) on early redemption of convertible bonds	191	(1,023)
Fair value loss on investment properties	(264)	–
Fair value loss on contingent consideration receivable	–	(1,335)
Fair value loss on derivative financial asset	–	(28,632)
Fair value (loss) gain on investments at FVTPL	(6,889)	12,416
Fair value loss on promissory notes	(193)	(1,938)
Loss on early redemption of promissory note	(5,360)	(2,033)
Gain on disposal of a subsidiary	–	7,797
Reversal of impairment loss (impairment loss) on trade, retention and other receivables	12,282	(72)
Impairment loss on goodwill	(8,235)	(7,019)
Impairment loss on other intangible assets	(13,169)	–
(Impairment loss) reversal of impairment loss on loan receivables	(28,075)	8,583
Written-off of loan receivables	–	(50)
Written-off of trade receivables	–	(379)
Net gain on sales of trade receivables and payables	–	36,374
Loss on the Extended Convertible Bonds 2019	(2,477)	–
Loss on deemed disposal of associates	(17,005)	–
Others	18	438
	<b>(69,191)</b>	22,964

## 8. Finance Costs

	2020 HK\$'000	2019 HK\$'000
Effective interest expenses on convertible bonds	18,488	44,632
Interest expenses on bank and other borrowings (Note)	2,730	3,509
Interest expenses on unsecured bonds	963	–
Interest expenses on promissory notes	2,027	–
Interest expenses on lease liabilities	1,169	–
	<b>25,377</b>	48,141

Note:

During the year ended 31 March 2019, the Group entered into loan facilities to finance the investment properties acquired through the acquisition of entire equity interest in Treasure Profit Limited. The loans bore fixed interest rate and were denominated in HK\$. The loans were secured by the investment properties held by Treasure Profit Limited, together with the corporate guarantees and personal guarantee from a director of the Company. The loans were fully repaid and all respective charges were released after the completion of disposal of Treasure Profit Limited during the year ended 31 March 2019.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 9. Income Tax (Credit) Expense

	2020 HK\$'000	2019 HK\$'000
Current tax:		
– Hong Kong Profits Tax	2,034	6,079
– PRC Enterprise Income Tax (“PRC EIT”)	6	355
– Other jurisdictions	817	457
	<b>2,857</b>	6,891
Under (over)-provision in respect of prior years:		
– Hong Kong Profits Tax	(2,170)	991
– Other jurisdictions	(13)	–
	<b>(2,183)</b>	991
Deferred taxation:		
– Current year	(5,351)	(146)
	<b>(5,351)</b>	(146)
Income tax (credit) expense	<b>(4,677)</b>	7,736

### (i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for year ended 31 March 2020 and 2019.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from 1 April 2018, Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 9. Income Tax (Credit) Expense (Continued)

### (ii) PRC

PRC EIT is calculated at 25% (2019: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for subsidiaries of the Company which were recognised as a high and new technology enterprise (“HNTE”) and in accordance with relevant laws and regulations in the PRC, the subsidiaries are entitled to the preferential tax rate of 12.5% corporate income tax rate for HNTE during the year.

Besides, a subsidiary which has been granted for a “two plus three” tax concessions and is entitled to have two-year income tax holiday and three-year half income tax holiday commenced from 1 January 2019.

### (iii) Macau

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, Two-Two-Free is exempted from Macao Complementary Tax.

### (iv) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Income tax (credit) expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
Loss before income tax	(82,869)	(4,231)
Tax at statutory tax rates	(10,548)	(775)
Tax effect of expenses not deductible for tax purpose	6,433	14,350
Tax effect of income not taxable for tax purpose	(76)	(8,251)
Tax effect on temporary differences not recognised	(5)	(4)
Tax effect of tax losses not recognised	2,038	1,376
(Over)under-provision in respect of prior years	(2,183)	991
Others	(336)	49
Income tax (credit) expense for the year	(4,677)	7,736

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 9. Income Tax (Credit) Expense (Continued)

10% withholding income tax is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident investors for the companies established in the PRC. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applicable.

Save as the Group's unrecognised tax losses as set out in Note 30, there was no other significant unprovided deferred taxation for both years at the end of respective reporting periods.

## 10. Loss for the Year

	2020 HK\$'000	2019 HK\$'000
The Group's loss for the year has been arrived at after charging:		
Directors' remuneration (Note a & Note 11)	14,426	13,251
Other staff costs	22,944	20,483
Retirement benefit scheme contributions (Note b)	935	669
Total staff costs	38,305	34,403
Auditor's remuneration		
– Audit services	1,150	1,100
– Non-audit services	15	165
Cost of inventories sold	118,140	35,006
Depreciation of property, plant and equipment	2,840	445
Depreciation of right-of-use assets (Note a)	10,729	–
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	255	–
Amortisation of other intangible assets	3,869	834

Notes:

- (a) Upon application of HKFRS 16, the lease of director's quarter provided to Mr. Wong Wai Sing was classified as the right-of-use assets. The depreciation of the right-of-use assets related to the director's quarter for the year ended 31 March 2020 was approximately HK\$6,285,000, which is included in both the directors' remuneration and depreciation of right-of-use assets. The rental payments for the year ended 31 March 2020 was approximately HK\$6,960,000 (2019: HK\$1,740,000).
- (b) No forfeited contributions available for offset against existing contributions during the year (2019: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. Directors' and Employees' Emoluments

### Directors

Details of the emoluments paid to the Directors for the years are as follows:

#### Year ended 31 March 2020

	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus (Note (iv)) HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<i>Executive directors:</i>					
Mr. Wong Wai Sing (Note (i))	4,105	6,960	-	18	11,083
Mr. Lee Chi Shing, Caesar (Note (ii))	500	-	-	15	515
Mr. Chan Kin Lung	120	840	-	18	978
Mr. Wong Jeffrey	130	1,108	-	18	1,256
<i>Independent non-executive directors:</i>					
Mr. Kwok Kam Tim	216	-	-	-	216
Dr. Hui Chik Kwan (Note (iii))	180	-	-	-	180
Mr. Tso Ping Cheong, Brian	198	-	-	-	198
	5,449	8,908	-	69	14,426

#### Year ended 31 March 2019

	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus (Note (iv)) HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<i>Executive directors:</i>					
Mr. Wong Wai Sing (Note (i))	4,105	1,740	4,000	18	9,863
Mr. Lee Chi Shing, Caesar (Note (ii))	600	-	-	18	618
Mr. Chan Kin Lung	120	840	-	18	978
Mr. Wong Jeffrey	130	1,050	-	18	1,198
<i>Independent non-executive directors:</i>					
Mr. Kwok Kam Tim	216	-	-	-	216
Dr. Hui Chik Kwan (Note (iii))	180	-	-	-	180
Mr. Tso Ping Cheong, Brian	198	-	-	-	198
	5,549	3,630	4,000	72	13,251

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. Directors' and Employees' Emoluments (Continued)

### Directors (Continued)

Notes:

- (i) Mr. Wong Wai Sing is also the chief executive of the Company.

During the year ended 31 March 2020, the Group has been providing accommodation, which is leased from independent third party, to Mr. Wong Wai Sing at no charge. The estimated monetary value of the benefits in kind is approximately HK\$6,960,000 (2019: HK\$1,740,000). The depreciation of right-of-use assets in relation to these non-monetary benefit amounted to approximately HK\$6,285,000 as included in the directors' remuneration as disclosed in Note 10 to the consolidated financial statements (2019: Nil).

- (ii) Mr. Lee Chi Shing, Caesar resigned as an executive director with effect from 31 January 2020.

- (iii) Dr. Hui Chik Kwan resigned as an independent non-executive director with effect from 31 March 2020.

- (iv) The discretionary bonuses were determined by the contributions of the individual of the Directors in the business development of the Group and approved by the Remuneration Committee.

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

### Employees

Of the five individuals with the highest emoluments in the Group, four (2019: three) were Directors and whose emoluments are set out in the above details of the Directors' emoluments. The emoluments of the remaining one (2019: two) non-director individuals are as follows:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Salaries and other allowances	<b>1,758</b>	3,356
Retirement benefit scheme contributions	<b>18</b>	35
	<b>1,776</b>	3,391

The remuneration of the non-director individuals fell within the band of HK\$1,500,001 to HK\$2,000,000 for both years ended 31 March 2019 and 2020.

During both years, no emolument was paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. During both years, no arrangement under which Directors waived or agreed to waive any emoluments.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. Directors' and Employees' Emoluments (Continued) Senior Management

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK\$1,500,001 to HK\$2,000,000	1	2

## 12. Dividends

The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2020 and 2019.

## 13. Loss per Share

The calculations of basic loss per share are based on the loss for the year attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the year.

The calculations of diluted loss per share are based on the respective adjusted loss for the year attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

For the year ended 31 March 2020 and 2019, the Company's outstanding share options and convertible bonds had an anti-dilutive effect to the basic loss per share calculation. The exercise or conversion of the above potential ordinary shares is not assumed in the computation of the diluted loss per share.

The calculations of basic and diluted loss per share attributable to owners of the Company for both years are based on the following data:

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company	(78,234)	(15,539)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,676,255,625	2,398,714,708

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 14. Investment Properties

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	–	–
Addition	4,884	146,320
Disposal of a subsidiary	–	(146,320)
Decrease in fair value	(264)	–
Exchange realignment	(150)	–
At end of the year	4,470	–

Notes:

- (a) The investment properties as at 31 March 2020 are located in United Kingdom under long term lease (over 50 years). The investment properties held under operating lease to earn rentals and/or for capital appreciation purposes is measured using the fair value model and are classified and accounted for as investment properties.

The Group leases out certain of its investment properties under operating leases. The average lease term is 1 year. All leases are on a fixed rental basis and do not include variable lease payments.

- (b) The fair value of the Group's investment properties as at 31 March 2020 had been arrived at on the basis of valuation carried out on that date by Asset Appraisal Limited ("AAL"), which are independent firm of qualified valuers having appropriate qualifications and experience in valuation of properties in relevant locations. The valuation, which conforms to The Hong Kong Institute of Surveyors (the "HKIS") Valuation Standards on Properties published by the HKIS, is arrived at with reference to market evidence of transaction prices of similar properties or calculated on the net income allowing for reversionary potential. For all investment properties, their current use equates to the highest and best use.

- (c) The fair value of investment properties at 31 March 2020 classified as Level 3, was determined using market comparable approach. Valuation and significant unobservable inputs are as follows:

Valuation technique:	Market comparable approach
Significant unobservable inputs:	Price per square feet
Range:	GBP110 per square feet to GBP141 per square feet
Relating of unobservable inputs to fair value:	The higher the price, the higher the fair value, and vice versa.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 15. Property, Plant and Equipment

	Buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 April 2018	381	467	108	755	1,964	–	3,675
Additions	–	–	–	–	219	–	219
Disposals	–	–	–	–	(4)	–	(4)
Exchange realignment	–	(33)	(8)	(53)	(14)	–	(108)
At 31 March 2019	381	434	100	702	2,165	–	3,782
Additions	–	34	–	–	67	135	236
Acquisition of subsidiaries (Note 40(a))	–	11,478	44,381	–	682	13,906	70,447
Disposals	–	–	–	–	(1)	–	(1)
Exchange realignment	–	(412)	(1,380)	(43)	(39)	(340)	(2,214)
At 31 March 2020	381	11,534	43,101	659	2,874	13,701	72,250
<b>ACCUMULATED DEPRECIATION</b>							
At 1 April 2018	106	307	89	338	1,492	–	2,332
Charge for the year	8	30	4	130	273	–	445
Elimination on disposals	–	–	–	–	(4)	–	(4)
Exchange realignment	–	(22)	(6)	(24)	(7)	–	(59)
At 31 March 2019	114	315	87	444	1,754	–	2,714
Charge for the year	8	477	1,994	125	236	–	2,840
Elimination on disposals	–	–	–	–	(1)	–	(1)
Exchange realignment	–	(110)	(402)	(31)	(15)	–	(558)
At 31 March 2020	122	682	1,679	538	1,974	–	4,995
<b>NET CARRYING VALUE</b>							
At 31 March 2020	259	10,852	41,422	121	900	13,701	67,255
At 31 March 2019	267	119	13	258	411	–	1,068

Construction in progress as at 31 March 2020 mainly represents costs incurred in relation to a manufactured sand production line, which is for production of manufactured sand from crushed stones. The manufactured sand will be used during the production of concrete. As at 31 March 2020, the manufactured sand production line was still under construction and was not ready for the intended use by the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16. Right-of-use Assets and Lease Liabilities

### (a) Right-of-use assets

	2020 HK\$'000
<b>Disclosures of lease-related items:</b>	
At 31 March:	
Right-of-use assets	
Land and buildings	<b>19,464</b>
Lease commitments of short-term leases	–
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
Less than 1 year	<b>13,509</b>
Between 1 and 2 years	<b>5,961</b>
Between 2 and 5 years	<b>2,795</b>
Over 5 years	<b>961</b>
	<b>23,226</b>
Depreciation charge of right-of-use assets	
Land and buildings	<b>10,729</b>
Lease interests	<b>1,169</b>
Expenses related to short-term leases	<b>255</b>
Expenses related to lease of low-value assets that are not short-term leases	<b>64</b>
Total cash outflow for leases	<b>11,028</b>
Additions to right-of-use assets	<b>6,018</b>

The Group leases various land use rights and properties. Lease agreements are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purpose.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16. Right-of-use Assets and Lease Liabilities (Continued)

### (b) Lease liabilities

	2020	
	Lease payments HK\$'000	Present value of lease payments HK\$'000
Within one year	13,509	12,721
In the second to fifth years, inclusive	8,756	8,235
After five years	961	949
	23,226	
Less: Future finance charges	(1,321)	
Present value of lease liabilities	21,905	21,905
Less: Amount due for settlement within 12 months (shown under current liabilities)		(12,721)
Amount due for settlement after 12 months		9,184

Upon the initial application of HKFRS 16 as at 1 April 2019, operating lease commitment were remeasured and recognised as adjustments to the lease liabilities immediately after the date of initial application (Note 2(a)). At 31 March 2020, the average effective borrowing rate was 5.5% per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 17. Other Intangible Assets

	Coal Sales Contract HK\$'000	Customer Network HK\$'000	License Agreements HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 April 2018	57,346	8,927	55,006	121,279
Exchange realignment	-	(626)	-	(626)
At 31 March 2019	57,346	8,301	55,006	120,653
Acquisition of subsidiaries (Note 40(a))	-	85,787	-	85,787
Exchange realignment	-	(512)	-	(512)
At 31 March 2020	57,346	93,576	55,006	205,928
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
At 1 April 2018	57,346	5,505	8,996	71,847
Charge for the year	-	834	-	834
Exchange realignment	-	(390)	-	(390)
At 31 March 2019	57,346	5,949	8,996	72,291
Charge for the year	-	3,869	-	3,869
Impairment loss recognised (Note 7)	-	-	13,169	13,169
Exchange realignment	-	(393)	-	(393)
At 31 March 2020	57,346	9,425	22,165	88,936
<b>NET CARRYING VALUE</b>				
At 31 March 2020	-	84,151	32,841	116,992
At 31 March 2019	-	2,352	46,010	48,362

The Coal Sales Contract represented a legally binding sales contract of coal products entered into between the Group and a customer, which was acquired as part of the Group's acquisition of China Indonesia Alliances Coal Investment Company Limited ("China Coal") and its 90%-owned subsidiary (collectively the "China Coal Group") in prior year. The Coal Sales Contract was fully impaired in prior years.

Customer Network represents a long and close business relationship with customers of S&J Distribution Limited ("S&J") and Alpha Youth Group, which was acquired as part of the Group's acquisition of S&J in prior year and Alpha Youth Group in current year; and has been allocated to the Household Consumables Business CGU and Concrete Business CGU respectively. The Customer Network of S&J and Alpha Youth Group are amortised on straight-line basis over 10 years and 7 years respectively.

License Agreements represent the authorisation to be an official representative of (i) TOEIC (the Test of English for International Communication) in Hong Kong and Macau; (ii) TOEFL Junior tests (a general assessment of middle school-level English-language proficiency of the Test of English as a Foreign Language) in Hong Kong and Macau; (iii) TOEFL ITP (the Institutional Testing Program of the Test of English as a Foreign Language) in Hong Kong, Macau and the Southern China; and (iv) TOEIC (the Test of English for International Communication) (the tests of listening and reading only) in 8 provinces of the PRC. The License Agreements were acquired as part of the Group's acquisition of DigiSmart (Group) Limited and its subsidiaries (collectively the "DigiSmart Group") in prior year and has been allocated to the Education Business CGU.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 17. Other Intangible Assets (Continued)

The Group also assessed the useful lives of the License Agreements as indefinite because the Group considered the License Agreements are renewable at no additional cost and that the business relationship with the license owner becomes probable to continue indefinitely in the foreseeable future. Based on historical records, the Group is able to renew the License Agreements with the license owner without any additional cost.

Particulars regarding impairment testing on other intangible assets are set out in Note 19.

## 18. Goodwill

	Concrete Business CGU HK\$'000	Household Consumables Business CGU HK\$'000	Digital Technology Business CGU HK\$'000	Education Business CGU HK\$'000	Money Lending Business CGU HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 April 2018 and 31 March 2019	-	9,774	113,633	61,319	21,795	206,521
Acquisition of subsidiaries (Note 40(a))	154,505	-	-	-	-	154,505
At 31 March 2020	154,505	9,774	113,633	61,319	21,795	361,026
<b>ACCUMULATED IMPAIRMENT LOSSES</b>						
At 1 April 2018	-	-	65,737	61,319	-	127,056
Impairment (Note 7)	-	-	7,019	-	-	7,019
At 31 March 2019	-	-	72,756	61,319	-	134,075
Impairment (Note 7)	-	-	8,235	-	-	8,235
At 31 March 2020	-	-	80,991	61,319	-	142,310
<b>NET CARRYING VALUE</b>						
At 31 March 2020	154,505	9,774	32,642	-	21,795	218,716
At 31 March 2019	-	9,774	40,877	-	21,795	72,446

Goodwill arising in prior years related to (i) the acquisition of S&J and has been allocated to the Household Consumables Business CGU; (ii) the acquisition of DigiSmart Group and has been allocated to the Digital Technology Business CGU and Education Business CGU in proportion to the estimated fair value of the respective CGUs as at the date of completion of the acquisition; and (iii) the acquisition of Chengxin Finance Limited ("Chengxin Finance") and has been allocated to the Money Lending Business CGU.

Goodwill arising in current year related to the acquisition of Alpha Youth Group during the year and has been allocated to the Concrete Business CGU. Goodwill was arisen from a number of factors including the expected strong demand for concrete in Hainan Province in the coming years and optimistic about the growth and prospect of the concrete industry in Hainan Province. The benefit was not recognised separately from goodwill because it did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill of the CGUs recognised is expected to be deductible for income tax purposes.

Particulars regarding impairment testing on goodwill are set out in Note 19.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 19. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing as at 31 March 2020, other intangible assets and goodwill set out in Notes 17 and 18 respectively have been allocated to five individual CGUs, comprising a subsidiary in Household Consumables Business, subsidiaries in Digital Technology Business, subsidiaries in Education Business, a subsidiary in Money Lending Business and subsidiaries in Concrete Business; while for year ended 31 March 2019 have been allocated to the above four individual CGUs (excluding Concrete Business CGU in which was acquired during the year ended 31 March 2020). The carrying amounts of other intangible assets and goodwill as at 31 March 2020 and 2019 allocated to these units are as follows:

	Customer Network with finite useful life		License Agreements with indefinite useful lives		Goodwill	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Household Consumables Business						
CGU (Unit A)	1,428	2,352	-	-	9,774	9,774
Digital Technology Business						
CGU (Unit B)	-	-	-	-	32,642	40,877
Education Business CGU (Unit C)	-	-	32,841	46,010	-	-
Money Lending Business CGU (Unit D)	-	-	-	-	21,795	21,795
Concrete Business CGU (Unit E)	82,723	-	-	-	154,505	-
	84,151	2,352	32,841	46,010	218,716	72,446

During the year ended 31 March 2020, the Group determines that there is no impairment of other intangible assets in respect of the Household Consumables Business CGU and Concrete Business CGU. There is no impairment of goodwill in respect of the Household Consumable Business CGU, Money Lending Business CGU and Concrete Business CGU as at 31 March 2020.

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

### Unit A

The recoverable amount of this unit has been determined based on a fair value less cost of disposal calculation with reference to a professional valuation performed by Asset Appraisal Limited ("AAL"), an independent firm of professionally qualified valuers for year ended 31 March 2020 (2019: Greater China Appraisal Limited). That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2019: a five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2019: 2%). The post-tax rate used to discount the forecast cash flows is 13.38% (2019: 13.59%).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 19. Impairment Testing on Other Intangible Assets and Goodwill (Continued)

### Unit B

The recoverable amount of this unit as at 31 March 2020 has been determined to be approximately HK\$30,000,000 based on the fair value less costs of disposal calculation with reference to consideration agreed in the agreement for sale and purchase for the entire issue share capital in Sino Digital Media (Overseas) Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (collectively the “Sino Digital Group”). The calculation uses the consideration less direct selling cost. Further details are set out in Note 41(b).

The recoverable amount of this unit as at 31 March 2019 has been determined to be approximately HK\$40,877,000 based on the value-in-use calculation with reference to a professional valuation performed by AAL, an independent firm of professionally qualified valuers. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projection based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2%. The pre-tax rate used to discount the forecast cash flows is 14.54%

Based on the impairment assessment of the Digital Technology Business CGU, the goodwill allocated to Digital Technology Business CGU was determined to be impaired. An impairment loss of approximately HK\$8,235,000 (2019: HK\$7,019,000) was recognised in consolidated profit or loss under other gains and losses, net in the current year. The impairment loss recognised during the year ended 31 March 2020 was mainly attributable to the consideration lower than the net assets value of the Digital Technology Business CGU.

### Unit C

The recoverable amount of this unit as at 31 March 2020 has been determined to be approximately HK\$32,841,000 based on a value-in-use calculation (2019: value-in-use calculation) with reference to a professional valuation performed by AAL. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2019: five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2019: 2%). The pre-tax rate used to discount the forecast cash flows is 16.42% (2019: 16.70%).

Based on the impairment assessment of the Education Business CGU, the other intangible asset allocated to Education Business CGU was determined to be impaired. An impairment loss of approximately HK\$8,235,000 (2019: Nil) was recognised in consolidated profit or loss under other gains and losses, net in the current year. The impairment loss recognised during the year ended 31 March 2020 was mainly attributable to a fall in annual growth rate over the five-year forecast period due to the increase in competition among other market participants, loss of competitiveness and the change in customers’ needs.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 19. Impairment Testing on Other Intangible Assets and Goodwill *(Continued)*

### Unit D

The recoverable amount of this unit as at 31 March 2020 has been determined based on a value-in-use calculation (2019: value-in-use calculation) with reference to a professional valuation performed by AAL. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2019: five-year period). Cash flows beyond the projection period are extrapolated using zero (2019: zero) growth rate. The pre-tax rate used to discount the forecast cash flows is 16.8% (2019: 18.29%).

The basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the respective CGUs. The discount rate used reflects specific risks relating to industries in relation to the respective CGUs.

### Unit E

The recoverable amount of this unit as at 31 March 2020 has been determined based on a value-in-use calculation with reference to a professional valuation performed by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent firm of professionally qualified valuers. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using estimated growth rate of 3%. The pre-tax rate used to discount the forecast cash flows is 20.2%.

The recoverable amounts of Unit A and Unit B (2019: Unit A) were based on the fair value less costs of disposal calculation determined by income approach using discounted cash flow projections for year ended 31 March 2020. The fair value of the recoverable amounts of Unit A and Unit B are classified as a level 3 fair value measurement.

For Unit A, Unit D and Unit E, for which no impairment loss was recognised during the year, reasonably possible changes in key assumptions on which the management had based its determination of the units' recoverable amounts would not cause the units' carrying amounts to exceed their respective recoverable amounts.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 20. Interests in Associates

	2020 HK\$'000	2019 HK\$'000
Share of net assets	–	56,597
Goodwill	–	46,058
	–	102,655

Note:

As disclosed in Note 40(a), Alpha Youth Group become subsidiaries of the Group during the year ended 31 March 2020 upon the completion of the acquisition of 80% remaining equity interest of Alpha Youth Limited by the Group. The carrying amount of the Group's interest in Alpha Youth Group has been deemed disposed.

Particulars of the associates as at 31 March 2020 and 2019 are set out below, of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Place and date of incorporation/ establishment	Paid up capital	Attributable equity interest held by the Group as at 31 March		Principal activities
			2020 %	2019 %	
Alpha Youth Limited	The British Virgin Islands (the "BVI") 10 May 2016	United States Dollar ("USD") 200	N/A	20	Investment holding
Grace Wisdom Holdings Limited	Hong Kong 12 April 2016	HK\$100	N/A	20	Investment holding
Hainan Huasheng Concrete Company Limited* (海南華盛混凝土有限公司) ("Hainan Huasheng")	The PRC 23 May 2006	Renminbi ("RMB") 20,000,000	N/A	20	Production and sales of concrete in the PRC

\* The English name of Hainan Huasheng represent management's best effort at translating the Chinese name of Hainan Huasheng as no English name has been registered.

On 15 February 2018, the Group acquired 20% equity interest in Alpha Youth Limited and its subsidiaries ("Alpha Youth Group") with an agreed consideration of HK\$119,000,000. The consideration was settled by cash of HK\$95,000,000 and promissory notes with principal amount of HK\$24,000,000. Alpha Youth Group is principally engaged in the production and sales of concrete in Hainan province, the PRC.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 20. Interests in Associates (Continued)

As part of the acquisition, if the actual audited consolidated net profit after tax and before all items which are one-off, non-operating in nature and not incurred in the ordinary and usual courses of business of Hainan Huasheng for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018 (the “Hainan Huasheng Actual Profit”), is less than RMB42,000,000 and RMB47,000,000 (the “Alpha Youth Profit Guarantee”) respectively, the vendor will compensate the Group for the shortfall on a dollar for dollar basis for an amount equivalent to the difference between the Alpha Youth Profit Guarantee and the Hainan Huasheng Actual Profit multiplied by 12 times and 20% of the equity sharing of the Group. Pursuant to the acquisition agreement, the compensation shall not exceed the nominal consideration. The possible range of face value of this contingent consideration receivable is between nil to HK\$119,000,000.

As a security for the contingent consideration receivable as describe above, the promissory notes with principal amount of HK\$24,000,000 were held in escrow by an escrow agent jointly appointed by the Group and the vendor (the “Escrow Agent”) upon the completion of the acquisition of the Alpha Youth Group. In the event that the vendor needs to pay the compensation to the Group, the Group has the right to set off such compensation amount against the face value of the promissory notes on a dollar for dollar basis. The Group will cancel the original promissory notes and issue new promissory notes with the balance after the set-off (if any) to the vendor. If the face value of the promissory notes is not sufficient to cover the compensation amount, the vendor shall pay the remaining balance in cash to the Group within 14 days after confirming the amount of the Hainan Huasheng Actual Profit.

If the Hainan Huasheng Actual Profit is equal to or more than the Alpha Youth Profit Guarantee for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018 respectively, the Group and the vendor shall procure the Escrow Agent to release the promissory notes in the principal amount of HK\$8,500,000 and HK\$15,500,000 respectively, within 10 days after confirming the amount of the Hainan Huasheng Actual Profit for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively. The Company has received certificates from the auditor of Hainan Huasheng which confirmed the Alpha Youth Profit Guarantee had been fulfilled.

In addition, as part of the acquisition, the Group and the vendor entered into an option deed, pursuant to which the vendor granted the Group the right to acquire all of the remaining 80% equity interest in Alpha Youth Group at the sole discretion of the Group within two years from the completion date (the “Call Option”). The exercise price of the Call Option is determined with reference to 80% of the valuation of Alpha Youth Group at the time of exercise of the Call Option and is capped to approximately RMB481,066,000. If the exercise price is below approximately RMB320,710,000, the vendor has the right to refuse the exercise of the Call Option by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 20. Interests in Associates (Continued)

On 27 September 2019, the Group exercise the call option, as purchaser entered into the sale and purchase agreement with the vendor, to acquire the remaining 80% of issued share capital of Alpha Youth Limited at consideration of RMB390,038,000 (equivalent to HK\$432,942,624). The acquisition has been completed on 6 January 2020, upon which, Alpha Youth Group became an indirectly wholly-owned subsidiaries of the Group. Further details are set out in Note 40(a).

Further details are set out in the Company's circular dated 25 January 2018 and 9 December 2019 and announcements dated 21 September 2017, 6 October 2017, 7 November 2017, 7 December 2017, 14 February 2018 and 15 February 2018, 27 September 2019 and 6 January 2020 respectively.

### Summarised financial information of Alpha Youth Group

	2020 HK\$'000	2019 HK\$'000
As at 31 March		
Non-current assets	N/A	165,726
Current assets	N/A	603,323
Current liabilities	N/A	486,060

	For the period from 1 April to disposal date HK\$'000	For the year ended 31 March 2019 HK\$'000
Revenue	694,521	877,203
Profit for the period/year	64,400	46,264
Other comprehensive income for the period/year	(9,061)	(15,060)
Total comprehensive income for the period/year	55,339	31,204

Note: As disclosed in Note 40(a), the acquisition of the remaining 80% equity interest in Alpha Youth Limited has been completed on 6 January 2020. Upon the completion, Alpha Youth Group become subsidiaries of the Group.

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Alpha Youth Group:

	2020 HK\$'000	2019 HK\$'000
Opening net assets of Alpha Youth Group, including the fair value adjustments on the date of acquisition	<b>282,989</b>	251,785
Profit for the period/year	<b>64,400</b>	46,264
Other comprehensive income for the period	<b>(9,061)</b>	(15,060)
Net assets of Alpha Youth Group	<b>338,328</b>	282,989
Group's effective interest	N/A	20%
Group's share of net assets of Alpha Youth Group	N/A	56,597
Goodwill	N/A	46,058
Carrying value	N/A	102,655

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 21. Inventories

	2020 HK\$'000	2019 HK\$'000
At cost:		
Raw materials	5,645	–
Work in progress	52	–
Fuel and consumables	2,372	–
Finished goods	4,859	5,765
	<b>12,928</b>	5,765

## 22. Loan Receivables

	2020 HK\$'000	2019 HK\$'000
Loan receivables		
– Collateralised	74,070	87,000
– Non-collateralised	241,086	207,270
	<b>315,156</b>	294,270
Accrued interest receivables	47,424	47,522
	<b>362,580</b>	341,792
Less: impairment loss recognised	(41,075)	(13,000)
	<b>321,505</b>	328,792

The loan receivables of the Group's Money Lending Business are all denominated in HK\$. The initial loan periods granted to customers are mainly within one year to two years.

The loans provided to customers bore fixed monthly interest rate ranging from 8% to 36% (2019: 8% to 39%) per annum. The effective interest rates of the above loan receivables ranging from 8% to 43% (2019: 8% to 46%) per annum.

The ageing analysis of loan receivables (net of allowance of doubtful debt) prepared based on initial loan commencement date as set out in the relevant contracts is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 90 days	–	25,050
91 – 180 days	27,166	5,200
181 – 365 days	50,000	27,400
Over 365 days	203,052	223,620
	<b>280,218</b>	281,270

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 22. Loan Receivables (Continued)

The movement of allowance for doubtful debts in respect of loan receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	13,000	21,583
Impairment loss (reversal of impairment loss) recognised	28,075	(8,583)
At the end of the year	41,075	13,000

The management of the Group reviews and assesses for impairment individually based on customers' repayment history and the fair values of the collaterals, if any. As at 31 March 2020, impairment loss of HK\$28,075,000 was provided (2019: HK\$13,000,000) on loan receivables and accrued interest on an individual assessment basis. Certain loan receivables amounting to HK\$12,550,000 (2019: HK\$11,791,000) are guaranteed by a related party.

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all loan receivables. To measure the ECL, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporates forward looking information.

Set out below is the information about the credit risk exposure on the Group's loan receivables based on contractual due date:

	Current	1 - 90 days past due	91 - 180 days past due	181 - 365 days past due	Over 365 days past due	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 March 2020</b>						
Weighted average expected loss rate	0%	43.75%	0%	100.0%	0%	
Receivable amount	255,586	25,000	10,500	24,000	70	315,156
Loss allowance	-	(10,938)	-	(24,000)	-	(34,938)
<b>At 31 March 2019</b>						
Weighted average expected loss rate	0%	0%	0%	0%	99.24%	
Receivable amount	275,070	-	2,900	3,200	13,100	294,270
Loss allowance	-	-	-	-	(13,000)	(13,000)

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 23. Trade, Retention and Other Receivables and Prepayments

	2020 HK\$'000	2019 HK\$'000
Trade receivables, gross	451,388	116,815
Less: impairment loss recognised	(89,040)	(108,619)
Trade receivables, net	362,348	8,196
Retention receivables, gross	357,669	–
Less: impairment loss recognised	(15,799)	–
Retention receivables, net	341,870	–
Bills receivables	7,151	–
Prepayments and deposits	10,836	5,144
Other receivables	8,670	540
Amounts due from related parties (Note (i))	1,361	1,585
Trade, retention and other receivables and prepayments	732,236	15,465
Analysis as		
Current	663,961	15,465
Non-current		
– Retention receivables	68,275	–
Total	732,236	15,465

Notes:

- (i) The balances represent the amounts due from companies which directors of certain subsidiaries have direct equity interest or amounts due from the directors of certain subsidiaries. The amounts are unsecured, interest-free and repayable on demand.
- (ii) The trade and other receivables are denominated in the functional currencies of the relevant group entities.

### Trade and bills receivables

The Group generally allows an average credit period of 30 to 90 days (2019: 30 to 90 days) to its trade customers. However, certain portion of the trade receivables from Concrete Business (i.e. the retention portion) would be allowed to settle until 30 to 90 days after the completion of the construction by its trade customers.

The ageing analysis of the Group's trade receivables (net of retention portion and impairment losses) and bills receivables based on the invoice date at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	48,845	4,642
31 – 60 days	27,411	2,103
61 – 90 days	61,173	1,135
Over 90 days	224,919	316
	362,348	8,196

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 23. Trade, Retention and Other Receivables and Prepayments (Continued)

### Trade and bills receivables (Continued)

All bills receivables were aged within 180 days as at year ended 31 March 2020.

The Group endorsed certain trade receivables (the “Endorsed Trade Receivables”) with a carrying amount of approximately HK\$36,393,000 as at 31 March 2020 and bill receivables (the “Endorsed Bills”) with a carrying amount of approximately HK\$7,151,000 as at 31 March 2020, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the management, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Trade Receivables and the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Trade Receivables and the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Trade Receivables and the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Trade Receivables and the Endorsed Bills to any other third parties. The aggregate carrying amount of trade payables under the Endorsement amounted to approximately HK\$41,505,000 as at 31 March 2020.

Before accepting any new customer, the Group assesses the potential customer’s credit quality and defines its credit limits based on historical credit records of these customers.

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information.

Set out below is the information about the credit risk exposure on the Group’s trade receivables:

	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
	HK\$'000	past due	past due	past due	past due	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 March 2020</b>						
Weighted average expected loss rate	0.13%	0.03%	0.83%	0.96%	30.26%	
Receivable amount	69,660	3,266	25,689	61,482	291,291	451,388
Loss allowance	(90)	(1)	(212)	(591)	(88,146)	(89,040)
<b>At 31 March 2019</b>						
Weighted average expected loss rate	0%	0%	0%	0%	99.77%	
Receivable amount	4,642	2,103	1,135	68	108,867	116,815
Loss allowance	-	-	-	-	(108,619)	(108,619)

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 23. Trade, retention and Other Receivables and Prepayments (Continued)

### Trade and bills receivables (Continued)

The movement of allowance for doubtful debts in respect of trade receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	108,619	163,361
Acquisition of subsidiaries	21,422	–
(Reversal of impairment loss) impairment loss recognised	(20,259)	72
Disposal	–	(45,182)
Bad debts written off	(20,368)	(10,044)
Exchange realignment	(374)	412
At the end of the year	89,040	108,619

Trade receivables that were neither past due nor impaired related to customers for whom were no recently history of default.

Impaired trade receivables were mainly due from customers with long outstanding balances and the management of the Group considered the recoverability is remote as the related customers were in financial difficulties or have prolonged delay in repayment. The Group did not hold any material collateral over those balances.

At 31 March 2020, trade receivables which have been impaired previously, amounting to approximately HK\$20,368,000 (2019: HK\$10,044,000) were individually determined to be written off. These receivables have been long outstanding and management assessed them to be irrecoverable.

### Retention receivables

The Group's retention receivables represent certified contract payments in respect of goods delivered, for which 20% to 30% of the contract value are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. The retention receivables should be released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects, which the Group's goods satisfactorily passing inspection and is consistent with market practice. In the opinion of the management, the retention receivables to be received after 1 year are classified as non-current assets in the consolidated statements of financial position since it is not expected to realise the retention receivables in the Group's normal operating cycle.

As at 31 March 2020, retention receivables amounting to approximately HK\$341,870,000, which are entitled by the Group subject to the Group's goods satisfactorily passing inspection as the Group's entitlement to this final payment is conditional on the Group's goods satisfactorily passing inspection.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 23. Trade, retention and Other Receivables and Prepayments (Continued)

### Retention receivables (Continued)

The ageing analysis of the Group's retention receivables (net of impairment losses) based on the revenue recognition date at the ended of 31 March 2020 is as follows:-

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	93,746	–
31 – 60 days	108	–
61 – 90 days	89,687	–
Over 90 days	158,329	–
	<b>341,870</b>	–

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all retention receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporates forward looking information.

The following table provides information about the exposure to credit risk for retention receivables which are assessed based on provision matrix as at 31 March 2020 within lifetime ECL (not credit impaired).

	Current HK\$'000	1-30 days past due HK\$'000	31-60 days past due HK\$'000	61-90 days past due HK\$'000	Over 90 days past due HK\$'000	Total HK\$'000
At 31 March 2020						
Weighted average expected loss rate	0.93%	4.00%	8.27%	9.47%	12.87%	
Receivable amount	228,458	29,648	5,068	2,524	91,971	357,669
Loss allowance	(2,116)	(1,186)	(419)	(239)	(11,839)	(15,799)

The movement of loss allowance in respect of retention receivables was as follows:-

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	–	–
Acquisition of subsidiaries	8,151	–
Impairment loss recognised	7,977	–
Exchange realignment	(329)	–
At the end of the year	<b>15,799</b>	–



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 24. Investments at FVTPL and Derivative Financial Asset

	2020 HK\$'000	2019 HK\$'000
Investments at FVTPL		
– Equity securities listed in Hong Kong (Note (i))	–	17,029
Derivative financial instrument		
– Call Option (Note (ii))	–	222
	–	17,251

Notes:

- (i) The fair value of all equity securities is based on their current bid prices in an active market.
- (ii) The balance represents the Call Option in relation to the acquisition of Alpha Youth Group.

Details of the fair value measurement are set out in Note 39.

Changes in fair values of investments at FVTPL are recognised in other gains and losses, net in the consolidated statement of profit or loss and other comprehensive income. These investments at FVTPL are classified as held for trading.

	Investments at FVTPL HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
At 1 April 2018	23,655	28,854	52,509
Purchase	54,583	–	54,583
Changes in fair value	12,416	(28,632)	(16,216)
Disposal	(73,625)	–	(73,625)
At 31 March 2019	17,029	222	17,251
Purchase	684	–	684
Changes in fair value	(6,889)	–	(6,889)
Exercise during the year	–	(222)	(222)
Disposal	(10,824)	–	(10,824)
At 31 March 2020	–	–	–

The Call Option was exercised during the current year. The fair value of the Call Option as at 31 March 2019 was approximately HK\$222,000. The change in fair value resulted in a loss of approximately HK\$28,632,000 was recognised in the profit or loss under other gains and losses, net during the year ended 31 March 2019.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 24. Investments at FVTPL and Derivative Financial Asset (Continued)

Key terms and conditions of the Call Option are set out as follows:

Condition:	To obtain or satisfy all necessary relevant statutory and regulatory requirements, approvals and consents in relation to the transaction contemplated hereof.
Exercise period:	Any time within 2 years from 15 February 2018
Option shares:	160 shares of Alpha Youth Group (80% equity interest in Alpha Youth Group)
Option price:	The exercise price of the Call Option is determined with reference to 80% of the valuation of Alpha Youth Group at the time of exercise of the Call Option and is capped to RMB481,066,000. If the exercise price is below RMB320,710,000, the vendor has the right to refuse the exercise of the Call Option by the Group.

The fair value of the Call Option at 31 March 2019 was calculated using the Monte-Carlo Simulator Analysis evaluated by GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group. The inputs into the valuation were as follows:

<b>Assumptions</b>	<b>As at 31 March 2019</b>
Years remaining (Note a)	0.88
Equity interest (Note a)	80.00%
Valuation cap (Note a)	120.00%
Price-earnings ratio (Note b)	9.11
100% equity value of the Alpha Youth Group as contained in the Company's circular dated 25 January 2018 (RMB) (Note a)	501,110,000
Strike price (RMB) (Note a)	481,066,000
Normalised net profit of Hainan Huasheng (RMB)	56,073,000
Risk-free rate (Note c)	2.44%
Expected volatility of Hainan Huasheng (Note d)	10.40%

Notes:

- (a) Information is according to the terms and conditions of the option deed.
- (b) The price-earnings ratio adopted was the average of that of 6 selected companies from the relevant industry. The selected companies are the same for the year ended 31 March 2019.
- (c) The risk-free rate adopted was the yield rate of the PRC government bond as at the date of valuation.
- (d) Expected volatility of Hainan Huasheng is based on the average volatility of revenue and net profit of Hainan Huasheng from the year of 2014 to 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 24. Investments at FVTPL and Derivative Financial Asset (Continued)

The fair value of the Call Option at 31 March 2019 classified as Level 3, was determined using Monte-Carlo Simulator Analysis. Valuation and significant unobservable inputs are as follows:

Valuation technique	Significant unobservable inputs	Relating of unobservable inputs to fair value
Monte-Carlo Simulator Analysis	Expected volatility, price-earnings ratio and normalised net profit of Hainan Huasheng	The higher expected volatility, price-earnings ratio and normalised net profit of Hainan Huasheng, the higher fair value of the Call Option, and vice versa.

## 25. Bank Balances and Cash

The Group's bank balances carry interests at market rate per annum ranging as follows:

	2020	2019
Bank balances	0.00% to 0.32%	0.00% to 0.30%

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$3,840,000 (2019: HK\$846,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 25. Bank Balances and Cash (Continued)

### Reconciliation of liabilities from financing activities

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

	Amount due to a related party HK\$'000	Interest- bearing borrowings HK\$'000	Convertible bonds HK\$'000 (Note 28)	Promissory notes HK\$'000 (Note 29)	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2018, as previously reported	-	-	195,331	18,118	-	213,449
<b>Changes from financing cash flows:</b>						
Repayment of promissory note	-	-	-	(8,500)	-	(8,500)
Repayment of convertible bonds	-	-	(50,000)	-	-	(50,000)
Interest paid	-	-	(15,430)	-	-	(15,430)
Total changes from financing cash flows	-	-	(65,430)	(8,500)	-	(73,930)
<b>Other changes:</b>						
Interest expenses	-	-	44,632	-	-	44,632
Fair value loss recognised in profit or loss	-	-	-	1,938	-	1,938
Other changes	-	-	1,505	2,033	-	3,538
Total other changes	-	-	46,137	3,971	-	50,108
At 31 March 2019	-	-	<b>176,038</b>	<b>13,589</b>	-	<b>189,627</b>
<b>Changes from financing cash flows:</b>						
Repayment of promissory notes	-	-	-	(67,500)	-	(67,500)
Repayment of convertible bonds	-	-	(50,000)	-	-	(50,000)
Proceed from interest-bearing borrowings	-	17,500	-	-	-	17,500
Repayment of interest-bearing borrowings	-	(5,000)	-	-	-	(5,000)
Repayment of lease liabilities	-	-	-	-	(10,709)	(10,709)
Interest paid	-	(150)	(18,521)	-	-	(18,671)
Total changes from financing cash flows	-	12,350	(68,521)	(67,500)	(10,709)	(134,380)
<b>Other changes:</b>						
Effect of adoption of HKFRS 16	-	-	-	-	24,355	24,355
Interest expenses	-	3,693	18,488	2,027	1,169	25,377
Fair value loss recognised in profit or loss	-	-	-	193	-	193
Conversion during year	-	-	(52,468)	-	-	(52,468)
Acquisition of subsidiaries (Note 40(a))	1,409	117,702	51,942	114,842	6,284	292,179
Other changes	-	(3,418)	(6,030)	5,214	806	(3,428)
Total other changes	1,409	117,977	11,932	122,276	32,614	286,208
At 31 March 2020	1,409	130,327	119,449	68,365	21,905	341,455

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 26. Trade and Other Payables and Accruals

	2020 HK\$'000	2019 HK\$'000
Trade payables (Note a)	368,989	19,597
Customer deposits/contract liabilities (Note b)	9,990	1,319
Other payables and accruals (Note c)	53,175	16,242
Amount due to controlling shareholder (Note d)	1,409	–
	<b>433,563</b>	<b>37,158</b>

Notes:

- (a) The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	81,568	3,567
31 – 60 days	82,715	118
Over 90 days	204,706	15,912
	<b>368,989</b>	<b>19,597</b>

The above trade and other payables of the Group are denominated in the functional currencies of the relevant group entities.

- (b) At 31 March 2020, customer deposits are contract liabilities and the Group does not expect to refund any of the advance payments. Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives a deposit from customers when they sign the concrete supply agreement. The deposit is negotiated on a case by case basis with customers. These deposits are recognised as a contract liability until the revenue recognised exceeds the amount of the deposit.

### Movements in contract liabilities

	HK\$'000
At 1 April 2019	1,319
Acquisition of subsidiaries	5,871
Increase in contract liabilities as a result of receipt of customer deposits during the year	3,634
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(964)
Exchange realignment	130
At 31 March 2020	<b>9,990</b>

- (c) The Group's certain other payable were secured by certain of the Group's trade receivables amounting to approximately HK\$5,617,000.
- (d) The amounts were unsecured, interest free and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 27. Interest-bearing Borrowings

	2020 HK\$'000	2019 HK\$'000
Unsecured, interest-bearing		
– Bond	13,313	–
– Other borrowings	117,014	–
	<b>130,327</b>	–

	2020		2019	
	Maturity	HK\$'000	Maturity	HK\$'000
Unsecured, interest-bearing				
– Bond (Note (i))	2021	13,313	N/A	–
– Other borrowings (Note (ii))	2021-2029	117,014	N/A	–
		<b>130,327</b>		–

The current and non-current interest-bearing borrowings were scheduled to repay as follows:–

	2020 HK\$'000	2019 HK\$'000
Analysed into:		
On demand or within one year	13,313	–
In the second year	30,016	–
In the third to fifth year, inclusive	24,317	–
After five years	62,681	–
	<b>130,327</b>	–

The amounts due are based on the scheduled repayment dates set out in the borrowing agreements with no repayment on demand clause contained.

Notes:

- (i) On 25 July 2019, the Company entered a bond subscription agreement with an independent third party to issue 10% coupon bond of principal amount of HK\$12,500,000 (the “Bond”).

The Bond is denominated in Hong Kong dollar and issued on 7 August 2019 at par. The Bond is unsecured and mature one year from the date of issue at 102% of its principal amount. Interest is payable at the maturity date. The effective interest rate of the Bond is 12% per annum. During the year ended 31 March 2020, interest expenses for the Bond is approximately HK\$963,000.

The Bond represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate on the initial date applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms. The interest charged on the Bond for the period is calculated by applying effective interest rates of approximately 12% per annum to the Bond since the Bond was issued.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 27. Interest-bearing Borrowings (Continued)

Notes: (Continued)

(i) (Continued)

The directors consider that the effective interest rates of the Bond on initial recognition would be similar to at the end of each reporting period.

(ii) Alpha Youth Group entered into several loan agreements with the ex-shareholder and companies associated with the ex-shareholder, to convert the amount due to them into unsecured interest-bearing long term loans (the "Loans").

The loans are denominated in RMB and are unsecured and mature between 2 to 10 years from the date of the loan agreements. The loans bear fixed rate interest of 1% per annum and payable annually. The weighted average effective interest rate of the Loans is 6.96% per annum. During the year ended 31 March 2020, interest expenses for the Loans are approximately HK\$2,730,000.

## 28. Convertible Bonds

### Convertible Bonds due on 2019

On 11 August 2017, the Company issued HK\$200,000,000 8% guaranteed convertible bonds with an aggregate principal amount of HK\$200,000,000 (the "Convertible Bonds 2019").

The Convertible Bonds 2019 mature two years from the date of issue at 116% of its principal amount; or can be early redeemed by the Company or the holder at amount equal to all outstanding Convertible Bonds 2019 at 100% of the principal amount plus a premium of 8% per annum after the first anniversary of the date of issue (i.e. 11 August 2018); or can be converted into shares of the Company on and after 11 August 2017 to 10 August 2019 at the holder's option at the conversion price of HK\$0.46 per share, which is subject to certain adjustments prescribed in the convertible bonds subscription agreement. Interest of 8% per annum is payable per repayment schedule and is paid on 30 June and 31 December until the bonds are converted or redeemed.

The fair value of the liability component and the equity conversion component were determined at date of issuance of the Convertible Bonds 2019 with reference to a professional valuation performed by AAL.

The fair value of liability component was calculated using a market interest rate for an equivalent non-convertible bond and netting off the fair values of issuer callable redemption and holder puttable redemption options and subsequently measured at amortised cost. The residual amount of approximately HK\$65,174,000, representing the fair value of the equity conversion component, was included in the convertible bonds equity reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 28. Convertible Bonds (Continued)

### Convertible Bonds due on 2019 (Continued)

On 29 March 2019, the Company made early redemption on part of the outstanding Convertible Bonds 2019 at the principal amount of HK\$50,000,000. Upon the partial redemption of the Convertible Bonds 2019, the respective value of the convertible bonds equity reserve of approximately HK\$482,000 was released during the year ended 31 March 2019.

During year ended 31 March 2020, the Company made several early redemption on part of the outstanding Convertible Bonds 2019 at total principal amount of HK\$50,000,000. Upon partial redemption of the Convertible Bonds 2019, the respective value of the convertible bonds equity reserve of approximately HK\$426,000 was released during the year.

On 9 August 2019, the Company, the subscriber and the guarantor entered into the deed of amendment (the “First Deed of Amendment”) and agreed to amend the terms of the Convertible Bonds 2019 subject to the terms of the First Deed of Amendment. The Company, the subscriber and the guarantor agreed to amend the terms of the Convertible Bonds 2019 (the “Proposed Amendment”) such that the maturity date be extended for a further term of three months, being 10 November 2019 from the original maturity date of the Convertible Bonds 2019 which falls on 10 August 2019, subject to the fulfillment of the conditions precedent set out in the First Deed of Amendment. Apart from the Proposed Amendment above, the remaining terms and conditions of the Convertible Bond 2019 remain intact and unchanged.

On 23 August 2019, the Company, the subscriber and the guarantor entered into the amended and restated deed of amendment (the “Amended and Restated Deed of Amendment”) to amend certain terms of the First Deed of Amendment. The terms and conditions of the Amended and Restated Deed of Amendment are the same as the First Deed of Amendment save and except that (i) the conversion price be revised from HK\$0.46 per share to HK\$0.52 per share (subject to adjustments) (the “New Conversion Price”); (ii) the long stop date under the First Deed of Amendment be extended to 6 September 2019; and (iii) the interest rate of the Convertible Bonds 2019 be revised from 8% per annum to 12% per annum with effect from the date immediately after the expiry of the original maturity date, being 11 August 2019. The proposed amendments to the terms of the Convertible Bonds 2019 shall be subject to the fulfillment of the conditions precedent as set out in the First Deed of Amendment.

All the conditions precedent set out in the Amended and Restated Deed of Amendment have been fulfilled on 27 August 2019, the Proposed Amendment took effect on 27 August 2019 (the “First Extension Date”). For further details, please refer to the announcement of the Company dated 9 August, 23 August and 28 August 2019.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 28. Convertible Bonds (Continued)

### Convertible Bonds due on 2019 (Continued)

On 11 November 2019, the Company, the subscriber and guarantor entered into the deed of amendment (the “Second Deed of Amendment”) and agreed to amend the terms of the Convertible Bonds 2019 (the “New Proposed Amendments”) such that (i) the maturity date be extended for a further term of six months, being 10 May 2020 from the first amended maturity date of the Convertible Bonds 2019 which falls on 10 November 2019, and (ii) the conversion price to revised from HK\$0.52 per share to HK\$0.53 per share (subject to adjustments) (the “Second New Conversion Price”), subjected to the fulfillment of the conditions precedent set out in the Second Deed of Amendment. Apart from the New Proposed Amendment above, the remaining terms and conditions of the Convertible Bonds 2019 remain intact and unchanged.

All the conditions precedent set out in the Second Deed of Amendment have been fulfilled on 14 November 2019, the New Proposed Amendments took effect on 14 November 2019 (the “Second Extension Date”). For details, please refer to the announcements of the Company dated 11 November and 14 November 2019.

There was no conversion of Convertible Bonds 2019 since its issuance.

### Convertible Bonds for Acquisition of Alpha Youth Group

On 6 January 2020, the Group completed the acquisition of remaining 80% equity interest in Alpha Youth Group, for a nominal consideration of HK\$432,942,624. Part of the consideration was satisfied by the Company’s issue of convertible bonds in respective principal amounts of HK\$70,000,000 (the “Alpha Youth Convertible Bonds”) to the vendor. The Alpha Youth Convertible Bonds is unsecured and interest free.

The Alpha Youth Convertible Bonds mature three years from the date of issue at 100% of its principal amount, or can be converted into shares of the Company on and after 6 January 2020 to 5 January 2023 at the holder’s option at the conversion price of HK\$0.53 per share, which is subjected to certain adjustments prescribed in the convertible bonds subscription agreement.

The fair value of the liability component and the equity conversion component were determined at date of issuance of the Alpha Youth Convertible Bonds with reference to a professional valuation performed by Grant Sherman.

The fair value of liability component was calculated using a market interest rate for comparable bond and subsequently measure at amortised cost. The fair values of issuer callable redemption and holder puttable redemption option were calculated by netting the fair value of liability component from the fair value of the Alpha Youth Convertible Bonds calculated under Binomial Option Pricing Model. Part of the residual amount of approximately HK\$24,703,000, representing the fair value of the equity conversion component, was included in the convertible bonds equity reserve.

As at 11 February 2020, the vendor exercised all the conversion right resulted in 132,075,471 shares being allotted and issued at conversion price of HK\$0.53 per share. Upon the conversion, the respective value of the convertible bonds equity reserve of approximately HK\$24,703,000 was released during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 28. Convertible Bonds (Continued)

### Convertible Bonds for Acquisition of Alpha Youth Group (Continued)

	2020 HK\$'000	2019 HK\$'000
<b>Equity component</b>		
At beginning of the year	64,692	65,174
Issuance during the year (Note 40(a))	24,703	–
Conversion during the year	(24,703)	–
Redemption	(426)	(482)
Extinguishment of the Convertible Bonds 2019	(64,492)	–
Loss on the Extended Convertible Bonds 2019	250	–
At the end of the year	24	64,692
<b>Liability component</b>		
At the beginning of the year	176,038	195,331
Issuance during the year (Note 40(a))	51,942	–
Effective interest expenses	18,488	44,632
Interest paid	(10,529)	(7,934)
Conversion during the year	(52,468)	–
Redemption	(57,992)	(57,014)
(Gain)/loss on redemption	(191)	1,023
Transfer to accrual	(8,066)	–
Loss on Extended Convertible Bonds 2019	2,227	–
At the end of the year	119,449	176,038

The effective interest rate of the liability component on initial recognition and the subsequent recognition of interest expenses on the Convertible Bonds 2019 and Alpha Youth Convertible Bonds were calculated using effective interest rate of 6.64% and 10.19% (2019: Convertible Bonds 2019 at 22.51%) per annum respectively.

The Convertible Bonds 2019 was guaranteed by Mr. Wong Wai Sing, an executive Director (the “Guarantor”), who unconditionally and irrevocably guaranteed that if the Company does not pay any sum payable by it under the subscription agreement of the Convertible Bonds 2019 by the time and on the date specified for such payment, the Guarantor would pay that sum to or to the order of the Convertible Bonds 2019 holder.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 29. Promissory Notes

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	13,589	18,118
Fair value of promissory notes issued for acquisition of subsidiaries (Note 40(a))	114,842	–
Redemption during the year	(67,500)	(8,500)
Loss on early redemption	5,360	2,033
Effective interest expenses	2,027	–
Fair value loss recognised in profit or loss	193	1,938
Transfer to accruals	(146)	–
At the end of the year	68,365	13,589
Analysed for reporting purposes as:		
Current liabilities	–	13,589
Non-current liabilities	68,365	–
	68,365	13,589

On 15 February 2018, the Group completed the acquisition of 20% equity interest in Alpha Youth Group, for a nominal consideration of HK\$119,000,000. Part of the consideration was satisfied by the Company's issue of promissory notes in principal amount of HK\$8,500,000 (the "Promissory Note 1") and HK\$15,500,000 (the "Promissory Note 2") to the vendor. The promissory notes are unsecured, interest-free and repayable on the date falling two years after the date of issue. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

The Promissory Note 1 was early redeemed by the Company in full resulting in a loss on early redemption of approximately HK\$2,033,000 during the year ended 31 March 2019.

The Promissory Note 2 was early redeemed by the Company in full resulting in a loss on settlement of approximately HK\$1,718,000 during the year ended 31 March 2020.

On 6 January 2020, the Group completed the acquisition of remaining 80% equity interest in Alpha Youth Group, for a nominal consideration of HK\$431,309,000. Part of the consideration was satisfied by the Company's issue of promissory notes in respective principal amounts of HK\$36,000,000 (the "Promissory Note A"), HK\$36,000,000 (the "Promissory Note B") and HK\$60,942,624 (the "Promissory Note C") to the vendor. The Promissory Note A, B and C are unsecured and bear interest at 2% per annum. Promissory Note A, Promissory Note B and Promissory Note C have a maturity period of one year, two years and three years from the date of issuance respectively. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

During the year ended 31 March 2020, Promissory Note A and B were partially early redeemed by the Company resulting in total of loss on early redemption of approximately HK\$3,642,000.

The fair value of the promissory notes at date of issuance are determined with reference to a professional valuation performed by Grant Sherman (2019: GW Financial Advisory Services Limited). The effective interest rate of the promissory notes on initial recognition and the subsequent measurement of interest expense on the promissory notes are calculated using effective interest rate of ranged from 7.38% to 9.85% per annum (2019: 16.13% per annum).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 30. Deferred Tax (Liabilities)/Assets

The movement in deferred tax assets and liabilities during the year is as follows:

### Deferred tax assets

	Provision for impairment loss on loan receivables HK\$'000	Provision for impairment loss on trade and retention receivables HK\$'000	Total HK\$'000
As at 1 April 2019	–	–	–
Acquisition of subsidiaries (Note 40(a))	–	1,843	1,843
Credited to profit or loss	2,643	29	2,672
Exchange realignment	–	(42)	(42)
As at 31 March 2020	2,643	1,830	4,473

### Deferred tax liabilities

	Depreciation allowance on property, plant and equipment HK\$'000	Fair value adjustments on other intangible assets HK\$'000	Total HK\$'000
At 1 April 2018	22	8,238	8,260
Credited to profit or loss	–	(146)	(146)
Exchange realignment	16	(90)	(74)
At 31 March 2019	<b>38</b>	<b>8,002</b>	<b>8,040</b>
Acquisition of subsidiaries (Note 40(a))	–	10,262	10,262
Credited to profit or loss	–	(2,679)	(2,679)
Exchange realignment	(5)	(18)	(23)
At 31 March 2020	<b>33</b>	<b>15,567</b>	<b>15,600</b>

As at 31 March 2020, the Group had unused tax losses of approximately HK\$61,205,000 (2019: approximately HK\$32,544,000) which are available to set off against future profits of the respective group entities. No deferred tax asset has been recognised in respect of these unused tax losses due to the unpredictability of future profit streams of the respective group entities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 30. Deferred Tax (Liabilities)/Assets (Continued)

### Deferred tax liabilities (Continued)

Pursuant to the PRC EIT Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate for the Group is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

As such, temporary withholding tax difference relating to the undistributed profits of the Group's PRC subsidiaries amounted to approximately HK\$240,672,000 as at 31 March 2020. As at 31 March 2020, deferred tax liabilities of approximately HK\$24,067,000 have not been recognised in respect of the tax that would be payable on distribution of the retained earnings, as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future. There was no other significant unprovided deferred taxation for year ended 31 March 2020 and 2019.

## 31. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2018	2,378,783,201	23,788
Issue of shares upon exercise of share options	45,000,000	450
At 31 March 2019	2,423,783,201	24,238
Issue of shares pursuant to placing agreements (Note (i))	397,300,000	3,973
Issue of shares upon exercise of share option (Note (ii))	1,600,000	16
Issue and allotment of consideration shares (Note (iii))	320,000,000	3,200
Issue of shares upon conversion of convertible bonds (Note (iv))	132,075,471	1,321
At 31 March 2020	3,274,758,672	32,748

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 31. Share Capital (Continued)

Notes:

- (i) Pursuant to the placing agreements entered into on 15 April 2019, 21 October 2019 and 7 January 2020, the Company had issued 84,500,000, 152,800,000 and 160,000,000 new shares at a placing price of HK\$0.53 per share, HK\$0.46 per share and HK\$0.44 per share on 29 April 2019, 11 November 2019 and 23 January 2020 respectively.
- (ii) During the year ended 31 March 2020, 1,600,000 share options were exercised at the exercise price of HK\$0.48 per share. The total cash consideration received from the issuance of 1,600,000 shares was approximately HK\$768,000, of which HK\$16,000 was credited to the issued share capital and the remaining balance of HK\$752,000 was credited to the share premium account. In addition amount attributable to the related share options of approximately HK\$263,000 has been transferred from share option reserve to the share premium account.
- (iii) Pursuant to the acquisition agreement dated 27 September 2019 in relations to the acquisition of 80% of the issued share capital of Alpha Youth Limited, the Company had issued 320,000,000 shares at a market price of HK\$0.53 per share at the date of issuance for settlement partial of the consideration on 6 January 2020.
- (iv) On 11 February 2020, the convertible bond holder exercised its conversion right resulted in 132,075,471 shares being allotted and issued at market value of HK\$0.53 per share.

All the shares issued during the year ended 31 March 2020 rank pari passu with the then existing shares in all respects.

## 32. Interests in Subsidiaries

As at 31 March 2020, the Company has direct/indirect interests in the following principal subsidiaries, all of which are private companies. Particulars of the subsidiaries as at 31 March 2020 and 2019 are set out below:

Name of subsidiary	Issued and fully paid share capital/paid up capital	Place and date of incorporation/establishment	Attributable equity interest held by the Group as at 31 March		Principal activities and place of operation
			2020 %	2019 %	
Greenstar Enviro-Tech Investments Company Limited*	USD40,000	BVI 12 January 2010	100	100	Investment holding
Two-Two-Free	MOP100,000	Macau 5 February 2004	100	100	Trading of hygienic disposable products in Macau
S&J	GBP100	UK 19 January 2006	100	100	Wholesale and retail of household consumables in United Kingdom
Bright Rising Enterprise Limited	HK\$10,000	Hong Kong 15 May 2012	100	100	Provision of management services in Hong Kong
Bright World Investment Limited*	USD1	BVI 12 January 2015	100	100	Investment holding
Starry Zone Global Limited*	USD1	BVI 21 October 2014	100	100	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 32. Interests in Subsidiaries (Continued)

Name of subsidiary	Issued and fully paid share capital/ paid up capital	Place and date of incorporation/ establishment	Attributable equity interest held by the Group as at 31 March		Principal activities and place of operation
			2020 %	2019 %	
China Coal Alliances Trading Company Limited	HK\$1,000,000	Hong Kong 24 December 2012	90	90	Trading of coal products in Hong Kong
Virtual Garden Investments Limited*	USD1	BVI 28 July 2014	100	100	Investment holding
Sino Digital Media (Overseas) Limited	USD200	BVI 28 November 2008	100	100	Provision of digital technology services in Macau
i-Craftsmen Limited	HK\$1,000,000	Hong Kong 30 September 2008	100	100	Provision of digital technology services in Hong Kong
博穎創意(北京) 科技有限公司* DigiSmart Creations (Beijing) Technology Limited***	HK\$1,001,000	The PRC 2 May 2013	100	100	Provision of digital technology services in the PRC
Smart Education Company Limited	HK\$100	Hong Kong 9 October 2007	100	100	Provision of education services in Hong Kong
聰穎教育諮詢服務(深圳) 有限公司# Smart Education Consulting Services (Shenzhen) Company Limited***	USD50,000	The PRC 5 June 2014	100	100	Provision of education services in the PRC
Bright World Group Holdings Limited*	USD1	BVI 9 January 2015	100	100	Investment holding
Chengxin Finance	HK\$17,858,240	Hong Kong 19 September 2007	100	100	Provision of money lending services in Hong Kong
Alpha Youth Limited	USD200	BVI 10 May 2016	100	20	Investment holding
Grace Wisdom Holdings Limited	HK\$100	Hong Kong 12 April 2016	100	20	Investment holding
Hainan Huasheng Concrete Company Limited*** (海南華盛混凝土有限公司)	RMB20,000,000	The PRC 23 May 2006	100	20	Production and sales of concrete in the PRC

\* The subsidiary is directly owned by the Company.

\*\* English translated name is for identification purpose only.

# The subsidiaries are wholly-owned foreign enterprise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 32. Interests in Subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, materially contributed to the net income of the Group or hold a material portion of the assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt security outstanding at the end of the reporting period or at any time during the year.

## 33. Share-Based Payment Transactions

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations.

Pursuant to this objective, an ordinary resolution was passed at the annual general meeting of the Company held on 26 February 2015 for approval of adoption of a share option scheme (the "Share Option Scheme"). The life of the Share Option Scheme is 10 years from the date of adoption, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted. The exercise price, vesting period, the exercisable period and the number of shares subject to each option will be determined by the Board at the time of grant.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Share Option Scheme, if earlier.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 33. Share-Based Payment Transactions (Continued)

Under the Share Option Scheme, on 29 August 2016, a total of 57,900,000 shares options were granted, of which 37,400,000 shares options and 20,500,000 shares options were granted to the directors and certain employees of the Group respectively, at a cash consideration of HK\$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$0.48 per share. The vesting period for the option is immediate from the date of grant.

The Share Option Scheme was expired on 28 September 2019. All the outstanding share options were lapsed.

- (a) The terms and conditions of the share options that existed as at 31 March 2020 are as follows:

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of option	Number of outstanding options At 31 March 2019
<b>Option granted to Directors</b>					
29 August 2016	Immediately from the date of grant	29 August 2016 to 28 August 2019	HK\$0.48	3 years	2,400,000
<b>Option granted to employees</b>					
29 August 2016	Immediately from the date of grant	29 August 2016 to 28 August 2019	HK\$0.48	3 years	4,900,000

- (b) The number and weighted average exercise price of share options are as follows:

	31 March 2020		31 March 2019	
	Weighted average exercise price per share option HK\$	Outstanding options	Weighted average exercise price per share option HK\$	Outstanding options
At the beginning of the year	0.48	7,300,000	0.48	52,500,000
Lapsed (Note (i))	0.48	(5,700,000)	0.48	(200,000)
Exercised	0.48	(1,600,000)	0.48	(45,000,000)
At the end of the year	–	–	0.48	7,300,000

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 33. Share-Based Payment Transactions (Continued)

(b) (Continued)

Notes:

- (i) The Share Option Scheme was expired on 28 September 2019 and all the outstanding share options lapsed. Share options lapsed during the year ended 31 March 2019 was due to resignation of the grantee.
- (ii) As there is no options granted by the Group during the year ended 31 March 2020, no expense was recognised by the Group during the year (2019: Nil).
- (iii) The exercise price of the share options is determinable by the Directors, but may not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares. The options outstanding at 31 March 2019 have a weighted average remaining contractual life of approximately 0.4 year.

## 34. Capital Commitments

At the end of the reporting period, capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2020 HK\$'000	2019 HK\$'000
Limited partnership interest	26,610	–

Starry Zone Global Limited, a wholly-owned subsidiary of the Group, entered a subscription agreement with Templewater I, L.P. for subscribe a total maximum commitment amount of USD4,000,000 limited partnership interest in a limited partnership (the "Limited Partnership") on 12 March 2020.

The purpose of the Limited Partnership is primarily achieving capital appreciation and participation through investments in equity and equity-related securities in Asia-Pacific and Europe and portfolio funds with a similar investment focus.

As at 31 March 2020, a deposit of approximately USD567,600 (equivalent to approximately HK\$4,410,000) was being paid which is included in "other receivables" within the line item of "Trade, retention and other receivables and prepayments" and the unfunded commitment amounted to approximately USD3,432,000 (equivalent to approximately HK\$26,610,000).

At the date of issuance of the consolidated financial statements, the Group's subscription for limited partnership interest in the Limited Partnership has not been completed. The Group will classify this interest as financial assets at FVTPL upon completion.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 35. Operating Lease Commitments

### The Group as lessor

The Group leased out investment property under operating leases. The lease runs for an initial period of 1 year. None of the leases includes variable lease payments.

Undiscounted lease payment under non-cancellable operating lease in place at the end of the reporting period will be receivable by the Group in future periods as follows:

	<b>2020</b>
	HK\$'000
Within 1 year	50

### The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, car-parking space and warehouse which fall due as follows:

	<b>2019</b>
	HK\$'000
Within one year	11,520
In the second to fifth years, inclusive	14,945
	<b>26,465</b>

The Group leases properties under non-cancellable operating lease agreement. The lease terms are between 2 years to 5 years. The agreements do not include an extension option. No contingent rents recognised in profit or loss during the year ended 31 March 2019.

## 36. Related Party Disclosures

Save for those disclosed elsewhere in these consolidated financial statements, details of transactions between the Group and other related parties are disclosed below.

### (I) Related party transactions

<b>Name of related parties</b>	<b>Nature of transactions</b>	<b>2020</b>	2019
		<b>HK\$'000</b>	HK\$'000
北京啟元榮華廣告有限公司 (Note)	Services fee	<b>154</b>	420

Note: Services fee paid to a company which a director of a subsidiary has direct equity interest.

The Directors are of the opinion that the above related parties transactions were conducted on normal commercial terms and in the ordinary course of business.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 36. Related Party Disclosures (Continued)

### (II) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year ended 31 March 2020 was as follows:

	2020 HK\$'000	2019 HK\$'000
Fees, salaries and other allowances	16,115	16,535
Retirement benefit scheme contributions	87	107
	<b>16,202</b>	16,642

## 37. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

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

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost and the risks associated with each class of the capital. Based on recommendations of the management, the Group will balance the overall capital structure through the payment of dividends and raising of new capital as well as the issue of debt.

## 38. Financial Instruments

### (a) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
At amortised cost (including bank balances and cash)	1,071,979	384,537
At FVTPL	–	17,251
	<b>1,071,979</b>	401,788
Financial liabilities		
At amortised cost	741,900	201,522
At FVTPL	–	13,589
	<b>741,900</b>	215,111

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 38. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivables, trade, retention and other receivables, derivative financial asset, investments at FVTPL, bank balances and cash, trade and other payables, lease liabilities, interest-bearing borrowings, convertible bonds and promissory notes. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk, credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

#### *(i) Currency risk*

Certain sales transactions of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain of bank balances and cash are denominated in foreign currencies at the end of the reporting period. The exposure in exchange rate risks mainly arises from fluctuations of USD, RMB, MOP and GBP.

As the Group does not have significant exposure to currency risk, the Group's income and operating cash flows are substantially independent of changes in foreign currency rates.

#### *(ii) Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances due to the fluctuation of the prevailing market interest rate. The Directors consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the interest rate fluctuation on bank balances is minimal. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

As the Group does not have significant exposure to interest rate risk, the Group's income and operating cash flows are substantially independent of changes in interest rates.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 38. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### **Credit risk**

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade, retention and other receivables, loan receivables, amounts due from related parties and bank balances.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances are placed in various authorised financial institutions and the Directors consider the credit risk of such authorised financial institutions is low.

The Group has certain concentration risk on loan receivables as it has five (2019: five) customers with outstanding balances of approximately HK\$137,423,000 (2019: HK\$127,511,000), representing approximately 43% (2019: 37%) of total loan receivables as at 31 March 2020. These top five loan receivables include project investors in the PRC or Hong Kong. The Group assessed the loss allowances for each of the loan receivable individually. As at 31 March 2020, impairment allowance for the loan receivables amounted to approximately HK\$41,075,000 (2019: HK\$13,000,000) was provided based on the financial position and the economic environment the borrowers operate. In this regard, the Directors consider that the Group's credit risk associated with loan receivables is significantly reduced.

The Group has concentration of credit risk on top five trade receivables which accounted for 7.5% (2019: 48%) of the Group's total trade receivables as at 31 March 2020. These top five trade receivables include a state-owned enterprise in the PRC and household consumables products companies with good past credit records with the Group. The Group measures loss allowances for trade receivables with available reasonable and supportive forwarding-looking information.

The credit risk on amounts due from related parties is insignificant after considering the financial strength of these related entities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 38. Financial Instruments *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### **Credit risk** *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the ECL rates, the Group considers historical loss rates for each category and adjusts for forward looking data. For performing category (low risk of default and strong capacity to pay), 12 month expected losses is used for loss provision. For non-performing category (significant increase in credit risk), lifetime expected losses is used for loss provision.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 38. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Related parties HK\$'000	Others HK\$'000	Total HK\$'000
<b>At 31 March 2020</b>			
Advance to	1,361	8,670	10,031
Provision for loss allowance	–	–	–
Carrying amounts	1,361	8,670	10,031

	Related parties HK\$'000	Others HK\$'000	Total HK\$'000
At 31 March 2019			
Advance to	1,585	540	2,125
Provision for loss allowance	–	–	–
Carrying amounts	1,585	540	2,125

All of these non-trade receivables are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 38. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average of contractual interest rate per annum %	Less than 90 days or on demand HK\$'000	Over 90 days but within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2020						
Interest-bearing borrowings	1	-	14,000	156,313	170,313	130,327
Lease liabilities	-	4,283	9,226	9,717	23,226	21,905
Trade and other payables	-	423,573	-	-	423,573	423,573
Convertible bonds	12	120,307	-	-	120,307	119,449
Promissory notes	2	-	-	85,404	85,404	68,365
As at 31 March 2019						
Trade and other payables	-	24,369	-	-	24,369	24,369
Convertible bonds	8	14,016	175,348	-	189,364	176,038
Promissory notes	-	-	15,500	-	15,500	13,589

The table below summarises the maturity analysis of the Convertible Bonds 2019 with early redemption option based on the agreed scheduled repayments set out in the convertible bonds agreement. The amounts included interest payments computed using contractual rates. Also, the below analysis shows the undiscounted cash flows with an assumption that the bond holder does not exercise the early redemption option and the conversion option.

	Less than 90 days HK\$'000	Over 90 days but within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2020					
Convertible bonds	120,307	-	-	120,307	119,449
As at 31 March 2019					
Convertible bonds	14,016	175,348	-	189,364	176,038

### (c) Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 39. Fair Value Measurement of Financial Instruments

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 March 2020				
Assets				
Investment properties	-	-	4,470	4,470
As at 31 March 2019				
Assets				
Financial assets at FVTPL				
- Listed equity securities	17,029	-	-	17,029
- Derivative financial asset	-	-	222	222
	17,029	-	222	17,251
Liabilities				
Financial liabilities at FVTPL				
- Promissory notes	-	-	(13,589)	(13,589)
	17,029	-	(13,367)	3,662

### Fair value estimation

#### Financial assets at FVTPL – Listed equity securities

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 39. Fair Value Measurement of Financial Instruments (Continued)

### Fair value estimation (Continued)

#### Financial assets at FVTPL – Derivative financial instrument

The fair value of the derivative financial instrument as at 31 March 2019 was estimated by applying Monte-Carlo Simulator Analysis. The expected volatility and normalised net profit of Hainan Huasheng applied to estimate the fair value is 10.40% and RMB56,073,000 respectively. Should the expected volatility increase or decrease by 3%, the fair value of derivative financial instrument would be increased by approximately HK\$53,000 or decreased by approximately HK\$45,000. Should the normalised net profit increase or decrease by 3%, the fair value of derivative financial instrument would be increased by approximately HK\$294,000 or decreased by approximately HK\$136,000.

#### Financial liabilities at FVTPL – Promissory notes

The fair value of the promissory notes as at 31 March 2019 was estimated by discounting the principal amount of HK\$11,701,000 by effective interest rate of 16.13% per annum.

The movements during the year in the balance of Level 3 fair value measurement is as follows:

	Contingent consideration receivable HK\$'000	Derivative financial asset HK\$'000	Promissory notes HK\$'000	Total HK\$'000
At 1 April 2018	1,335	28,854	(18,118)	12,071
Redemption during the year	-	-	8,500	8,500
Loss on redemption	-	-	(2,033)	(2,033)
Fair value gains (losses)				
– included in profit or loss (included in other gains and losses, net)	(1,335)	(28,632)	(1,938)	(31,905)
At 31 March 2019	-	222	(13,589)	(13,367)

During the year ended 31 March 2020, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 40. Acquisition of Subsidiaries

### (a) Acquisition of Alpha Youth Group on 6 January 2020

On 27 September 2019, Bright World Investment Limited, a wholly-owned subsidiary of the Company as purchaser, issued an option notice to Mr. Zhou Fengtang, as vendor to exercise the call option and entered into a sale and purchase agreement in relation to the acquisition of the remaining 80% of the issued share capital of Alpha Youth Limited (together with its subsidiaries the "Alpha Youth Group") (the "Acquisition") at consideration of HK\$431,309,000.

The Acquisition has been completed on 6 January 2020, upon which, Alpha Youth Group became a subsidiary of the Group. The acquisition is accounted for by acquisition method.

The following tables summarise the consideration paid for the acquisition of Alpha Youth Limited and the fair value of assets and liabilities recognised at the acquisition date:

	HK\$'000
Consideration satisfied by:	
Cash	50,000
Deposit paid	20,000
Fair value of Consideration Shares	169,600
Fair value of convertible bonds (Note 28)	76,645
Fair value of promissory notes (Note 29)	114,842
Fair value of call option (Note 24)	222
	431,309

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK\$'000
Property, plant and equipment	70,447
Right-of-use assets	5,212
Other intangible assets	85,787
Deferred tax assets	1,843
Inventories	7,936
Trade, retention and other receivables and prepayments	786,609
Tax recoverable	10,682
Bank balances and cash	1,393
Trade and other payables and accruals	(455,906)
Lease liabilities	(6,284)
Amount due to ex-shareholder	(1,409)
Interest-bearing borrowings	(117,702)
Deferred tax liabilities	(10,262)
	378,346
Acquisition related costs (included in administrative expenses)	12,736

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 40. Acquisition of Subsidiaries (Continued)

### (a) Acquisition of Alpha Youth Group on 6 January 2020 (Continued)

This transaction has resulted in the Group recognising a loss on deemed disposal of associate amounting to HK\$17,005,000 in consolidated profit or loss.

#### *Goodwill arising on acquisition (determined on a provisional basis)*

	<b>6 January 2020</b>
	HK\$'000
Consideration transferred	431,309
Plus: fair value of previously held equity interest	101,542
Less: recognised amount of identified net assets acquired	(378,346)
Goodwill arising on acquisition (Note 18)	154,505

Goodwill arose on the acquisition of Alpha Youth Group is mainly attributable to the expected strong demand of concrete in Hainan Province. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

#### *Net cash outflows arising on acquisition*

	HK\$'000
Cash paid	70,000
Cash and bank balances in subsidiaries acquired	(1,393)
Cash outflows on acquisition	68,607

#### *Impact of acquisition on the results of the Group*

Loss for the year included approximately HK\$5,798,000 arising from Alpha Youth Group. Revenue for the year included HK\$91,821,000 attributable to Alpha Youth Group. If the acquisition had occurred on 1 April 2019, total revenue and loss for the year of the Group would have been approximately HK\$907,977,000 and HK\$2,227,000 respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 40. Acquisition of Subsidiaries (Continued)

### (b) Acquisition of Treasure Profit Limited on 28 September 2018

On 28 September 2018, the Group completed the acquisition of the entire equity interest of Treasure Profit Limited, with a cash consideration of HK\$146,320,000. Treasure Profit Limited held a commercial property in Hong Kong and is principally engaged in property investment in Hong Kong.

The following table summaries the consideration paid for the acquisition of Treasure Profit Limited and the fair value of assets and liabilities recognised at the acquisition date:

	HK\$'000
Consideration satisfied by:	
Cash	109,740
Deposit paid	36,580
	146,320
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Investment properties	146,320
Prepayments, deposits and other receivables	486
Bank balance and cash	101
Other payables and accruals	(587)
Shareholder's loan	(63,299)
	83,021
Add: Assignment of the shareholder's loan	63,299
	146,320
Acquisition related costs (included in administrative expenses)	436
Cash paid	109,740
Cash and bank balances in subsidiary acquired	(101)
Cash outflows on acquisition	109,639

Treasure Profit Limited was subsequently disposed to an independent third party on 27 March 2019. Details of the disposal of Treasure Profit Limited are disclosed in Note 41.

The acquired business contributed revenue of approximately HK\$1,180,000 and net profit of approximately HK\$604,000 for the period from 28 September 2018 to 27 March 2019. If the acquisition had occurred on 1 April 2018, total revenue and profit for the period ended 27 March 2019 would have been approximately HK\$2,636,000 and HK\$1,887,000 respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 41. Disposal of Subsidiary

### Disposal of Treasure Profit Limited on 27 March 2019

The disposal of Treasure Profit Limited was completed on 27 March 2019. Upon completion, Treasure Profit Limited ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Treasure Profit Limited were ceased to be consolidated with those of the Group.

The net assets of Treasure Profit Limited as at the date of disposal were as follows:

	HK\$'000
Investment properties	146,320
Deposit and prepayments	116
Deposit received, other payables and accruals	(610)
Shareholder's loan	(62,569)
Net assets disposal of	83,257
Assignment of Shareholder's loan	62,569
Direct cost incurred for the disposal	1,377
Gain on disposal of subsidiary	7,797
Total cash consideration received	155,000
Net cash inflow arising on disposal:	
Cash consideration	155,000
Cost directly attributable to the disposal	(1,377)
	153,623

The gain on disposal of Treasure Profit Limited was included in the other gains and losses, net in the consolidated statement of comprehensive income for the year ended 31 March 2019.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 42. Significant Event After Reporting Period

### (a) Proposed amendment of the terms of the convertible bonds

On 11 May 2020, the Company, the guarantor and the Extended Convertible Bonds 2019 holder entered into the third deed of amendment to amend the terms of the Extended Convertible Bonds 2019 such that the maturity date is extended for a further term of six months, being 10 November 2020. Up to the date of this report, it is pending for the approval from the shareholders and Stock Exchange.

### (b) Disposal of the entire equity interest in Sino Digital Media (Overseas) Limited (“Sino Digital”) and its subsidiaries (collectively referred to as the “Sino Digital Group”)

On 15 June 2020, the Group, through an indirectly wholly-owned subsidiary, had entered into a conditional sale and purchase agreement (the “Agreement”) to dispose of the entire equity interest in Sino Digital Group to a purchaser (the “Purchaser”) who is an independent third party to the Group at a total consideration of HK\$30.0 million (the “Disposal”) which will be settled in (i) HK\$2.5 million in cash within 5 business day upon signing the Agreement; (ii) HK\$2.5 million in cash upon completion; and (iii) HK\$25.0 million by issue of 1% per annum interest bearing promissory notes with maturity of 1 year from the date of its issuance in principal amount of HK\$25.0 million by the Purchaser upon completion. Sino Digital Group carried out the Group’s Digital Technology Business operation.

Completion of the transaction is subject to the conditions precedent have been fulfilled or waived on or before 31 July 2020.

HK\$2.5 million cash deposit has been received and the Disposal has not been completed as at the date of this report.

### (c) Outbreak on Coronavirus Disease

Since January 2020, the outbreak on Coronavirus Disease (“COVID-19”) has impacted the global business environment. Pending the development and spread of COVID-19 after the end of reporting date, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 43. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follow:

	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	9	70
Right-of-use assets	10,999	–
Interests in subsidiaries	884,211	486,921
	<b>895,219</b>	486,991
<b>CURRENT ASSETS</b>		
Prepayments	3,119	2,084
Bank balances and cash	3,385	8,289
	<b>6,504</b>	10,373
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	13,932	3,866
Lease liabilities	6,511	–
Interest-bearing borrowings	13,313	–
Promissory notes	–	13,589
Convertible bonds	119,449	176,038
	<b>153,205</b>	193,493
<b>NET CURRENT LIABILITIES</b>	<b>(146,701)</b>	(183,120)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>748,518</b>	303,871
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	4,611	–
Interest-bearing borrowings	68,365	–
	<b>72,976</b>	–
<b>NET ASSETS</b>	<b>675,542</b>	303,871
<b>CAPITAL AND RESERVES</b>		
Share capital	32,748	24,238
Reserves	642,794	279,633
<b>TOTAL EQUITY</b>	<b>675,542</b>	303,871

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 19 June 2020 and are signed on its behalf by:

\_\_\_\_\_  
**Mr. Wong Wai Sing**  
 DIRECTOR

\_\_\_\_\_  
**Mr. Jeffrey Wong**  
 DIRECTOR

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 43. Statement of Financial Position of the Company (Continued)

Details of the changes in Company's individual components of reserves between the beginning and the end of the year and set as below:

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible bonds equity reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019	1,112,811	654	65,174	8,127	(868,508)	318,258
Loss and total comprehensive loss for the year	-	-	-	-	(59,293)	(59,293)
Issue of shares upon exercise of share options	28,170	-	-	(7,020)	-	21,150
Lapse of share options	-	-	-	(28)	28	-
Redemption of convertible bonds	-	-	(482)	-	-	(482)
Transactions with owners	28,170	-	(482)	(7,048)	28	20,668
At 31 March 2019	1,140,981	654	64,692	1,079	(927,773)	279,633
Loss and total comprehensive loss for the year	-	-	-	-	(55,140)	(55,140)
Issue of share upon exercise of share options	1,015	-	-	(263)	-	752
Lapse of share options	-	-	-	(816)	816	-
Issue of shares pursuant to placing agreements	181,500	-	-	-	-	181,500
Transaction costs attributable to issue of placing shares	(6,011)	-	-	-	-	(6,011)
Extinguishment of convertible bonds	-	-	(64,492)	-	64,492	-
Recognition of the extended convertible bonds	-	-	250	-	-	250
Issue of shares upon conversion of convertible bonds	75,836	-	(24,703)	-	-	51,133
Redemption of convertible bonds	-	-	(426)	-	-	(426)
Acquisition of subsidiary	166,400	-	24,703	-	-	191,103
Transactions with owners	418,740	-	(64,668)	(1,079)	65,308	418,301
At 31 March 2020	1,559,721	654	24	-	(917,605)	642,794

# Financial Summary

## Results

	<b>2020</b> <b>HK\$'000</b>	<b>Year ended 31 March</b>			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	<b>213,456</b>	115,164	127,795	122,465	249,629
Loss for the year	<b>(78,192)</b>	(11,967)	(31,756)	(193,281)	(292,725)
Total comprehensive loss for the year attributable to owners of the Company	<b>(83,726)</b>	(20,921)	(40,187)	(189,169)	(300,941)

## Assets and Liabilities

	<b>2020</b> <b>HK\$'000</b>	<b>As at 31 March</b>			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	<b>1,526,723</b>	637,187	719,335	538,917	623,711
Total liabilities	<b>(792,169)</b>	(245,733)	(330,337)	(174,495)	(312,132)
Net assets	<b>734,554</b>	391,454	388,998	364,422	311,579