



偉俊集團控股有限公司*
Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1013

ANNUAL REPORT 2020

* for identification purpose only

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Corporate Information

EXECUTIVE DIRECTOR

Lam Ching Kui
(Chairman and Chief Executive Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ko Ming Tung, Edward
Chan Chun Wai, Tony
(appointed on 17 December 2019)
Chen Dairong *(appointed on 2 July 2020)*

AUTHORISED REPRESENTATIVES

Lam Ching Kui
So Wing Fat *(appointed on 9 June 2020)*

COMPANY SECRETARY

So Wing Fat *(appointed on 9 June 2020)*

AUDIT COMMITTEE

Chan Chun Wai, Tony *(Chairman)*
(appointed on 17 December 2019)
Ko Ming Tung, Edward
Chen Dairong *(appointed on 2 July 2020)*

REMUNERATION COMMITTEE

Ko Ming Tung, Edward *(Chairman)*
Lam Ching Kui
Chan Chun Wai, Tony
(appointed on 17 December 2019)
Chen Dairong *(appointed on 2 July 2020)*

NOMINATION COMMITTEE

Lam Ching Ku *(Chairman)*
(appointed on 2 July 2020)
Ko Ming Tung, Edward
Chan Chun Wai, Tony
(appointed on 17 December 2019)
Chen Dairong
(appointed on 2 July 2020)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

13/F., Admiralty Centre 2
18 Harcourt Road, Admiralty
Hong Kong

AUDITOR

HLM CPA Limited
Certified Public Accountants
Rooms 1501-08,
15/F, Tai Yau Building
181 Johnston Road,
Hong Kong

SHARE REGISTRAR IN BERMUDA

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

REGISTRAR IN HONG KONG

Union Registrars Limited
Suites 3301-04
33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

1013

COMPANY WEBSITE

www.1013.hk

On behalf of the board (the “Board”) of directors (the “Director(s)”) of Wai Chun Group Holdings Limited (the “Company”). I would like to present the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Performance

For the year ended 31 March 2020, the Group recorded overall revenue of approximately HK\$134,755,000 (2019: approximately HK\$204,875,000) representing a decrease of approximately 34.2% when compared to 2019. This is largely due to the revenue of general trading segment decreased by 50.7% to approximately HK\$78,276,000 (2019: approximately HK\$158,684,000) because the demand of mobile components and chemicals of customers are decreasing.

The gross profit of the Group for the year ended 31 March 2020 amounting to approximately HK\$5,705,000 representing a decrease of approximately HK\$1,739,000 or 23.4% as compared with the gross profit of approximately HK\$7,444,000 for last year. The gross profit margin for the year ended 31 March 2020 was approximately 4.2% as compared to 3.6% for 2019. The increase in gross profit margin was mainly due to the higher gross profit margin of the sales and integration services and services income business segments, despite the gross profit margin on general trading segment slightly decreased as compared with last year.

Administrative expenses during the year under review decreased by 4.5% to approximately to HK\$23,092,000 (2019: approximately HK\$24,192,000), which resulted from the success of a tighter cost control measure. During the year ended 31 March 2020, the finance costs increased by 22.5% to approximately HK\$9,043,000 (2019: approximately HK\$7,382,000). The increase in finance costs was mainly due to the increased loan amount due to the ultimate holding company during the year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$28,094,000 for the year (2019: approximately HK\$28,771,000).

Financial Resources and Position

Total debts of the Group amounted to approximately HK\$179,141,000 (2019: approximately HK\$180,242,000), comprising loan from ultimate holding company of approximately HK\$121,460,000 (2019: approximately HK\$112,592,000), amounts due to the non-controlling interests of a subsidiary of approximately HK\$33,984,000 (2019: approximately HK\$34,971,000), amount due to a director of approximately HK\$672,000 (2019: HK\$537,000), borrowings of approximately HK\$10,948,000 (2019: approximately HK\$32,142,000) and lease liabilities due to a related party of approximately HK\$12,077,000 (2019: Nil). All the above mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except borrowings and amount due to a director, all of these debts are interest bearing or carried in an interest rate implicit in the lease liabilities due to a related party.

Chairman's Statement

The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 189.0% (2019: approximately 133.7%), representing an increase of approximately 55.3% as compared to 2019. Cash and cash equivalents amounted to approximately HK\$12,008,000 (2019: approximately HK\$32,022,000) as at 31 March 2020 which are mostly denominated in Hong Kong Dollars and Renminbi.

The Group is not exposed to significant currency risk as most of its monetary assets and monetary liabilities are denominated in the functional currency of the individual group entity.

The Group had no assets pledged as at 31 March 2020 (2019: Nil). At the end of the financial year, the current ratio of the Group is approximately 0.50 times (2019: approximately 0.64 times). On the basis of the undrawn loan facilities of approximately HK\$68,540,000, granted by the ultimate holding company, Wai Chun Investment Fund, which will be provided on a subordinated basis, the Directors believe that the Group has sufficient financial resources for its operations. The directors will remain cautious in the Group's liquidity management.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

Litigations and Contingent Liabilities

During the year and up to the date of this annual report, the Group has been involved in certain legal proceedings of material importance. Details of the litigations and contingent liabilities are set out in Note 42 to the consolidated financial statements.

For the litigations referred in Notes 42(I) & 42 (II), the directors are of the view that they have no significant impact on the Group's financial position and its operating result for the year ended 31 March 2020 as all the above amounts have already been recorded in the consolidated financial statements as at 31 March 2020. Moreover, the Company shall utilise the shareholder's loan facilities or exercise other methods to obtaining financing to the Group, including but not limited to share placement or loan capitalisation when necessary.

For the arbitral claim of deposit refund of RMB5,817,000 (approximately HK\$6,369,000) as stated in Note 42(III), as the rights and obligation of the deposit was transferred to an independent third party, having sought legal advices, the directors believe that above contingent liabilities are unlikely to materialise and no provision for liabilities in this respect has been made in the consolidated financial statements accordingly.

BUSINESS REVIEW AND FUTURE PROSPECT

The Group is principally engaged in (i) general trading; (ii) network and system integration by the production of software and provision of solutions and related services; and (iii) investment holdings.

During the year under review, the management continued to devote its effort to enhance the operational efficiency of the sale and integration services segment and the services income segment through stringent project selection and tighter cost control measures. On the other hand, the Group strived for a new business into trading of chemicals in this year.

Looking forward, to turn the Group back to a profitable position, the Company (i) will continue to enhance operational efficiency by removing duplication and bottlenecks through standardisation of work procedures and simplification of operation process and; (ii) will further tighten its budgetary control by vigorously implementing measures for cost and expense control, optimising cost analysis and appraisal mechanism, and constantly strengthening cost management. In addition, the Group is monitoring closely the latest trends and the development of the global economy and to take advantage of all business opportunities.

The Company has been actively identifying projects with growth potential for acquisition or investment and has been in discussions with various parties for such acquisition or investment. Meanwhile, the Company intends to enrich and improve its financial resources by conducting fund raising exercises such as share placement or loan capitalisation, when necessary.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all staff and management team for their contribution during the year. I would also like to express my appreciation to the continuous support of our shareholders and investors.

Lam Ching Kui

Chairman and Chief Executive Officer

Hong Kong, 30 June 2020

Biographical Details of Directors

EXECUTIVE DIRECTOR

Mr. Lam Ching Kui (“Mr. Lam”), aged 61, has over 28 years of experience in project investments and securities investments. Mr. Lam has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong. He has made investments in listed securities and renewable energy. Mr. Lam is an indirect substantial shareholder of the Company and has been the Chairman and an executive Director of the Company since August 2008. Mr. Lam is responsible for the overall strategic planning of the Group. Mr. Lam is also the chairman and the executive Director of Wai Chun Bio-Technology Limited, a public listed company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ko Ming Tung, Edward (“Mr. Ko”), aged 59, was appointed as an independent non-executive Director in August 2008. Mr. Ko obtained an external bachelor of laws degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 28 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Sinofert Holdings Limited, Chia Tai Enterprises International Limited, EverChina Int’l Holdings Company Limited and Sterling Group Holdings Limited, shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Mr. Ko was previously an independent non-executive director of Zioncom Holdings Limited and Chinese Energy Holdings Limited, shares of which are listed on the GEM board of the Stock Exchange. Other than disclosed above, Mr. Ko did not hold any other directorships in any listed public companies in the past three years.

Biographical Details of Directors

Mr. Chan Chun Wai, Tony (“Mr. Chan”), aged 48, was appointed as an independent non-executive Director in December 2019, is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He is the owner of a CPA practice. He has extensive experience in audit assurance and business advisory services with clients operating in a variety of industries in both Hong Kong and the PRC. Moreover, Mr. Chan also has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisition as well as corporate finance. Before commencing his own practice, Mr. Chan has worked in major international accounting firms and a listed company. Mr. Chan is an independent non-executive director of Wai Chun Bio-Technology Limited, Hans Energy Company Limited and Honbridge Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Other than disclosed above, Mr. Chan did not hold any other directorships in any listed public companies in the past three years.

Ms. Chen Dairong (“Ms. Chen”), aged 42, was appointed as an independent non-executive Director in July 2020. Ms. Chen holds a Master of Business Administration degree and a Bachelor of Chinese Language degree, and has managerial experience in internet and creative media industries. She has worked in multiple media and internet companies as senior management, and has over 10 years of experience in expert brand marketing, offering content marketing strategies and services to many international industry giants. Ms. Chen is a professional investor in the cultural creativity and internet technology industries, in several media and entertainment corporations. Ms. Chen has also served as a director of an American non-governmental charitable foundation for ten consecutive years, and sponsored and supported early childhood education public charity projects. Ms. Chen did not hold any other directorships in any listed public companies in the past three years.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding Company and the principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements. There were no significant changes in the nature of the Company's and of the Group's principal activities during the year.

Discussions and reviews of the Group's business and possible risks and uncertainties that the Group may be facing are contained in the Chairman's Statement as set out on pages 3 to 5 of this annual report. The financial risk management objectives and policies of the Group are shown in note 7(B) to the consolidated financial statements of this annual report. These discussions form part of this Report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2020 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 53 to 141.

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity set out on page 56 and in note 41B to the consolidated financial statements respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 March 2020 is set out on page 142.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company did not have any reserves available for distribution to its shareholders (2019: Nil).

DIRECTORS

EXECUTIVE DIRECTOR

Mr. Lam Ching Kui (*Chairman and Chief Executive Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ko Ming Tung, Edward

Mr. Chan Chun Wai, Tony (*appointed on 17 December 2019*)

Ms. Chen Dairong (*appointed on 2 July 2020*)

Mr. To Yan Ming, Edmond (*passed away on 28 August 2019*)

Professor Ho Kin Chung, *B.B.S., J.P.* (*resigned on 26 February 2020*)

NON-EXECUTIVE DIRECTOR

Dr. Lew Mon Hung (*appointed on 22 November 2019 and resigned on 17 February 2020*)

The biographical details of the Directors of the Company are set out on pages 6 and 7 of this annual report.

In accordance with Bye-law 87 of the Bye-laws of the Company, Mr. Ko Ming Tung, Edward and Mr. Chan Chun Wai, Tony shall retire from office by rotation at the forthcoming annual general meeting (“AGM”) and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Company considers all the independent non-executive Directors to be independent.

DIRECTORS’ SERVICE CONTRACTS

The executive Director has entered into a service agreement with the Company for a term of not more than three years commencing from their date of appointment, which continues thereafter until terminated by either party giving not less than one month notice in writing to the other party.

Each of the two independent non-executive Directors, Mr. Chan Chun Wai, Tony and Ms. Chen Dairong has entered into a service agreement with the Company for a term of two years from their date of appointment, which can be terminated by either party giving not less than one month notice in writing to the other party. Mr. Ko Ming Tung, Edward has not entered into a service agreement with the Company. Each of the independent non-executive Directors is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company’s Bye-laws.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' REMUNERATION

Details of emoluments of the Directors are set out in note 15 to the consolidated financial statements.

The Directors' fees are subject to shareholders' approval at the AGM. Other emoluments are determined by the Board with reference to the recommendations from the remuneration committee of the Company ("Remuneration Committee") taking in to account the Directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY

Pursuant to the Bye-laws of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed below in the section headed "Connected Transactions" and in notes 29 and 39 to the consolidated financial statements, there are no transactions, arrangements or contracts of significance to which the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS

None of the Directors had any interests in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the year and up to the date of this report.

INTERESTS OF CONTROLLING SHAREHOLDER IN CONTRACTS

Save as disclosed below in the section headed "Connected Transactions" and in notes 29, 32 and 39 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the year.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, the interests and short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding
Lam Ching Kui	Interests of controlled corporations	15,938,196,000 (Note)	74.50%

Note: Mr. Lam Ching Kui directly holds 394,810,000 shares and is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 15,543,386,000 shares of the Company held by Ka Chun Holdings Limited, a wholly-owned subsidiary of Wai Chun Investment Fund.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Lam Ching Kui	Interests of controlled corporations	15,938,196,000	74.50%
Ka Chun Holdings Limited	Beneficial owner	15,543,386,000	72.66%
Wai Chun Investment Fund	Interests of controlled corporations	15,543,386,000	72.66%

Note:

Ka Chun Holdings Limited, which is wholly owned by Wai Chun Investment Fund holds 15,543,386,000 shares of the Company. Mr. Lam Ching Kui, the chairman and Executive Director of the Company directly holds 394,810,000 shares and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Mr. Lam Ching Kui is the director of Ka Chun Holdings Limited and Wai Chun Investment Fund.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 March 2020, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

As at 31 March 2020, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares.

OTHER PERSONS

As at 31 March 2020, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

SUBSTANTIAL SHAREHOLDERS (continued)

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 25 September 2015 (“Share Option Scheme”). Particulars of the Share Option Scheme and movements of the Company’s share options during the year are set out in note 35 to the consolidated financial statements.

RETIREMENT BENEFITS OBLIGATIONS

Particulars of the retirement benefits obligations of the Group are set out in note 36 to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the year under review, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2020.

CONNECTED TRANSACTIONS

TENANCY AGREEMENTS

A tenancy agreement was entered into between Wai Chun Holdings Group Limited as landlord and Wai Chun Strategic Investment Limited, a wholly owned subsidiary of the Company, as tenant on 18 December 2019 in relation to the right portion of 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong and a car parking space, the Company’s principal place of business in Hong Kong for a term of two years commenced from 1 November 2017 to 31 October 2019, with a rental of HK\$296,642 per calendar month and renewed on 1 November 2019, for a term of 12 months, to 31 October 2020, with a rental of HK\$374,800 per calendar month, exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges per calendar month.

Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam Ching Kui and as to the remaining 50% by Ms. Chan Oi Mo. Mr. Lam Ching Kui is a controlling shareholder of the Company and is interested in approximately 74.50% of the issued share capital of the Company and Ms. Chan Oi Mo is the spouse of Mr. Lam Ching Kui. Accordingly, Wai Chun Holdings Group Limited is regarded as a connected person of the Company under the Listing Rules. Therefore, the tenancy agreement constitutes a continuing connected transaction for the Company under Rule 14A.31 of the Listing Rules.

Report of the Directors

CONNECTED TRANSACTIONS (continued)

TENANCY AGREEMENTS (continued)

The aggregate rental payable under the tenancy agreement for the year, being approximately HK\$3,950,000, represents less than 5% of the various applicable percentage ratios (as defined in the Listing Rules) for the Company on an annual basis. Accordingly, pursuant to Rule 14A.76(2) of the Listing Rules, the tenancy agreement is subject to reporting, announcement and annual review requirements, but no approval of independent shareholders of the Company is required.

On 29 March 2019, the Group entered into a tenancy agreement (the “Tenancy Agreement”) with Ms. Chan Oi Mo (“Ms. Chan”), pursuant to which the Group agreed to pay Ms. Chan, the rental charge of the Premises located in Unit 1L and 1K of Block A6, Xili Residences, Tang Lang Village, Nam Shan District, Shenzhen, PRC. The lease term lasts for three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

Ms. Chan is the spouse of Mr. Lam Ching Kui who is Director and indirectly owns approximately 74.50% of the issued share capital of the Company. Mr. Lam Ching Kui, being a Director and the ultimate controlling shareholder (as defined in the Listing Rules) of the Company and therefore, the entering into the Tenancy Agreement between Ms. Chan and the Company constitutes a continuing connected transaction for the Company which is subject to the reporting and announcement requirements but is exempt from independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

During the year ended 31 March 2020, the Company incurred total rental charges of HK\$4,200,000 on behalf of Ms. Chan for her rental expenses.

ANNUAL REVIEW

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and in their opinion, the transactions are:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) accordance to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (continued)

ANNUAL REVIEW (continued)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 13 to 15 of the Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

COMPLIANCE WITH DISCLOSURE REQUIREMENTS

Save as disclosed in "Rental expenses" in the amount of HK\$3,950,000 for the year in note 39 –"Related party transactions and balances" to the consolidated financial statements, and page 14 of the Annual Report, of HK\$4,200,000 rental expenses incurred for Ms. Chan, which constituted connected transactions of the Company under Chapter 14A of the Listing Rules, all other transactions as shown in note 39 are connected transactions exempted from announcement, reporting, annual review and independent shareholders' approval requirements under Rule 14A.76/14A.95/14A.90 of the Listing Rules. For the service agreements as mentioned in the above section headed "Connected Transactions", the Company has failed to make timely disclosure of the entering into the Agreements and to seek independent shareholders' approval for the connected transactions which constituted a breach of Rule 14A.35 and 14A.36 of the Listing Rules. Save as disclosed above, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 84% of total turnover and sales to the largest customer accounted for approximately 30%. The five largest suppliers of the Group in aggregate accounted for about 87% of its total purchase costs for the year. Purchases from the largest supplier accounted for about 52% of its total purchase costs. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

EMOLUMENT POLICY

As at 31 March 2020, the Group had a total of 15 employees, the majority of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced lifestyle and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing in his own remuneration.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and communities in which it engages from time to time. The Group achieves this through rational resources utilisation and compliance with applicable environmental laws and practices of environmental protection, health and safety, workplace conditions and employment. The Group continues to improve the environmental performance as an integral and fundamental part of the business strategy and operating methods.

Details of the environmental, social and governance report are set out in the section headed "Environment, Social and Government Report" in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board considers compliance with laws and regulations are important element in the business operation of the Group. The Group's major operations and over half of its sales are located in China and compliance with domestic laws and regulations in China is particularly important. The Group has specific personnel to handle and update compliance works in China and they also have the assistance from external legal advisors. The Board considers that the Group's compliance with laws and regulations in China is well monitored.

RELATIONSHIPS WITH STAKEHOLDERS

The Group provides a harmonious and professional working environment to employees and ensures they all are reasonable remunerated. The Company regular reviews and updates its policies on remuneration and benefits, training, occupational health and safety.

The Group also recognises that it is important to maintain good relationship with business partners to achieve its long-term goals. During the year, there was no material and significant dispute between the Group and its business partners.

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2020 have been audited by Messrs. HLM CPA Limited. A resolution for their appointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Lam Ching Kui
Chairman and Chief Executive Officer

Hong Kong, 30 June 2020

Corporate Governance Report

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

CORPORATE GOVERNANCE

During the year ended 31 March 2020, the Company complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules except code provisions A.2.1 and A.4.1.

Under code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities is ensured by the operation of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Code provision A.4.1 provides that non-executive Directors should be appointed for a specific term and subject to re-election. The Company has not fixed the term of appointment of Mr. Ko Ming Tung, Edward ("Mr. Ko") as an independent non-executive Director, however, he is subject to retirement by rotation at least once every three years and re-election at the AGM of the Company pursuant to the Company's Bye-laws. As such, the Board 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.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

As at the date of this annual report, the composition of the Board is set out as follows:

EXECUTIVE DIRECTOR

Mr. Lam Ching Kui (*Chairman and Chief Executive Officer*)

BOARD OF DIRECTORS (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ko Ming Tung, Edward

Mr. Chan Chun Wai, Tony (*appointed on 17 December 2019*)

Ms. Chen Dairong (*appointed on 2 July 2020*)

Mr. To Yan Ming, Edmond (*passed away on 28 August 2019*)

Professor Ho Kin Chung, B.B.S., J.P. (*resigned on 26 February 2020*)

NON-EXECUTIVE DIRECTOR

Dr. Lew Mon Hung (*appointed on 22 November 2019 and resigned on 17 February 2020*)

RESPONSIBILITIES

The Board has a balance of skill and experience and a balanced composition of executive and non-executive Directors and is responsible for oversight of the management of the Company's business and affairs. The Board has delegated the day-to-day responsibility to the executive Director(s) and senior management of the Company.

The Board, headed by the Chairman and the Chief Executive Officer, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The Chairman and Chief Executive Officer seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

The Chairman and Chief Executive Officer is responsible for day-to-day management of the Company's operations, financial management and the effective implementation of the overall strategies and initiatives adopted by the Board.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

During the year ended 31 March 2020, except for the extended time for replacing, Mr. To Yan Ming, Edmond, the Independent Non-executive Director, who passed away on 28 August 2019, and Professor Ho Kin Chung, B.B.S., J.P., the Independent Non-executive Director, who resigned on 27 February 2020, amid the coronavirus outbreak preventing a then PRC based Independent Non-executive Director traveling to Hong Kong, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

RESPONSIBILITIES (continued)

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The appointment of all the Directors, including independent non-executive Directors (except Mr. Ko Ming Tung, Edward), is for a specific term of not more than three years from date of appointment. The Company's Bye-laws provide for the retirement of Directors by rotation and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting following the appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's Bye-laws. The Board is responsible for the reviewing its composition, monitoring the appointment of Directors and assessing the independence of the independent non-executive Directors.

BOARD OF DIRECTORS (continued)

BOARD MEETINGS

During the year ended 31 March 2020, the Board held four regular board meetings. In addition, board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are usually attended by executive Directors only. The Directors attended the meetings in person or through electronic means of communication. The attendance of each Director is set out as follows:

Name of Director	Number of meetings attended/held
Mr. Lam Ching Kui	4/4
Mr. Ko Ming Tung, Edward	4/4
Mr. Chan Chun Wai, Tony (<i>appointed on 17 December 2019</i>)	1/1
Ms. Chen Dairong (<i>appointed on 2 July 2020</i>)	N/A
Mr. To Yan Ming, Edmond (<i>passed away on 28 August 2019</i>)	2/4
Professor Ho Kin Chung, B.B.S., J.P. (<i>resigned on 26 February 2020</i>)	4/4
Dr. Lew Mon Hung (<i>appointed on 22 November 2019 and resigned on 17 February 2020</i>)	0/0

GENERAL MEETINGS

During the year ended 31 March 2020, an annual general meeting of the Company was held on 13 September 2019. The attendance of each Director is set out as follows:

Name of Director	Number of meetings attended/held
Mr. Lam Ching Kui	1/1
Mr. Ko Ming Tung, Edward	1/1
Mr. Chan Chun Wai, Tony (<i>appointed on 17 December 2019</i>)	N/A
Ms. Chen Dairong (<i>appointed on 2 July 2020</i>)	N/A
Mr. To Yan Ming, Edmond (<i>passed away on 28 August 2019</i>)	N/A
Professor Ho Kin Chung, B.B.S., J.P. (<i>resigned on 26 February 2020</i>)	1/1
Dr. Lew Mon Hung (<i>appointed on 22 November 2019 and resigned on 17 February 2020</i>)	0/0

BOARD PROCESS

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquires if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

BOARD PROCESS (continued)

If a substantial shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

BOARD DIVERSITY POLICY

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. In this connection, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the “Diversity Policy”).

Pursuant to the Diversity Policy, the Company considers Board diversity from a number of perspectives, including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of service. The ultimate decision would be based on the merits and contributions the selected candidates can bring to the Board.

The Nomination Committee opined that the Company has a diverse Board. The Nomination Committee and the Board would review the Diversity Policy at least annually.

DIRECTORS’ TRAINING

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a Director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 March 2020 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lam Ching Kui, the Chairman of the Company, was also appointed as the Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

BOARD OF DIRECTORS (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, laws or economics. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

All independent non-executive Directors (except Mr. Ko Ming Tung, Edward) have been appointed for a term of two years from their date of appointment. Each of the independent non-executive Directors is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's Bye-laws.

BOARD COMMITTEES

The Company has set up three committees of the Board, including the Remuneration Committee, audit committee ("Audit Committee") and nomination committee ("Nomination Committee") of the Company, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

REMUNERATION COMMITTEE

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for non-executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the market standard. Individual Director and senior management would not be involved in deciding their own remuneration.

The model of remuneration committee described in code provision B.1.2(c)(ii) of the CG Code has been adopted by the Remuneration Committee.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

REMUNERATION COMMITTEE (continued)

During the year ended 31 March 2020, the Remuneration Committee held two meetings, with attendance record as follows:

Name of Director	Number of meetings attended/held
Mr. Ko Ming Tung, Edward (<i>Chairman</i>)	2/2
Mr. Lam Ching Kui	2/2
Mr. Chan Chun Wai, Tony (<i>appointed on 17 December 2019</i>)	0/0
Ms. Chen Dairong (<i>appointed on 2 July 2020</i>)	N/A
Mr. To Yan Ming, Edmond (<i>passed away on 28 August 2019</i>)	1/2
Professor Ho Kin Chung, B.B.S., J.P. (<i>resigned on 26 February 2020</i>)	2/2

During the year under review, the Remuneration Committee reviewed matters relating to remuneration packages of Directors and senior management.

AUDIT COMMITTEE

The Company has the Audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. A meeting of the Audit Committee was held to review the Group's audited consolidated financial statements for the year ended 31 March 2020, in conjunction with the Group's external auditor, HLM CPA Limited.

The Audit Committee also reports directly to the Board and reviews financial statements and the effectiveness of internal control, to protect the interests of the Company's shareholders.

During the year ended 31 March 2020, the Audit Committee held two meetings, with attendance record as follows:

Name of Director	Number of meetings attended/held
Mr. Chan Chun Wai, Tony (<i>Chairman</i>) (<i>appointed on 17 December 2019</i>)	0/0
Mr. To Yan Ming, Edmond (<i>former Chairman</i>) (<i>passed away on 28 August 2019</i>)	1/2
Mr. Ko Ming Tung, Edward	2/2
Ms. Chen Dairong (<i>appointed on 2 July 2020</i>)	N/A
Professor Ho Kin Chung, B.B.S., J.P. (<i>resigned on 26 February 2020</i>)	2/2

BOARD OF DIRECTORS (continued)

AUDIT COMMITTEE (continued)

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 March 2020 and the interim report for the six months ended 30 September 2019 respectively. The Audit Committee has also reviewed the Group accounting principles and practices, Listing Rules and statutory compliance and financial reporting matters. The Audit Committee is satisfied with their review of the independence of the auditor and their audit process for the year ended 31 March 2020.

The Group's results and consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The primary function of the Nomination Committee is to make recommendations to the Board on new appointment and re-appointment of Directors and senior management. New Directors are sought mainly through referrals and internal promotions. In evaluating whether an appointee is suitable to act as a Director, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and possible time commitment of the appointee with reference to the Diversity Policy adopted by the Board during the year and the requirements under the Listing Rules.

During the year ended 31 March 2020, the Nomination Committee held two meetings, with attendance record as follows:

Name of Director	Number of meetings attended/held
Mr. Lam Ching Kui (<i>Chairman</i>) (<i>appointed on 2 July 2020</i>)	2/2
Professor Ho Kin Chung, B.B.S., J.P. (<i>former chairman</i>) (<i>resigned on 26 February 2020</i>)	2/2
Mr. Ko Ming Tung, Edward	2/2
Mr. Chan Chun Wai, Tony (<i>appointed on 17 December 2019</i>)	0/0
Ms. Chen Dairong (<i>appointed on 2 July 2020</i>)	N/A
Mr. To Yan Ming, Edmond (<i>passed away on 28 August 2019</i>)	1/2

Corporate Governance Report

BOARD OF DIRECTORS (continued)

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions are carried out by the Board in compliance with the CG Code.

The corporate governance functions currently performed by the Board are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 March 2020, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

COMPANY SECRETARY

The Company Secretary, Mr. So Wing Fat, appointed on 9 June 2020, is to replace Mr. Tse Kin Wing ("Mr. Tse"), who resigned on 9 June 2020, and is responsible for supporting the Board, ensuring good information flow within the Board, and Board policies and procedures are followed, advising the Board on governance matters, facilitating induction and professional development of Directors.

Mr. Tse had attained no less than 15 hours of relevant professional training for the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries to all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year.

EXTERNAL AUDITOR AND ITS REMUNERATION

HLM CPA Limited, the external auditor of the Company, shall retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of HLM CPA Limited as auditor of the Company is to be proposed at the forthcoming AGM.

HLM CPA Limited provided services in respect of the audit of Company's financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 March 2020. HLM CPA Limited also reviewed the unaudited interim financial information of the Company, which was prepared in accordance with HKFRSs.

The total fees charged by HLM CPA Limited in respect of audit services for the year ended 31 March 2020 amounted to HK\$500,000.

Description of non-audit services performed by HLM CPA Limited	Fee Paid HK\$
(1) Interim review of financial statements of the Company and its subsidiaries for the six months ended 30 September 2019	128,000

DIRECTORS' RESPONSIBILITY IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge that their responsibilities for preparing the consolidated financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company regarding their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 47 to 52 of this Annual Report.

GOING CONCERN

Save as disclosed in note 2 to the consolidated financial statements, the Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Corporate Governance Report

INTERNAL CONTROL

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The objective is to cover all important controls, including financial, operational, compliance, and risk management functions to endure they are in place and functioning effectively for the Group.

The Group's risk management policy includes the following elements:

- Identification significant risks in the Group's operation environment and evaluate the impacts of those;
- Develop necessary measure to manage those risks;
- Risk and mitigate measures with risk ownership will be documented in a risk register; and
- Risk register will be monitored and reviewed the effectiveness of such measures regularly.

The Board has delegated the Audit Committee to perform its responsibilities of risk management and internal control systems by performing the following:

- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems annually, and such review should cover all material controls including financial, operational and compliance control;
- Considers major findings on risk management and internal control matters, implementation of the mitigation activities by the management team, and reports and makes recommendations to the Board.

INTERNAL CONTROL (continued)

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Internal Audit

The Group's internal audit function is performed by an outsourced internal audit team, which reports directly to the Audit Committee of the Group.

The Board has received a report from the outsourced internal auditor summarizing audits concluded in the year. The report provided internal audit findings and any action to be taken by management as a result. These findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions. The Group's management team monitors the implementation of its recommendations reports the outcome to the Audit Committee.

The Board considers the Group internal control system and risk management is adequate and effective for the financial year.

SHAREHOLDERS' RIGHTS

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

SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Shareholders may convene a special general meeting of the Company according to the provisions as set out in the Bye-laws and the Companies Act of Bermuda. The procedures that shareholders can use to convene a special general meeting are set out in Bye-law 58 of the Company's Bye-laws.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year, there was no significant change in the Company's Memorandum and Articles of Association.

Environmental, Social and Governance Report

Year ended 31 March 2020

OVERVIEW

Since 2017, the Group started to develop its first version of Environmental, Social and Governance Reporting (the “**ESG Reporting**”) and has since updated, reviewed and where necessary identified new material environmental and social issues relevant to our business in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

Issues and aspects which have a significant impact and are relevant to the Group’s ongoing operation and interests of stakeholders for the period from 1 April 2019 to 31 March 2020 (the “**Reporting Period**” or “**2020**”) are closely examined, reviewed and reported herein.

ESG performance along with the KPIs through comparing their results of the Reporting Period with the last reporting period or “2019” of the Group has also been reviewed and reported herein. Areas of improvements or shortcomings are identified and where necessary, appropriate amendments are made with corresponding measures implemented. As a continuing exercise of the Group, ESG Key Performance Indicators (“KPIs”) are updated and where necessary new ones are introduced during this Reporting Period.

ESG VISION

The Group targeting to be a leading network systems integrator and software developer and provider is committed to providing monetary returns to our shareholders and other required values to other stakeholders. In accomplishing this, the Group also ensures that its employees enjoy a healthy and safe workplace and enjoy an employment of fairness, equity and peace as far as possible.

The Group strives to pursue our business operations and its developments in a sustainable and eco-friendly way without compromising the benefit and interest of our community as a whole.

ESG MANAGEMENT AND APPROACH

The Board, headed by its Chairman and having a balanced mix of skills, expertise and experience from the Executive and Non-Executive Directors, is responsible for the overall formulation and approval of developments, business strategies, policies, annual budget and business plans of its business operations.

The day-to-day management and operations of ESG matters are delegated to the Chief Executive Officer (“**CEO**”) and its senior management team. Through an independent internal control and risk management system, the Group ensures that ESG objectives are followed and performance attains the designated level as suggested or required by the ESG Guide and in compliance with the laws and related regulations of the People’s Republic of China (the “**PRC**”) and Hong Kong Special Administrative Region (“**HKSAR**”).

The Board has resolved that the CEO and its senior management team have the overall responsibility to implement the ESG strategies and policies. It is, however, incumbent on the Board to monitor and review the ESG performance of the Group through reports of the CEO who is duty bound to explore, develop or modify Key Performance Indicators (KPIs) appropriate and necessary for future monitoring and continuing action in line with the visions, policies and goals of the Group.

STAKEHOLDER ENGAGEMENT

The Group is committed to operating in a socially responsible and transparent manner with regards to all stakeholders, including employees, customers, shareholders, suppliers, regulatory authorities and the general community. To maintain and develop good corporate citizenship, the Group aims to engage fully and openly with all stakeholders through a diverse array of effective communication channels, including:

Employees	<ul style="list-style-type: none">• Annual performance appraisal system• Training, seminars and briefing sessions• Staff communication
Customers	<ul style="list-style-type: none">• Client relationship contacts• Company website• Customer service hotline
Shareholders	<ul style="list-style-type: none">• Annual general meeting and other general meetings• Investor and press conferences and briefings• Company website• Corporate communications including announcements, press releases, circulars, interim and annual reports
Suppliers	<ul style="list-style-type: none">• Regular supplier communications and reviews
Regulators	<ul style="list-style-type: none">• Regular meetings and communications• On-site review• Compliance reports• Training, focus groups and other events
Community	<ul style="list-style-type: none">• Sponsorships and donations

Environmental, Social and Governance Report

Year ended 31 March 2020

MATERIALITY ASSESSMENT

The Group directly engaged with our stakeholders as part of the materiality assessment process for developing the report. Materiality is determined by considering Group's most significant economic, environmental, social impacts and stakeholders' concerns.

Based on the results of the assessment, the Company will review its longer-term strategy for addressing specific sustainability issues and explore future opportunities for improving the sustainability performance and reporting.

The Group's material ESG issues summaries as follows:

Material environmental aspects:

- Use of electricity
- Air emissions

Material social aspects:

- Product responsibility
- Health and safety
- Anti-corruption

The above ESG material areas and aspects have been reviewed, strictly managed and monitored through the Group's established management structure, process, policies and guidelines. The Group has allocated resources and implemented the approved strategies policies and measures to perform and to fulfill its environmental and social obligations and responsibilities especially on the material areas and aspects in the reporting period, which are summarized and reported hereunder:

(A) ENVIRONMENTAL AREAS AND ASPECTS

As a corporate citizen, the Group recognizes that our Group has a responsibility for environmental protection and sustainable development. The Group is principally engaged in network system integration and software development business. During the Reporting Period, other than a small amount of hazardous air emission generated from the use of fuel for owned private cars, its business operations do not generate any hazardous emissions, wastes or pollutants nor any noises and light pollution and emissions, which could have a significant impact to the environment. Nonetheless, the Group is committed to pursuing eco-friendly operations and the conservation of resources.

MATERIALITY ASSESSMENT (continued)

(A) ENVIRONMENTAL AREAS AND ASPECTS (continued)

A1. Emissions

(a) Policy

As the Group is mainly a software and information system designer, developer, integrator and provider, its activities are mostly similar to that of an ordinary office and do not directly produce any emissions, discharges into water or land, or hazardous waste of any nature. The Group complies strictly with the relevant statutory environmental laws, rules and regulations in all its operating locations. This is its bottom line as far as its business operations are concerned.

(b) Compliance with relevant laws and regulations that have a significant impact

In its day-to-day business operations, direct and indirect greenhouse gas emission, namely Carbon Dioxide (“CO₂”) is generated, causing impact on the environment. The former is from the use of fuel for company vehicles while the latter is from the use of electricity for the offices. Therefore, reduction of energy consumption in offices and efficient arrangement of employees’ transportation needs are its approach and priorities.

Despite the innocuous nature of the business operations, the Group sets up a KPI of “**Greenhouse gas (“GHG”) – namely CO₂ EMISSIONS**”. For this Reporting Period, its electricity consumption was the main cause of indirect emission of CO₂ amounting to 30.62 tonnes, which were 1.26 tonnes or 3.95% less than the last reporting period. It is quite steady with previous year, this is due to implementation of various energy saving measures. During the Reporting Period, there was direct GHG – namely CO₂ emission resulted from the use of fuel for our private cars, though the total amount was 9.71 tones. As a result, the total direct and indirect GHG emissions amounted to 40.33 tonnes, which was 4.03 tonnes or 11.1% more than that of the past reporting period.

Owing to addition of new vehicle, the total fuel uses for private cars owned by the Group in the Reporting Period were increased by 1.52 times over the last reporting period, resulting in the following gases emissions increases:

Type	2020	2019	Performance
Nitrogen Oxides (“NO _x ”)	3,073.00g	1,218.00g	+152%
Sulphur Oxides (“SO _x ”)	60.48g	23.97g	+152%
Particular Matter (“PM”)	226.28g	89.68g	+152%

Environmental, Social and Governance Report

Year ended 31 March 2020

MATERIALITY ASSESSMENT (continued)

(A) ENVIRONMENTAL AREAS AND ASPECTS (continued)

A1. Emissions (continued)

(b) *Compliance with relevant laws and regulations that have a significant impact (continued)*

The Reporting Period's hazardous gases emissions was 152% more than that in the last reporting period, but, in real volume of hazardous gases emissions, the total 3,360.08g or the increased amount of 2,028.43g for the year which was actually insignificant. The Group, however, has been alerted and has carried out measures to reduce its fuel consumption for private cars, including but not limited to the followings:

- To encourage employees to reduce unnecessary travels with video-conferencing;
- To encourage employees to car-pool or to use more public transport; and
- To explore alternative means such as using electric cars or fuel efficient cars to minimize hazardous gases emissions.

During the Reporting Period, same as the last reporting period, the Group's operations in both Beijing and Hong Kong do not generate any noises or light emissions and pollution affecting the surrounding environment.

Similar to any typical office operation, during the Reporting Period, same as the past reporting period, the Group produces a small amount of hazardous and non-hazardous wastes. The former includes toner cartridges, ink boxes and batteries, which are well taken care of and are collected properly and transferred to qualified organizations for environmental-friendly disposal. The latter includes used papers, unpacked boxes and other general living wastes, which are collected and disposed routinely and regularly by the cleaning staff of the building management offices.

During the Reporting Period, same as the past reporting period, its operations in Hong Kong and the PRC had not received any penalties or warnings related to air, water or waste pollution, emissions and discharges from any environmental departments or agencies.

MATERIALITY ASSESSMENT (continued)

(A) ENVIRONMENTAL AREAS AND ASPECTS (continued)

A2. Use of Resources

(a) Policies

The Group is committed to saving and conservation of resources such as energy, water, paper and to promoting sustainable development of its business. The Group reckons that education and promotion programs are optimal and effective ways to raise environmental awareness of its employees and business partners. Adopting measures in reducing, reusing, recycling, replacing and recovering as promulgated by the 5R-principle has been the guiding rule in our resource conservation and reduction programs.

The Group has established KPIs for “Electricity, Water and Fuel Consumption” and “CO₂ Emission” for routine monitoring and supervision purposes. The Administration Department of each operating location has been assigned with this task to effectively implement all the measures and practices adopted.

(b) Compliance with relevant laws and regulations that have a significant impact

Electricity is the main source of energy and resource used by the offices in daily operations. Energy saving is the main measure the Group implements. Electricity consumption in the Hong Kong and Beijing offices is under close supervision and monitoring. Employees are encouraged to turn off lights, air-conditioners and computers when not in use.

On electricity consumption, the aggregate of the Group amounted to 37,508kWh in 2020 which was 1,592kWh or 4.07% less than that in 2019. This reduction was mainly attributable to the reduction in Hong Kong office electricity consumption, a slight decrease of 1,588kWh or 4.5% over 2019.

Like typical office operations, the Group in its daily activities, does not consume large amount of water in its operations with insignificant impact to the environment.

Other consumables such as paper and printing ink are used but quantities are small and impacts are negligible.

Environmental, Social and Governance Report

Year ended 31 March 2020

MATERIALITY ASSESSMENT (continued)

(A) ENVIRONMENTAL AREAS AND ASPECTS (continued)

A3. The Environment and Natural Resources

Our Group's business and operations do not use substantial amount of natural resources such as energy, water, and paper, nor generate any material amounts of hazardous and non-hazardous emissions, discharges or waste or unnecessarily incur wastage of natural resources. However, being committed to environmentally friendly and responsible, the Group has adopted policies and approaches in line with the internationally recognized "5R" principle and practice aiming to maximize usable usage of materials whilst minimizing wastage:

- Reduce: reduce waste material
- Reuse: reuse waste material without processing
- Recycle: reuse materials as resources
- Refuse: avoid purchases
- Recover: recover materials in a different form

Our 5-R principle primarily aims at conserving the natural resources for tomorrow and is also powered by the cost saving incentive from behind. All our operation centres are cost efficient and eco-friendly.

(B) SOCIAL AREAS AND ASPECTS

(I) EMPLOYMENT AND LABOUR PRACTICES

The Group reckons that its business development and growth rely heavily on the skills, passion and commitment of its employees. The Group treasures its employees as its invaluable asset, and by all means and measures, protects and nurtures their growth and development and maintains an amicable and mutual-supportive relationship.

The Group is committed to complying with all the laws, rules and regulations on the employment arrangements including the PRC Labour Laws and the Employment Ordinance of the HKSAR. The recruitment of child labour and forced labour has been totally banned and effectively curbed by implementing effective recruitment and employment policies. There have been no illegitimate employment cases reported.

The Group is also committed to providing equal opportunities to all employees on recruitment, promotion, compensation and benefits, and establishing a happy, harmonious, safe and healthy working environment for all employees as far as possible.

The Group strives to strengthen its human resources management with employee oriented policies by encouraging motivation and innovation, and protecting the interests and legal rights of the employees. This approach is reckoned to ultimately achieve a positive, constructive and harmonious employer-employee relationship.

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(I) EMPLOYMENT AND LABOUR PRACTICES (continued)

B1. Employment

The Group recognizes employees are a key stakeholder and contributor to its business and growth. As such, the Group is committed to providing its employees with a satisfying and equitable workplace where employees and the Group can grow together.

The human resources manager has been charged with the responsibility and duty to ensure that all statutory obligations and requirements of the Group as an employer have been fulfilled and complied with in a legitimate and timely manner.

The employee handbook spells out the employment policies and welfare benefits. All provisions comply with the relevant labour laws, rules and regulations of HKSAR and the PRC.

On employment, the Group has adopted a mixed policy of external recruitment and internal promotion. All vacancies are open to employees with equal opportunities, to be decided with no discrimination on sex, religion, gender, age and disability. Appointments are based on qualification, skill and competency.

All employees must enter into proper and standardized contracts in writing signed by the respective employee and the representative of the Group. Employees' remuneration is determined with reference to the prevailing market level as well as their competency, qualifications and experience. The Group provides and maintains statutory benefits to all qualified employees including but not limited to mandatory provident funds (for Hong Kong employees) and unemployment, retirement and housing insurance (for PRC employees), medical insurance, work injury insurance and compensation and statutory holidays pursuant to the requirements of the laws of the PRC and HKSAR.

Environmental, Social and Governance Report

Year ended 31 March 2020

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(I) EMPLOYMENT AND LABOUR PRACTICES (continued)

B1. Employment (continued)

Employee remuneration packages are determined with reference to the prevailing market level and in line with their competency, qualifications and experience. Same as previous years, the Group has honored all of its obligations owed to its employees including the payment of salaries and wages, holidays and leave, compensation, insurance and health benefits. There had no complaints or disputes during the Report Period.

The human resources department has prepared an “Employment Record” with breakdowns of total number of employees in different work or management levels and sectors and the distribution of employees according to location, sex, and age groups. The figures show a pretty neutral pattern typical of the industry. The comparison between the Reporting Period and the past reporting period is shown in below tables:

(i) *Total and Location*

2020: 15 (10 Hong Kong/5 Beijing)
2019: 23 (14 Hong Kong/9 Beijing)

(ii) *Gender Distribution*

2020: Male to Female (8 to 7)
2019: Male to Female (13 to 10)

(iii) *Ages Distribution*

2020: Under 30/31-40/41-50/51 – 60/over 60 (1/8/1/3/2)
2019: Under 30/31-40/41-50/51 – 60/over 60 (0/10/9/4/0)

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(I) EMPLOYMENT AND LABOUR PRACTICES (continued)

B2. Health and Safety

The Group attaches great importance to the health and safety of its employees and ensures that there is no breach of the statutory safety rules and regulations in its business operations. Safety rules, regulations and guidances on health protection are spelt out in the Employees Rules and Regulations of the employee handbook. Such provisions fully comply with the labour laws and regulations of PRC and Employment Ordinance of HKSAR.

The Group is committed to providing a good working environment at all times and adopts an “employees-oriented” human resources policy to provide a happy, harmonious, safe and healthy working environment for all our employees and minimize the risk of any occupational hazards. The Group ensures that first aid equipment and other medical facilities for emergency needs are provided at all times in the workplace.

In the Reporting Period, same as past reporting period, the Group did not have any records on compensation claims or work related injury investigations by any relevant government officials in the PRC and the HKSAR.

B3. Development and Training

The Group reckons the importance of staff training and development to staff themselves and the organisation.

The Group supports and encourages all employees to continue learning and improve their knowledge and job skills.

As required by the related laws, the Group provides to new employees the basic business skills and induction training on inhouse rules and regulations and corporate culture training. Such trainings are meant to improve their qualities, abilities and safety awareness in order to adapt to their new positions.

Furthermore, the Group provides an education allowance on an application and discretionary basis in order to encourage employees to actively participate in position-related training organized by external institutions to enhance individual professional quality and ability.

Environmental, Social and Governance Report

Year ended 31 March 2020

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(I) EMPLOYMENT AND LABOUR PRACTICES (continued)

B4. Labour Standards

The Group strictly complies with the Labour Laws of PRC and the Employment Ordinances of HKSAR, and adopts their respective standards as well as local market practices as its minimum labour standards on labour protection and welfare including recruitment, dismissal, promotion, leave and holidays, benefits as well as ensuring equal employment opportunities to all sexes, genders, ages, races and religions.

The Group never supports any forms of child or forced labour employment. To this end and for compliance reasons, the Group maintains personal files on all employees which includes information such as the employees' personal background information and credentials including copies of ID and passport, academic qualifications and certificates, references, and performance assessment.

During the Reporting Period, same as the past report period, no labour disputes or litigations against the Group were lodged or reported and all wages and salaries, benefits and compensation due were paid on time in accordance with the contract or statutory provision.

(II) OPERATING PRACTICES AND SOCIAL INVESTMENT

B5. Supply Chain Management

The Group strives to manage risks in its supply chain through an established set of procedures and has appointed a Commercial Representative (“CR”) to be responsible for a specific purchase transaction. The CR is delegated with the full responsibility of purchase contract negotiation, signatory and implementation of the entire purchase contract. Processes like order(s) placement, liaison with suppliers, products and services delivery and quality checking, payment, etc are duties of the CR.

The Group conducts its sourcing and purchases in a transparent procedure which requires careful screening of the suppliers, previous performance record checking and monitoring etc.

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(II) OPERATING PRACTICES AND SOCIAL INVESTMENT (continued)

B5. Supply Chain Management (continued)

The CR is required to compare quotations from different suppliers to ensure cost efficiency and quality guarantee. Furthermore, the CR is required to ensure the quality of the supplied products, technology and/or services are in accordance with the specifications and the terms and conditions of the purchase contracts.

During the Reporting Period, same as the last reporting period, all procurements of the Group were conducted through local suppliers in Hong Kong or the PRC for the purposes of ensuring easy on supply especially on timing, and supporting the local economic development.

B6. Product Responsibility

(i) Product Quality

Our Group is deeply aware of the importance of product and service quality on its reputation, brand name and the financial implications in its overall business.

The Group is committed to ensuring customers confidence and satisfaction are of priority in delivering its service provisions and goods. The Group sells integrated network and system solutions mostly in the form of software to clients in the PRC by tender. Custom-made features and qualities like user-friendliness, ease of application, security and after sale repair and maintenance services are the most important considerations and requirements for our success in our sales.

In the provision of goods and services, the Group strictly complies with the Product Quality Law of the PRC (中國產品質量法), the PRC Law on Protection of the Rights and Interests of Consumers (中國消費者權益保護法) and other relevant laws and regulations for our operations in the PRC.

During the Reporting Period, same as the past reporting period, there were no complaints on defects in products, technology or services the Group provided and no complaint, or infringement of intellectual rights reported.

Environmental, Social and Governance Report

Year ended 31 March 2020

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(II) OPERATING PRACTICES AND SOCIAL INVESTMENT (continued)

B6. Product Responsibility (continued)

(ii) Intellectual Property Rights

The Group recognizes the importance and values of intellectual property rights. The Group attaches great respect for and importance to intellectual rights in our business operations.

For the purchase of services and hardwares, the Group relies on the procedures stated in its “Supply Chain Management” internal control system to prevent from purchasing poor quality products or services or counterfeit items from its suppliers. The Group had not received any intellectual property rights complaints during the Reporting Period, same as the past reporting period.

(iii) Privacy and Consumer Data Protection

The business operations of the Group in Hong Kong and the PRC entails the collection and storage of data of various nature. They could be personal privacy data or business data or personal data of employees etc. The Group is fully aware of the implication and importance in careful handling of such data. Personal Privacy Data Ordinance of the law of Hong Kong has various governing provisions in the use, handling and storage of privacy data and the Group is committed to fully abide by it. The Group takes no different stance in the protection of data protection in the absence of statutory control.

Data of our employees, customers and suppliers are kept under a secure and confidential system by our senior management, and use of this data is subject to strict rules and procedures. We have not experienced any privacy information leakage for both Reporting Period and the past reporting period.

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(II) OPERATING PRACTICES AND SOCIAL INVESTMENT (continued)

B7. Anti-corruption

The Group believes that a corporate culture of high integrity is the key to its continuing success, therefore we value the importance of anti-corruption work and are committed to building an incorruptness and transparent corporate culture.

The Group strives to achieve high standard of ethics in our business operations and fraudulent acts such as corruption, bribery, and collusion are strictly prohibited. Employees should comply with the code of Conduct in performing business activities, and they should consult the management if they suspect any professional misconduct.

During the Reporting period, the Group has strictly complied with all applicable laws and regulations, as well as guidance from various regulatory bodies including SFC. The Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

B8. Community Investment

The Group has carried out its business and operations in an environmentally and socially friendly manner without forgetting community investment. In this regard, the Group allocates resources in support of training of more skilled, competent and innovative software designers and developers. The Group encourages employees to provide voluntary services to the community and participate in other voluntary and charitable events to support the society and local community and those in need. As a support and encouragement, staff will be provided with paid leave for voluntary work.

Environmental, Social and Governance Report

Year ended 31 March 2020

MATERIALITY ASSESSMENT (continued)

(B) SOCIAL AREAS AND ASPECTS (continued)

(II) OPERATING PRACTICES AND SOCIAL INVESTMENT (continued)

The Group's Key Performance Indicators

	2020	2019	Year-on-year variance (in%)
Scope 1 – Direct emissions and removals			
Fuel consumed			
(in litres)	4,114.2	1,630.7	+152.3%
(in tCO ₂ e)	9.71	4.42	+119.7%
Intensity per employee			
(in litres)	274.28	70.9	+286.9%
(in tCO ₂ e)	0.647	0.192	+236.9%
Scope 2 – Energy indirect emissions			
Electricity consumed			
(in kWh)	37,508	39,100	-4.1%
(in tCO ₂ e)	30.62	31.88	-3.9%
Intensity per employee			
(in kWh)	2,500	1,700	+47.1%
(in tCO ₂ e)	2.04	1.39	+46.8%

Notes:

Greenhouse gas emissions were generated from the Group's offices in Hong Kong and PRC.

The Group's employee was used as the denominator to calculate greenhouse gas emissions intensity. The Group's employee in 2019 was 23 and for 2020 was 15.

ESG REPORTING GUIDE CONTENT INDEX

Aspect	KPI	Description	Page number/ Remarks
Environmental			
A1 Emissions	A1	General Disclosure	Page 35
	A1.1	Types of air emissions and respective emission data	Page 46
	A1.2	Greenhouse gas emissions in total and intensity	Page 46
	A1.3	Total hazardous waste produced	Not applicable
	A1.4	Total non-hazardous waste produced	Page 46
	A1.5	Description of measures to mitigate emissions and results achieved	Page 35
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Page 35
A2 Use of Resources	A2	General Disclosure	Page 37
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	Page 46
	A2.2	Water consumption in total and intensity	Not applicable
	A2.3	Description of energy use efficiency initiatives and results achieved	Page 37
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Not applicable
	A2.5	Total packaging material used for finished products	Not applicable
A3 The Environment and Natural Resources	A3	General Disclosure	Page 38

Environmental, Social and Governance Report

Year ended 31 March 2020

ESG REPORTING GUIDE CONTENT INDEX (continued)

Aspect	KPI	Description	Page number/ Remarks
Social			
B1 Employment	B1	General Disclosure	Page 39
B2 Health and Safety	B2	General Disclosure	Page 41
B3 Development and Training	B3	General Disclosure	Page 41
B4 Labor Standard	B4	General Disclosure	Page 42
B5 Supply Chain Management	B5	General Disclosure	Page 42
B6 Product Responsibility	B6	General Disclosures	Page 43
B7 Anti-corruption	B7	General Disclosure	Page 45
B8 Community Investment	B8	General Disclosure	Page 45

Independent Auditor's Report

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE SHAREHOLDERS OF WAI CHUN GROUP HOLDINGS LIMITED

偉俊集團控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Wai Chun Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 53 to 141, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss 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 ("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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN AND LITIGATION

The accompanying consolidated financial statements for the year ended 31 March 2020 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 2 to the consolidated financial statements which indicates that, the Group incurred a net loss attributable to owners of the Company of approximately HK\$28,094,000 for the year ended 31 March

Independent Auditor's Report

2020 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$77,501,000 and HK\$192,668,000 respectively, the Company had net current liabilities and net liabilities of approximately HK\$32,675,000 and HK\$150,514,000 respectively, and also, the Group's capital deficiency attributable to owners of the Company was approximately HK\$190,459,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis.

Also, we draw attention to note 42 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Group. Our opinion is not qualified in respect of these matters.

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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matters

Impairment assessment of trade and other receivables

Referring to note 22 to the consolidated financial statements, as at 31 March 2020, the Group trade and other receivables amounting to approximately HK\$27,321,000 and HK\$26,552,000 respectively. There was reversal of impairment losses on trade receivables of approximately HK\$2,258,000 and impairment losses on other receivables of approximately HK\$1,271,000 for the year ended 31 March 2020.

The balances of impairment loss allowance for the receivables represent the management's best estimates at the reporting date of expected credit losses ("ECL") under the expected credit loss models as stipulated in HKFRS 9: *Financial Instruments*.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and loss allowances for other financial assets at amortised cost mainly comprise of other receivables, are measured on 12-month ECL basis.

The measurement models of ECL involves significant management judgements and assumptions, primarily including the following:

- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and application economic scenarios and weightings.

We have identified management's assessments of the ECL of trade and other receivables as a key audit matter because the amounts of the receivables are significant and the assessments required significant management judgement and assumption.

How our audit addressed the key audit matter

Our audit procedures in relation to management's impairment assessment of trade and other receivables included:

- understanding and testing the design and operating effectiveness of key controls relating to the measurement of ECL;
- reviewing the aging analysis of the receivables prepared by management of the Company and discussing with the management of the Company whether the amounts are recoverable on a sample basis;
- examining the management's estimation on the ECL of individual balances on sample basis and the expected loss rate of each category groups and evaluating the basis and factors used in the estimation to the appropriateness of the management's identification of significant increase in credit risk, defaults and credit impaired receivables;
- recalculating the provision for ECL made by the management to assess the accuracy;
- verifying the balance of the receivables by requesting and receiving confirmation on a sample basis; and
- checking subsequent settlements of trade and other receivables on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content 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.

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

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

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

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

Independent Auditor's Report

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

HLM CPA Limited

Certified Public Accountants

Yip Yuen Nga

Practising Certificate Number: P05908

Hong Kong

30 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	8	134,755	204,875
Cost of sales		(129,050)	(197,431)
Gross profit		5,705	7,444
Other income	9	123	879
Other gains or losses	10	(629)	(319)
Impairment losses, net of reversal	11	1,269	(7,687)
Selling and distribution expenses		–	(18)
Administrative expenses		(23,092)	(24,192)
Finance costs	12	(9,043)	(7,382)
Loss before tax		(25,667)	(31,275)
Taxation	13	–	61
Loss for the year	14	(25,667)	(31,214)
(Loss) profit attributable to:			
– Owners of the Company		(28,094)	(28,771)
– Non-controlling interests		2,427	(2,443)
		(25,667)	(31,214)
Loss per share	18	HK cents	HK cents
– Basic		(0.13)	(0.13)
– Diluted		(0.13)	(0.13)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
Loss for the year	(25,667)	(31,214)
Other comprehensive income:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	3,067	5,283
Other comprehensive income for the year	3,067	5,283
Total comprehensive expense for the year	(22,600)	(25,931)
Total comprehensive (expense) income attributable to:		
– Owners of the Company	(26,568)	(25,637)
– Non-controlling interests	3,968	(294)
	(22,600)	(25,931)

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	19	2,673	2,769
Right-of-use assets	20	7,681	–
		10,354	2,769
Current assets			
Inventories	21	8,450	5,108
Trade and other receivables, prepayments and deposits	22	56,731	64,323
Contract assets	23	–	5,733
Fixed deposits	24	300	300
Bank balances and cash	25, 42(II)	12,576	32,651
		78,057	108,115
Current liabilities			
Trade and other payables	26	99,927	97,308
Contract liabilities	27	2,011	3,402
Borrowings	28	10,948	32,142
Amount due to a director	29	672	537
Amount due to the non-controlling interests of a subsidiary	30	33,984	34,971
Lease liabilities due to a related party	31	8,016	–
		155,558	168,360
Net current liabilities		(77,501)	(60,245)
Total assets less current liabilities		(67,147)	(57,476)
Non-current liabilities			
Loans from ultimate holding company	32	121,460	112,592
Lease liabilities due to a related party	31	4,061	–
		125,521	112,592
Net liabilities		(192,668)	(170,068)
Capital and reserves			
Share capital	33	213,912	213,912
Reserves		(404,371)	(377,803)
Capital deficiency attributable to owners of the Company		(190,459)	(163,891)
Non-controlling interests	34	(2,209)	(6,177)
Capital deficiency		(192,668)	(170,068)

The consolidated financial statements on pages 53 to 141 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Lam Ching Kui
Director

Ko Ming Tung, Edward
Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 March 2020

	Attributable to owners of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2018	213,912	5,000	19,680	(7,675)	(369,171)	(138,254)	(5,883)	(144,137)
Loss for the year	-	-	-	-	(28,771)	(28,771)	(2,443)	(31,214)
Other comprehensive income for the year	-	-	-	3,134	-	3,134	2,149	5,283
Total comprehensive income (expense) for the year	-	-	-	3,134	(28,771)	(25,637)	(294)	(25,931)
At 31 March 2019 and at 1 April 2019	213,912	5,000	19,680	(4,541)	(397,942)	(163,891)	(6,177)	(170,068)
(Loss) profit for the year	-	-	-	-	(28,094)	(28,094)	2,427	(25,667)
Other comprehensive income for the year	-	-	-	1,526	-	1,526	1,541	3,067
Total comprehensive income (expense) for the year	-	-	-	1,526	(28,094)	(26,568)	3,968	(22,600)
At 31 March 2020	213,912	5,000	19,680	(3,015)	(426,036)	(190,459)	(2,209)	(192,668)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Operating activities			
Loss before tax		(25,667)	(31,275)
Adjustments for:			
Interest expenses	12	9,043	7,382
Depreciation on property, plant and equipment	19	904	827
Depreciation on right-of-use assets	20	3,841	–
Bank interest income	9	(5)	(10)
(Reversal of) impairment losses on trade receivables	11	(2,258)	7,903
(Reversal of) impairment losses on contract assets	11	(282)	302
Impairment loss (reversal of impairment losses) on other receivables	11	1,271	(518)
Gain on disposal of property, plant and equipment	10	(17)	–
Operating cash flows before movements in working capital			
		(13,170)	(15,389)
(Increase) decrease in inventories		(3,604)	3,666
Decrease in trade and other receivables, prepayments and deposits		5,315	3,991
Decrease (increase) in contract assets		5,790	(6,040)
Increase in trade and other payables		5,530	18,713
(Decrease) increase in contract liabilities		(1,730)	3,405
Increase (decrease) in amount due to a director		135	(10,633)
Net cash used in operating activities		(1,734)	(2,287)
Investing activities			
Purchase of property, plant and equipment	19	(810)	(10)
Sales proceeds of property, plant and equipment		17	–
Decrease in restricted bank deposits		2	1,679
Interest received		5	10
Net cash (used in) generated from investing activities		(786)	1,679

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Financing activities			
Proceeds from loans from ultimate holding company	37	9,876	21,212
Proceeds from borrowings	37	16,835	113,653
Repayments of loans from ultimate holding company	37	(8,216)	(23,365)
Repayments of borrowings	37	(36,455)	(117,991)
Net cash used in financing activities		(17,960)	(6,491)
Net decrease in cash and cash equivalents		(20,480)	(7,099)
Effects of foreign exchange rate changes		466	3,973
Cash and cash equivalents at the beginning of the year		32,022	35,148
Cash and cash equivalents at the end of the year		12,008	32,022
Analysis of the balances of cash and cash equivalents:			
Fixed deposits	24	300	300
Bank balances and cash	25	12,576	32,651
Less: Restricted bank deposit	25,42(II)	(868)	(929)
		12,008	32,022

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors of the Company, the ultimate holding company of the Company is Wai Chun Investment Fund (“Wai Chun IF”), which is a private limited company incorporated in the Cayman Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“Mr. Lam”), who is the chairman of the board of directors and an executive director of the Company. On 4 November 2019, Supreme Union Holdings Limited (“Supreme Union”), the previous ultimate holding company of the Company, transferred its holding of 100% issued share capital of Ka Chun Holdings Limited, the immediate holding company of the Company, to Wai Chun IF. After completion of the transfer, Wai Chun IF becomes the ultimate holding company of the Company. The address of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020, the Group incurred a net loss attributable to the owners of the Company of approximately HK\$28,094,000 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$77,501,000 and HK\$192,668,000 respectively, the Company had net current liabilities and net liabilities of approximately HK\$32,675,000 and HK\$150,514,000 respectively, and also, the Group’s capital deficiency attributable to owners of the Company was approximately HK\$190,459,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the followings:

- (i) As at 31 March 2020, the Company has drawn down loans of approximately HK\$121,460,000 and undrawn loan facilities of approximately HK\$68,540,000 granted by its ultimate holding company, Wai Chun IF, which are provided on a subordinated basis. Wai Chun IF will not demand the Company for repayment of such loans nor cancel the undraw loan facilities until all other liabilities of the Group have been satisfied. By way of an assignment of loan agreement dated 4 November 2019, the outstanding loan amount and loan facilities granted by the previous ultimate holding company, Supreme Union, were assigned to Wai Chun IF under the same terms and conditions.
- (ii) In addition to the loan facilities granted by Wai Chun IF as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statements. Also, ultimate controlling party, his spouse and companies controlled by them agreed not to request the Group, whenever necessary, to settle the related parties balances recorded in other payable and lease liabilities due to a related party amounting to approximately HK\$42,500,000 and HK\$12,077,000 respectively due to them until all other third parties liabilities of the Group had been satisfied.
- (iii) The directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs.
- (iv) The directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement or loan capitalisation when necessary.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of this annual report after taking into account the impact of above measures. The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

The Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the People's Republic of China (the "PRC") market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has engaged in discussions with various parties for such acquisitions or investments.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

- i. applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entities at the date of initial application. The incremental borrowing rate applied by the Group is 6.25%.

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019 (<i>Note 38</i>)	15,186
Lease liabilities due to a related party discounted at relevant incremental borrowing rate	14,108
Less: Recognition exemption – short-term leases	(2,586)
Lease liabilities due to a related party as at 1 April 2019	11,522
Analysed as	
Current	3,645
Non-current	7,877
	11,522

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	11,522

The following adjustments were made in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	11,522	11,522
Current liabilities			
Lease liabilities due to a related party	–	(3,645)	(3,645)
Non-current liabilities			
Lease liabilities due to a related party	–	(7,877)	(7,877)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁵

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

Non-controlling interests in the net assets or liabilities consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries are included in the statement of financial position of the Company (see note 43) at cost less any identified impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Principal versus agent

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

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

LEASES

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Lease liabilities

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

The 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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Lease liabilities (continued)

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

The Group as a lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FOREIGN CURRENCIES

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

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 added to 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.

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

RETIREMENT BENEFIT COSTS

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

When an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the Group or the employee are not met.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION

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

Current tax

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

Deferred tax

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION (continued)

Deferred tax (continued)

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold improvements, furniture, fixtures and office equipment and motor vehicles 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 subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful life, using the straight-line method. The estimated useful life, 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.

Leasehold improvements	20% or over the terms of the lease, if higher
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

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.

IMPAIRMENT OF TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and right-of-use assets 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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS OTHER THAN GOODWILL (continued)

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

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

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 of economic benefits 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 of economic benefits is remote.

FINANCIAL INSTRUMENTS

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, deposits, other receivables and contract assets) which are subject to impairment under HKFRS 9. 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. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables and contract assets. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets (continued)

- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The 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 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) Measurement and recognition of ECL

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement 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 on the following basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

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

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

Derecognition of financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, lease liabilities due to a related party, borrowings due within one year, amount due to the non-controlling interests of a subsidiary and loans from ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. 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 the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand and time deposits with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of their useful lives.

Provision for ECL

The Group uses provision matrix to calculate ECL for all categories of financial assets. The provision rates are based on the grouping of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates and taking into consideration forward-looking information that is reasonable and supportable that is 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 receivables with credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in circumstances and of forecast general economic conditions. If the financial condition of the debtors or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition in respect of mobiles and electronic components, plastic resins and chemicals trading business

The Group assesses its business relationships with suppliers and customers of the mobiles and electronic components, plastic resins and chemicals trading business and determines that the Group acts as a principal.

The Group is a principal and hence reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in HKFRS 15. In determining whether revenue from trading of mobiles and electronic components, plastic resins and chemicals shall be recorded on net basis or gross basis, the Group has made reference to indicators and requirements stated in HKFRS 15. Determining whether the Group is acting as a principal or an agent requires judgement and consideration of all relevant facts and circumstances, and the Group considers itself as a principal regarding trading of mobiles and electronic components, plastic resins and chemicals by taking into account the following considerations:

- The Group is the primary obligor in the customer contract and is responsible for fulfilling the promise to provide the specified goods (i.e. mobiles and electronic components, plastic resins and chemicals) rather than the supplier.
- The Group has its own discretion in negotiating and establishing the prices of the mobiles and electronic components, plastic resins and chemicals with the customers.
- For trading of mobiles and electronic components, plastic resins and chemicals, the Group settles amount due to supplier before the settlement from customers.
- The earnings from trading of mobiles and electronic components, plastic resins and chemicals are not predetermined and negotiating by the Group with the suppliers and customers separately.

After assessing all above factors, the management concluded that the Group acts as the principal for such transactions as it controls the specified goods before it is transferred to the customers.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group monitors capital on the basis of the net indebtedness to total assets ratio. This ratio is calculated as net indebtedness divided by total assets. Net indebtedness is calculated as total borrowings less bank balances and cash. Total assets are calculated as non-current assets and current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. CAPITAL RISK MANAGEMENT (continued)

The net indebtedness to total assets ratio at 31 March 2020 and 2019 was as follows:

	2020 HK\$'000	2019 HK\$'000
Indebtedness (<i>note</i>)	179,141	180,242
Less: Bank balances and cash	(12,008)	(32,022)
Total net indebtedness	167,133	148,220
Total assets	88,411	110,884
Net indebtedness to total assets ratio	189.0%	133.7%

Note: Indebtedness comprise lease liabilities due to a related party of approximately HK\$12,077,000 (2019: HK\$Nil), loans from ultimate holding company of approximately HK\$121,460,000 (2019: HK\$112,592,000), borrowings of approximately HK\$10,948,000 (2019: HK\$32,142,000), amount due to a director of approximately HK\$672,000 (2019: HK\$537,000) and amount due to the non-controlling interests of a subsidiary of approximately HK\$33,984,000 (2019: approximately HK\$34,971,000).

7. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets at amortised cost	66,782	80,874
Financial liabilities at amortised cost		
Trade payables	45,396	53,479
Other payables and accruals	50,683	40,491
Borrowings	10,948	32,142
Lease liabilities due to a related party	12,077	–
Amount due to a director	672	537
Amount due to the non-controlling interests of a subsidiary	33,984	34,971
Loans from ultimate holding company	121,460	112,592
Total	275,220	274,212

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, trade and other payables and accruals, borrowings, amount due to a director, amount due to the non-controlling interests of a subsidiary, lease liabilities due to a related party and loans from ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. 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.

Credit risk and impairment assessment

As at 31 March 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised trade receivables as stated in the consolidated statement of financial position.

In order to minimise credit risk, management of the Group has delegated a team to compile credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model based on provision matrix or credit impaired. Details of the accounting policy for impairment of trade receivables has been disclosed in note 4 to the consolidated financial statements.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group considers the credit risk characteristics and the days past due to measure ECL.

7. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment assessment (continued)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

For other financial assets at amortised cost, including deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position.

Impairment losses on other financial assets at amortised cost are presented as impairment losses, net of reversal within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The credit risk on bank balances is limited because the counterparties are reputable banks located in Hong Kong and the PRC.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group has concentration of credit risk on trade receivables as 100% (2019: 53%) and 100% (2019: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The certain concentration of credit risk on trade receivables amounting to HK\$27,321,000 is due from a single debtor. As at 31 March 2020, no provision for expected credit loss on the trade receivable has been made as this debtor is with high credit rating and has no recent history of default, thus the management of the Group does not expect any significant loss from the non-performance by this debtor.

Other receivables consist of a number of counterparties including the advance to staff, independent third parties and the tender guarantee to suppliers for integration services contracts. The management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparties' historical default and current financial position.

The Group has concentration of credit risk by geographical location, as the major trade receivables are located in the PRC as at 31 March 2020 and 2019.

The Group has no other significant concentration of credit risk, with exposure spreading over a number of counterparties.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

(i) Foreign currency risk

The Group is not exposed to significant currency risk as most of its monetary assets and monetary liabilities are denominated in the functional currency of the individual group entity. The management is of the opinion that the Group's exposure to foreign currency risk is minimal. Accordingly, no foreign exchange risk sensitivity analysis is presented. The significant balance carried in the translation reserve account is occasioned by the translation of the financial statements of the Group's subsidiaries into the presentation currency of the consolidated financial statements of the Group at each reporting date.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation primarily to amounts due to the non-controlling interests of a subsidiary and bank balances due to the fluctuation of the prevailing market interest rates for the year ended 31 March 2020.

The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

For the year ended 31 March 2020, the sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2020 would increase/decrease by approximately HK\$1,426,000 (2019: approximately HK\$1,146,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

For the year ended 31 March 2020, the Group's cash flow interest rate risk is only related to the impact of prevailing market interest rate change on bank balances which are all short-term in nature. Therefore, any future variations in interest rates will not have significant impact on the result of the Group. Accordingly, no sensitivity analysis is performed for the year ended 31 March 2020.

7. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The capital deficiency attributable to owners of the Company as at 31 March 2020 was approximately HK\$190,459,000. In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in note 2.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

The following table details the Group's remaining contractual maturity for its non-derivative 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. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Liquidity tables

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

	Weighted average effective interest rate	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount 2020 HK\$'000
2020							
Non-derivative financial liabilities							
Trade payables		45,396	-	-	-	45,396	45,396
Other payables and accruals		50,683	-	-	-	50,683	50,683
Interest-free borrowings		10,948	-	-	-	10,948	10,948
Amount due to a director		672	-	-	-	672	672
Amount due to the non-controlling interests of a subsidiary	4.75%	35,598	-	-	-	35,598	33,984
Loans from ultimate holding company	6.25%	-	-	-	129,052	129,052	121,460
Lease liabilities due to a related party	6.25%	350	5,250	4,200	2,800	12,600	12,077
		<u>143,647</u>	<u>5,250</u>	<u>4,200</u>	<u>131,852</u>	<u>284,949</u>	<u>275,220</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Liquidity tables (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

	Weighted average effective interest rate	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount 2019 HK\$'000
2019							
Non-derivative financial liabilities							
Trade payables		53,479	-	-	-	53,479	53,479
Other payables and accruals		40,491	-	-	-	40,491	40,491
Interest-free borrowings		21,053	-	11,089	-	32,142	32,142
Amount due to a director		537	-	-	-	537	537
Amount due to the non-controlling interests of a subsidiary	4.75%	36,633	-	-	-	36,633	34,971
Loans from ultimate holding company	6.25%	-	-	-	119,628	119,628	112,592
		152,193	-	11,089	119,628	282,910	274,212

The directors of the Group believe that based on the continuous financing supported and undrawn facilities granted by its ultimate holding company, Wai Chun IF, which is provided on a subordinated basis and will not demand the Group for repayment until all other liabilities of the Group had been satisfied, the liquidity of the Group will be improved. In addition to the loan facilities granted by Wai Chun IF, the ultimate controlling party has also undertaken to provide adequate funds to the Group. Therefore, the directors consider that the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments as and when fall due.

To improve the financial position of the Group, the directors of the Group will consider to enlarge the capital base of the Group by conducting fund raising exercises such as share placement or loan capitalisation when necessary.

(C) FAIR VALUE MEASUREMENTS

The carrying values of the Group's financial assets and financial liabilities are reasonable approximation of their fair values due to the relatively short term nature of these financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. REVENUE AND SEGMENT INFORMATION

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies in conformity with HKFRSs, that are regularly reviewed by the executive director of the Company, being the Chief Operating Decision Maker (the “CODM”) of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

BUSINESS SEGMENT

The CODM regularly reviews revenue and operating results derived from three operating divisions – sales and integration services, services income and general trading. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

Sales and integration services:	Income from sales and services provision of integration services of computer and communication systems
Services income:	Income from design, consultation and production of information system software and management training services
General trading:	Revenue from trading of mobiles, electronic components, plastic resins and chemicals

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. REVENUE AND SEGMENT INFORMATION (continued)

SEGMENT REVENUE AND RESULTS

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

For the year ended 31 March 2020

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recognised at a point in time	-	-	78,276	78,276
Recognised over time	44,778	11,701	-	56,479
Reportable segment revenue from external customers	44,778	11,701	78,276	134,755
SEGMENT RESULTS	4,632	1,606	(1,875)	4,363
Unallocated corporate income				123
Unallocated corporate expenses				(21,110)
Finance costs				(9,043)
Loss before tax				(25,667)
Taxation				-
Loss for the year				(25,667)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. REVENUE AND SEGMENT INFORMATION (continued)

SEGMENT REVENUE AND RESULTS (continued)

For the year ended 31 March 2019

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recognised at a point in time	–	–	158,684	158,684
Recognised over time	27,313	18,878	–	46,191
Reportable segment revenue from external customers	27,313	18,878	158,684	204,875
SEGMENT RESULTS	(9,591)	(1,642)	(1,307)	(12,540)
Unallocated corporate income				879
Unallocated corporate expenses				(12,232)
Finance costs				(7,382)
Loss before tax				(31,275)
Taxation				61
Loss for the year				(31,214)

Revenue reported above represents revenue generated from external customers. There was no inter-segment sales for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. REVENUE AND SEGMENT INFORMATION (continued)

SEGMENT ASSETS AND LIABILITIES

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

At 31 March 2020

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Total HK\$'000
Segment assets	25,088	7,469	41,776	74,333
Unallocated assets				14,078
Consolidated assets				88,411
Segment liabilities	47,148	14,037	38,645	99,830
Unallocated liabilities				181,249
Consolidated liabilities				281,079

At 31 March 2019

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Total HK\$'000
Segment assets	14,640	9,992	77,865	102,497
Unallocated assets				8,387
Consolidated assets				110,884
Segment liabilities	46,990	31,038	89,234	167,262
Unallocated liabilities				113,690
Consolidated liabilities				280,952

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. REVENUE AND SEGMENT INFORMATION (continued)

OTHER INFORMATION

For the year ended 31 March 2020

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to property, plant and equipment	-	-	-	810	810
Depreciation on property, plant and equipment	3	1	-	900	904
Depreciation on right-of-use assets	-	-	-	3,841	3,841
Gain on disposal of property, plant and equipment	-	-	-	(17)	(17)
Reversal of impairment losses on trade receivables	(1,790)	(468)	-	-	(2,258)
Reversal of impairment losses on contract assets	(223)	(59)	-	-	(282)
Impairment losses on other receivables	1,008	263	-	-	1,271

For the year ended 31 March 2019

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to property, plant and equipment	-	-	-	10	10
Depreciation on property, plant and equipment	20	13	-	794	827
Impairment losses on trade receivables, net reversal	4,799	3,104	-	-	7,903
Impairment losses on contract assets	-	302	-	-	302
Reversal of impairment losses on other receivables	(315)	(203)	-	-	(518)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. REVENUE AND SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENTS

The Group's operations are located on Hong Kong and the PRC. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	11,264	42,290	10,320	2,729
The PRC, excluding Hong Kong	123,491	162,585	34	40
	134,755	204,875	10,354	2,769

INFORMATION ON MAJOR CUSTOMERS

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

	2020		2019	
	Revenue HK\$'000	Percentage of revenue	Revenue HK\$'000	Percentage of revenue
Customer A ¹	-	-	116,403	57%
Customer B ²	40,117	30%	-	-
Customer C ³	N/A	N/A	37,388	18%
Customer D ¹	36,508	27%	-	-
Customer E ¹	18,355	14%	-	-

¹ Revenue from general trading.

² Revenue from sales and integration services and service income.

³ Revenue from sales and integration services and service income. The corresponding revenue did not contribute over 10% of total revenue of the Group in 2020.

No other single customers contributed 10% or more to the Group's revenue for both 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

9. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	5	10
Other interest income	118	436
Sundry income	–	433
	123	879

10. OTHER GAINS OR LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	17	–
Net foreign exchange loss	(646)	(319)
	(629)	(319)

11. IMPAIRMENT LOSSES, NET OF REVERSAL

(Reversal of) impairment losses recognised on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
– Trade receivables	(2,258)	7,903
– Contract assets	(282)	302
– Other receivables	1,271	(518)
	(1,269)	7,687

Details of impairment assessment for the year ended 31 March 2020 are set out in note 7(B).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

12. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities due to a related party	555	–
Interests paid/payable to:		
– ultimate holding company	7,208	6,049
– the non-controlling interests of a subsidiary	1,280	1,333
	9,043	7,382

13. TAXATION

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	–	–
	–	–
Over provision in prior year		
Hong Kong Profits Tax	–	(61)
	–	(61)

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 qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

13. TAXATION (continued)

No provision for Hong Kong Profits Tax has been provided in the consolidated financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. No provision for PRC Enterprise Income Tax had been made as the Group did not generate any assessable profits in the PRC in both years.

The taxation for the years can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax	<u>(25,667)</u>	<u>(31,275)</u>
Tax at the applicable income tax rate of 16.5% (2019: 16.5%)	(4,235)	(5,160)
Tax effect of expenses not deductible for tax purpose	4,810	60
Tax effect of income not taxable for tax purpose	(10)	(5)
Tax effect of deductible temporary differences not recognised	(41)	60
Over provision in respect of prior years	–	(61)
Utilisation of tax losses previously not recognised	(1,241)	–
Tax effect of tax losses not recognised	455	5,478
Tax effect of tax concession	(5)	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	<u>267</u>	<u>(433)</u>
Taxation for the year	<u>–</u>	<u>(61)</u>

At 31 March 2020, the Group has unused tax losses of approximately HK\$92,903,000 (2019: approximately HK\$98,941,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

14. LOSS FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– Audit services	500	500
– Non-audit services	128	128
Cost of inventories recognised as an expense	127,968	196,770
Depreciation on property, plant and equipment	904	827
Depreciation on right-of-use assets	3,841	–
Total minimum lease payments for leases previously classified as operating lease under HKAS 17 (note)	–	8,509
Lease payment for short-term lease not included in the measurement of the lease liabilities (note)	4,394	–
Gain on disposal of property, plant and equipment	(17)	–
Staff costs (including directors' emoluments) (Note 15)		
– salaries and allowance	7,056	5,001
– retirements benefits scheme contributions	507	467
	7,563	5,468

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use asset relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

15. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(A) DIRECTORS' EMOLUMENTS AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amounts of emoluments payable to directors and chief executive officer of the Company during the year were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fees	529	559
Other emoluments:		
Basic salaries, other allowance and benefits in kind	2,600	200
Retirement benefit costs		
– Defined contribution retirement plans	18	2
	2,618	202
Total emoluments	3,147	761

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

15. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (continued)

(A) DIRECTORS' EMOLUMENTS AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

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

Year 2020

	Other emoluments				Total emoluments HK\$'000
	Directors' fees HK\$'000	Basic salaries, other allowance and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Defined contribution retirement plans HK\$'000	
Executive Director Lam Ching Kui (Chief Executive Officer)	-	2,400	200	18	2,618
Independent Non-executive Directors					
Ko Ming Tung Edward	240	-	-	-	240
To Yan Ming Edmond (passed away on 28 August 2019)	50	-	-	-	50
Ho Kin Chung (resigned on 26 February 2020)	214	-	-	-	214
Chan Chun Wai Tony (appointed on 17 December 2019)	25	-	-	-	25
Non-executive Director Lew Mon Hung (appointed on 22 November 2019 and resigned on 17 February 2020)	-	-	-	-	-
	529	-	-	-	529
Total	529	2,400	200	18	3,147

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

15. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (continued)

(A) DIRECTORS' EMOLUMENTS AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Year 2019

	Directors' fees HK\$'000	Other emoluments			Total emoluments HK\$'000
		Basic salaries, other allowance and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Defined contribution retirement plans HK\$'000	
Executive Director					
Lam Ching Kui (Chief Executive Officer)	-	-	200	2	202
Independent Non-executive Directors					
Ko Ming Tung Edward	240	-	-	-	240
Shaw Lut Leonardo (resigned on 3 August 2018)	41	-	-	-	41
To Yan Ming Edmond	120	-	-	-	120
Ho Kin Chung (appointed on 3 August 2018)	158	-	-	-	158
	559	-	-	-	559
Total	559	-	200	2	761

No director waived any emoluments in the years ended 31 March 2020 and 2019. No incentive payment for joining the Group was paid or payable to any directors during the years ended 31 March 2020 and 2019.

The executive director's emoluments shown above was mainly for his services in connection with the management of the affairs of the Company and the Group during the years ended 31 March 2020 and 2019.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company during the years ended 31 March 2020 and 2019.

15. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)
(continued)

(B) DIRECTORS' RETIREMENT BENEFITS

None of the directors received or will receive any retirement benefits during the year (2019: Nil).

(C) DIRECTORS' TERMINATION BENEFITS

None of the directors received or will receive any termination benefits during the year (2019: Nil).

(D) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 March 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

(E) INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATES AND CONNECTED ENTITIES WITH SUCH DIRECTORS

During the year ended 31 March 2020, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2019: Nil).

(F) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for note 39 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years of 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

16. FIVE HIGHEST PAID EMPLOYEES

During the year, of the five individuals with the highest emoluments in the Group, two (2019: Nil) directors of the Company whose emoluments are included in the disclosures above. The remuneration of the remaining three (2019: five) individuals were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Basic salaries, other allowance and benefits in kind	1,320	2,065
Retirement benefit costs		
– Defined contribution retirement plans	36	54
	1,356	2,119

The number of the highest paid employees who are not the directors and the chief executive officer of the Company whose remuneration fell within the following bands is as follows:

	2020	2019
Their emoluments were within the following band:		
Nil to HK\$1,000,000	3	5

No emoluments were paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31 March 2020 and 2019.

17. DIVIDEND

No dividend was paid or proposed during 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

18. LOSS PER SHARE

(A) BASIC LOSS PER SHARE

The calculation of the basic loss per share for the year ended 31 March 2020 was based on the Group's loss attributable to owners of the Company of approximately HK\$28,094,000 (2019: approximately HK\$28,771,000) and the number of ordinary shares of 21,391,162,483 (2019: 21,391,162,483) in issue at the end of the reporting period.

(B) DILUTED LOSS PER SHARE

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares, which is share options. No adjustment was made in calculating the diluted loss per share for the year ended 31 March 2020 and 2019 as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share for the year ended 31 March 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2018	13,575	2,656	5,121	21,352
Additions	–	10	–	10
Written off	–	(2)	–	(2)
Effect of foreign current exchange differences	–	(94)	–	(94)
At 31 March 2019	13,575	2,570	5,121	21,266
Additions	–	–	810	810
Disposals	–	–	(790)	(790)
Effect of foreign current exchange differences	–	(87)	–	(87)
At 31 March 2020	13,575	2,483	5,141	21,199
ACCUMULATED DEPRECIATION				
At 1 April 2018	13,575	2,409	1,777	17,761
Charge for the year	–	147	680	827
Written off	–	(2)	–	(2)
Effect of foreign currency exchange differences	–	(89)	–	(89)
At 31 March 2019	13,575	2,465	2,457	18,497
Charge for the year	–	62	842	904
Disposals	–	–	(790)	(790)
Effect of foreign currency exchange differences	–	(85)	–	(85)
At 31 March 2020	13,575	2,442	2,509	18,526
CARRYING AMOUNTS				
At 31 March 2020	–	41	2,632	2,673
At 31 March 2019	–	105	2,664	2,769

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For the year ended 31 March 2020

20. RIGHT-OF-USE ASSETS

	Properties HK\$'000
COST	
At 1 April 2019 and at 31 March 2020	11,522
ACCUMULATED DEPRECIATION	
At 1 April 2019	–
Charge for the year	3,841
At 31 March 2020	3,841
CARRYING AMOUNTS	
At 31 March 2020	7,681
At 1 April 2019	11,522

21. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Work in progress	6,115	2,681
Other consumables	2,335	2,427
	8,450	5,108

No inventories of the Group were carried at net realisable value at the end of both reporting years.

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers of sales and integration service/service income, on average the contracts revenue is normally collected within 90 days from the date of receipt of customers' acceptance/date of rendering services, except for certain contracts with longer implementation schedules where the credit period may extend beyond 90 days, or may be extended for major or specific customers. The credit terms granted to trade customers in respect of sales of mobiles and electronic components, plastic resins and chemicals are due within 0 to 90 days from the date of billing.

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For the year ended 31 March 2020

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	73,362	82,727
Less: Impairment allowance	(46,041)	(51,598)
	<u>27,321</u>	<u>31,129</u>
Other receivables	26,552	11,327
Prepayments	1,957	21,205
Deposits	901	662
	<u>29,410</u>	<u>33,194</u>
Total	<u>56,731</u>	<u>64,323</u>

Subsequent to 31 March 2020, approximately RMB20,900,000 (approximately HK\$22,881,000) of other receivables have been settled. The ECL on other receivables are not material given there is no history of significant defaults from counterparties.

The following is an aging analysis of trade receivables net of impairment allowance presented based on the date of receipt of customers' acceptance/date of rendering of services/date of invoices:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
0-90 days	–	23,779
91-180 days	27,321	7,341
Over 180 days	–	9
	<u>27,321</u>	<u>31,129</u>

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For the year ended 31 March 2020

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Movements in the impairment allowance on trade receivables:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at beginning of the year	51,598	47,946
Allowance recognised on receivables	–	9,041
Foreign currency exchange differences	(3,299)	(3,034)
Reversal of impairment losses	(2,258)	(2,355)
Balance at end of the year	46,041	51,598

As at 31 March 2020, trade receivables of HK\$27,321,000 (2019: HK\$7,350,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and a substantial portion of the carrying amount is subsequently settled. The Group does not hold any collateral as security over these debtors. The aging analysis of the trade receivables which are past due but not impaired is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-90 days	–	7,341
91-180 days	27,321	9
Over 180 days	–	–
Total	27,321	7,350

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23. CONTRACT ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract assets arising from:		
Sales and services provision of integration services of computer and communication systems	–	6,035
Impairment allowance	–	(302)
Balance at end of the year	–	5,733

The contract assets primarily relate to the Group's right to consideration for sales and services provision of integration services of computer and communication systems completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Movements in the impairment allowance on contract assets:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	302	–
Allowance recognised on contract assets	–	302
Reversal of impairment losses	(282)	–
Foreign currency exchange differences	(20)	–
Balance at end of the year	–	302

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

23. CONTRACT ASSETS (continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

Expected credit loss rate		5%
	2020	2019
	HK\$'000	HK\$'000
Gross carrying amount	–	6,035
Expected credit losses	–	302

24. FIXED DEPOSITS

Fixed deposits with banks of HK\$300,000 carry interest at market rates of 0.05% (2019: 0.02%) per annum.

25. BANK BALANCES AND CASH

	2020	2019
	HK\$'000	HK\$'000
Fixed deposit (Note 24)	300	300
Cash at banks and on hand (note)	12,576	32,651
Less: Restricted bank deposit (Note 42 (II))	(868)	(929)
Cash and cash equivalents in the consolidated statement of cash flow	12,008	32,022

Note:

Among the bank balances of the Group, approximately HK\$868,000 (RMB793,000) (2019: HK\$929,000 (RMB794,000)) was restrained from dealing due to the civil actions taken by the PRC claimants at 31 March 2020. For details, please refer to note 42 (II) to the consolidated financial statements.

In the view of the directors of the Company, aforesaid restricted bank balances are not available for general use by the Group may have an adverse impact on the cash flow position of the Group as at 31 March 2020, however, the ultimate holding company and the ultimate controlling party has undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern as disclosed in note 2 to the consolidated financial statements.

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2019: 0.01% to 0.35%) per annum.

The Group's bank balances and cash denominated in RMB were deposited with banks in the PRC. The conversion of the RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.

Notes to the Consolidated Financial Statements

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26. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables, presented based on the date of goods delivered/the period of service rendered/date of invoices:

	2020 HK\$'000	2019 HK\$'000
Trade payables (<i>note i</i>)		
0-90 days	982	26,991
91-180 days	26,658	5,848
Over 180 days	17,756	20,640
	<u>45,396</u>	<u>53,479</u>
Other payables (<i>note ii</i>)		
Accruals and others	54,531	43,829
Total	<u>99,927</u>	<u>97,308</u>

Notes:

- (i) At 31 March 2020, trade payables of RMB8,132,000 (approximately HK\$8,903,000) (2019: RMB8,132,000 (approximately HK\$9,511,000)) involved lawsuit filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited ("Beijing HollyBridge"). Please refer to the note 42(II) to the consolidated financial statements for details.

The average credit period on purchases ranged from 60 to 180 days.

- (ii) The other payables, mainly consist of approximately HK\$33,647,000 (2019: HK\$29,479,000) for the accrued rental expenses for offices in Hong Kong and the PRC to related parties, HK\$8,409,000 (2019: HK\$5,578,000) for accrued salaries in Hong Kong to Mr. Lam, his spouse and his son, HK\$2,095,000 (2019: HK\$934,000) for accrued salaries to other employees in Hong Kong and the PRC, HK\$3,848,000 (2019: HK\$3,338,000) for the VAT tax payables in the PRC.

27. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Receipt in advance from sales	<u>2,011</u>	<u>3,402</u>

The balance of contract liabilities as at 1 April 2019 was HK\$3,402,000, in which HK\$1,194,000 was recognised as revenue during the year.

Notes to the Consolidated Financial Statements

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28. BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Interest-free borrowings	10,948	32,142

The amount is unsecured and repayable within one month and non-interest bearing. Subsequent to 31 March 2020, RMB10,000,000 (approximately HK\$10,948,000) of the borrowing was fully settled.

29. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, and interest free and on demand. The director has confirmed that will not demand the Group for repayment until all the other third parties liabilities of the Group had been satisfied.

30. AMOUNT DUE TO THE NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amount due to the non-controlling interests of a subsidiary is unsecured, repayable on demand and bearing interest at prevailing interest rate from 1 April 2014. No interest was charged prior to 1 April 2014. The principal loan amount of RMB24,000,000 (approximately HK\$26,276,000) and the interest payable amount of RMB7,041,000 (approximately HK\$7,708,000) were involved in the lawsuit filed against a subsidiary of the Company, Beijing HollyBridge, as disclosed in note 42(l) to the consolidated financial statements.

31. LEASE LIABILITIES DUE TO A RELATED PARTY

	2020 HK\$'000
Lease liabilities payable to a related party:	
Within one year	8,016
Within a period of more than one year but not more than two years	4,061
	12,077
Less: amount due for settlement within 12 months under current liabilities	(8,016)
Amount due for settlement after 12 months under non-current liabilities	4,061

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32. LOANS FROM ULTIMATE HOLDING COMPANY

The loans were sub-ordinated in nature which were unsecured, interest bearing at 6.25% for both years and not repayable within one year. By way of an assignment of loan agreement dated 4 November 2019, the outstanding loan amount and loan facilities from Supreme Union were assigned to Wai Chun IF under the same terms and conditions. Wai Chun IF has confirmed that it will not demand the Group for repayment of such loans until all the other third parties liabilities of the Group had been satisfied.

33. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April 2018, 31 March 2019 and 31 March 2020	89,000,000	890,000
Convertible preference shares of HK\$0.01 each at 1 April 2018, 31 March 2019 and 31 March 2020	11,000,000	110,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2018, 31 March 2019 and 31 March 2020	21,391,163	213,912

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34. NON-CONTROLLING INTERESTS

	2020 HK\$'000	2019 HK\$'000
Balance at beginning of the year	(6,177)	(5,883)
Share of profit (loss) for the year	2,427	(2,443)
Exchange realignment	1,541	2,149
Balance at end of the year	(2,209)	(6,177)

35. SHARE OPTIONS

Pursuant to a share option scheme adopted by the shareholders of the Company on 25 September 2015 (the “Share Option Scheme”), the Company may, at its discretion, invite executive or non-executive directors, employee (whether full-time or part-time), chief executive, substantial shareholder, consultant, professional and other advisers to take up options.

The subscription price of the Share Option Scheme will be a price not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date. Besides, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company in issue shall not exceed 30% of the relevant class of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

Options granted under the Share Option Scheme must be taken up within 14 days of the grant upon payment of HK\$1.00 per grant.

As at 31 March 2020 and 2019, the number of shares in respect of the options granted and remained outstanding under the Share Option Scheme was 1,069,558,120, representing approximately 5% of the issued shares of the Company. As at the date of this annual report, the number of shares available for issue under the Share Option Scheme was 1,069,558,120, representing approximately 5% of the issued shares of the Company.

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35. SHARE OPTIONS (continued)

Movements of the Company's share options held by consultants and employees during the year ended 31 March 2020 are set out below:

Category of Participants	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	As at 1 April 2019	Granted	Exercised	As at 31 March 2020			
Consultants	855,646,496	-	-	855,646,496	15 Jan 2016	15 January 2016 to 14 January 2021	0.037
Employee	213,911,624	-	-	213,911,624	15 Jan 2016	15 January 2016 to 14 January 2021	0.037
Total	1,069,558,120	-	-	1,069,558,120			
Exercise price	0.037	-	-	0.037			

Movements of the Company's share options held by consultants and employees during the year ended 31 March 2019 are set out below:

Category of Participants	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	As at 1 April 2018	Granted	Exercised	As at 31 March 2019			
Consultants	855,646,496	-	-	855,646,496	15 Jan 2016	15 January 2016 to 14 January 2021	0.037
Employee	213,911,624	-	-	213,911,624	15 Jan 2016	15 January 2016 to 14 January 2021	0.037
Total	1,069,558,120	-	-	1,069,558,120			
Exercise price	0.037	-	-	0.037			

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35. SHARE OPTIONS (continued)

On 15 January 2016, the Company granted a total of 1,069,558,120 share options under the Share Option Scheme to consultants and employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 15 January 2016 to 14 January 2021. The options will entitle the grantees to subscribe for a total of 1,069,558,120 new shares of HK\$0.01 each at an exercise price of HK\$0.037 per share.

The fair value of equity-settled share options granted during the year ended 31 March 2016 was estimated as at the date of grant, using a Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Exercise price (HK\$)	0.037
Share price at the date of grant (HK\$)	0.037
Dividend yield (%)	–
Expected volatility (%)	87.893
Risk-free interest rate (%)	0.964
Expected life of options (years)	5

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35. SHARE OPTIONS (continued)

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The fair value of the share options granted during the year ended 31 March 2016 was HK\$19,689,999, of which the Group recognised the entire amount as an expense during the year ended 31 March 2016. The fair value per option granted was HK cents 1.84.

36. RETIREMENT BENEFITS OBLIGATIONS

DEFINED CONTRIBUTION RETIREMENT PLANS

The employees of the Group in the PRC are members of defined contribution plans organised by the relevant local government authorities in the PRC. The subsidiary is required to make monthly contributions to these plans at a fixed percentage of the employee's basic salary. The only obligation of the Group with respect to the retirement benefit scheme in the PRC is to make the required contributions under the scheme.

The Group participates in a retirement benefit scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. The employer's contributions vested fully with the employees when contributed into the scheme. The only obligation of the Group with respect to the scheme is to make the specified contributions.

The total expense recognised in the consolidated statement of profit or loss of approximately HK\$507,000 (2019: approximately HK\$467,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

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37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities due to a related party <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Amount due to the non-controlling interests of a subsidiary <i>HK\$'000</i>	Loans from ultimate holding company <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	11,522	32,142	34,971	112,592	191,227
Proceeds from borrowings	-	16,835	-	9,876	26,711
Financing cash flows	-	(36,455)	-	(8,216)	(44,671)
Interest expenses	555	-	1,280	7,208	9,043
Exchange adjustments	-	(1,574)	(2,267)	-	(3,841)
At 31 March 2020	12,077	10,948	33,984	121,460	178,469

	Borrowings <i>HK\$'000</i>	Amount due to the non-controlling interests of a subsidiary <i>HK\$'000</i>	Loans from ultimate holding company <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	39,016	35,973	108,696	183,685
Proceeds from borrowings	113,653	-	21,212	134,865
Financing cash flows	(117,991)	-	(23,365)	(141,356)
Interest expenses	-	1,333	6,049	7,382
Exchange adjustments	(2,536)	(2,335)	-	(4,871)
At 31 March 2019	32,142	34,971	112,592	179,705

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38. OPERATING LEASES COMMITMENTS

THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 <i>HK\$'000</i>
Within one year	6,748
In the second to fifth year inclusive	<u>8,438</u>
	<u>15,186</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises in Hong Kong and the PRC. Leases and rentals are negotiated and fixed respectively for an average term of two years.

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39. RELATED PARTIES TRANSACTIONS AND BALANCES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(A) TRANSACTIONS WITH RELATED PARTIES

During the year, the Group had the following transactions with related parties in the normal course of business:

	2020 HK\$'000	2019 HK\$'000
Rental expenses payable to:		
Ms. Chan (<i>note i</i>)	–	4,200
Wai Chun Holdings Group Limited (<i>note ii</i>)	3,950	3,560
Salaries paid/payable to:		
Mr. Lam	2,600	200
Mr. Lam Ka Chun (<i>note vi</i>)	360	387
Interest expense on lease liabilities to:		
Ms. Chan (<i>note i and v</i>)	555	–
Interest expenses paid/payable to:		
Ultimate holding company (<i>note iii</i>)	7,208	6,049
Non-controlling interest of a subsidiary	1,280	1,333
A director of subsidiary	–	70

(B) OUTSTANDING BALANCES WITH RELATED PARTIES

	2020 HK\$'000	2019 HK\$'000
Rental expenses payable to:		
Ms. Chan (<i>note i</i>)	16,200	16,200
Wai Chun Holdings Group Limited (<i>note ii</i>)	17,229	13,279
Amount due to the non-controlling interests of a subsidiary (<i>Note 30</i>)	33,984	34,971
Amount due to a director (<i>Note 29</i>)	672	537
Salaries payable to:		
Mr. Lam	7,208	4,605
Ms. Chan (<i>note i</i>)	973	973
Mr. Lam Ka Chun (<i>note vi</i>)	228	–
Lease liabilities due to Ms. Chan (<i>note i and v</i>)	12,077	–
Loans from Wai Chun IF (<i>note iv</i>) (<i>Note 32</i>)	121,460	112,592

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39. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

(B) OUTSTANDING BALANCES WITH RELATED PARTIES (continued)

Notes:

- (i) Ms. Chan Oi Mo ("Ms. Chan") is the spouse of Mr. Lam, a director of the Company.
- (ii) Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam, a director of the Company, and as to 50% by Ms. Chan, the spouse of Mr. Lam.
- (iii) The interest expense is arising from loans from the ultimate holding company as described in note 32 to consolidated financial statement. As disclosed in note 1 to the consolidated financial statement, Wai Chun IF is the ultimate holding company of the Company from 4 November 2019. By way of an assignment of loan agreement dated 4 November 2019, the outstanding loan amount and loan facilities granted by previous ultimate holding company, Supreme Union were assigned to Wai Chun IF under the same terms and conditions.
- (iv) The loans from ultimate holding company are unsecured, interest bearing and not repayable within one year.
- (v) The Group entered into a three-year lease in respect of certain leasehold properties from Ms. Chan. The amount of rent payable by the Group under the lease is HK\$350,000 per month. At the commencement date of the lease, the Group recognised right-of-use assets and lease liabilities due to a related party of approximately HK\$11,522,000.
- (vi) Mr. Lam Ka Chun is the son of Mr. Lam, a director of the Company.

(C) KEY MANAGEMENT PERSONNEL COMPENSATION

Remuneration for key management personnel is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Directors' fee	529	559
Basic salaries, other allowance and benefit in kind	2,600	200
Retirement benefits scheme contributions	18	2
	3,147	761

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Save as disclosed in the consolidated financial statements, there were no other significant related party transactions.

40. EVENTS AFTER THE REPORTING PERIOD

(I) PROPOSED ISSUE OF CONVERTIBLE BONDS

On 21 May 2020, the Group entered into two subscription agreements with two subscribers (“the Subscribers”) respectively, pursuant to which the Subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible bonds with the principal amount of HK\$79,000,000 and HK\$73,000,000 respectively, an aggregate amount of HK\$152,000,000. The convertible bonds will bear the interest rate at 4% per annum and payable quarterly in arrears. The proposed issue of the convertible bonds has not yet completed as at date of the report.

(II) PROPOSED ACQUISITION

On 22 April 2020, Mayland Asian Limited, a subsidiary of the Group being the purchaser and High Fortune Holdings Limited being the vendor entered into a non-legally binding memorandum of understanding in relation to acquisition of 30% of the total issued share capital of a target company which is engaged in the business of property development in the PRC. The amount of the consideration for the proposed acquisition will be determined by the vendor and purchaser upon further negotiation. The completion of the sale and purchase agreement is conditional upon the fulfilment of various conditions precedent. The proposed acquisition has not yet been completed as at date of the report.

(III) OUTBREAK OF THE CORONAVIRUS DISEASE 2019 (“COVID-19”)

Since the outbreak of the COVID-19 began in January 2020 across the country, the Company and its subsidiaries has actively responded to and strictly implemented the various regulations and requirements of the government for virus epidemic prevention and controls.

The Company expects that the COVID-19 epidemic situation and prevention and control measures will have a certain temporary impact on the Group’s operation, and the degree of impact depends on the progress and duration of epidemic prevention and control and the implementation of local prevention and control policies.

The Company will continue to pay close attention to the development of the COVID-19 epidemic, evaluate and actively respond to its impact on the financial position and operating results of the Group. As of the reporting date of the consolidated financial statements, no significant adverse impact has been found.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

41A. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		–	50
Right-of-use assets	20	7,681	–
Interests in subsidiaries		1	1
		<u>7,682</u>	<u>51</u>
Current assets			
Inventories		2,335	2,427
Other receivables, prepayments and deposits		263	247
Cash at bank		3	4
		<u>2,601</u>	<u>2,678</u>
Current liabilities			
Other payables and accruals		17,628	17,079
Amounts due to subsidiaries		9,632	7,691
Lease liabilities due to a related party	31	8,016	–
		<u>35,276</u>	<u>24,770</u>
Net current liabilities		<u>(32,675)</u>	<u>(22,092)</u>
Total assets less current liabilities		<u>(24,993)</u>	<u>(22,041)</u>
Non-current liabilities			
Loans from ultimate holding company	32	121,460	112,592
Lease liabilities due to a related party	31	4,061	–
		<u>125,521</u>	<u>112,592</u>
Net liabilities		<u>(150,514)</u>	<u>(134,633)</u>
Capital and reserves			
Share capital	33	213,912	213,912
Reserves	41B	(364,426)	(348,545)
Capital deficiency		<u>(150,514)</u>	<u>(134,633)</u>

The financial statements was approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Lam Ching Kui
Director

Ko Ming Tung, Edward
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

41B. RESERVES

The Company

	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	5,000	19,680	(357,296)	(332,616)
Total comprehensive expenses for the year	—	—	(15,929)	(15,929)
At 31 March 2019	5,000	19,680	(373,225)	(348,545)
Total comprehensive expenses for the year	—	—	(15,881)	(15,881)
At 31 March 2020	5,000	19,680	(389,106)	(364,426)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

42. LITIGATIONS AND CONTINGENT LIABILITIES

(i) RMB24,000,000 AMOUNT DUE TO NON-CONTROLLING INTEREST OF BEIJING HOLLYBRIDGE

The non-controlling shareholder of Beijing HollyBridge (the “Non-controlling Shareholder”) had advanced RMB24,000,000 (approximately HK\$26,276,000) to Beijing HollyBridge during the period from June 2013 to February 2015. The amount due has been recognised as liability in the consolidated financial statements at the relevant time. The amount due is unsecured, repayable on demand and bears interest at prevailing interest rate since 1 April 2014.

According to the civil claim filed with the Haidian District People’s Court of Beijing by the Non-controlling Shareholder (as plaintiff), it was claimed that Beijing HollyBridge failed to repay the amount due when it was demanded by the Non-controlling Shareholder.

On 17 April 2017, Haidian District People’s Court of Beijing issued a ruling for the above civil claim that the company should repay the principal amount of borrowings of RMB24,000,000 to the Non-controlling Shareholder. Beijing HollyBridge applied for an appeal to Beijing First Intermediate People’s Court on 15 May 2017. According to the judgement of the Beijing First Intermediate People’s Court dated on 31 October 2017, the appeal was repudiated and repayment of the borrowings was ordered. Further to the judgement, Haidian District People’s Court of Beijing issued an execution judgement which provided the conclusion of the execution procedure of the above mentioned case in accordance with the law of the PRC.

The directors of the Company consider that no provision is required as the principal, interest and related legal costs incurred during the year have already been recorded as liability in the note 30 to the consolidated financial statements. Since the aforementioned case has been wholly concluded, the directors of the Company believe that additional interest and legal costs are unlikely to be incurred. As such, no provision for additional liabilities in this respect has been made in the consolidated financial statements

42. LITIGATIONS AND CONTINGENT LIABILITIES (continued)

(II) LITIGATIONS/MEDIATIONS WITH SUPPLIERS

As 31 March 2020, trade payables in the amount of RMB8,132,000 (approximately HK\$8,903,000) of Beijing HollyBridge were claimed by certain suppliers for overdue settlement together with penalty charge/legal fee of RMB1,446,000 (approximately HK\$1,583,000).

As 31 March 2020, bank balances of Beijing HollyBridge amounted to RMB793,000 (approximately HK\$868,000) was frozen by the court pursuant to the aforesaid suppliers' claims.

The directors of the Company are of the view that the litigations/mediations have no significant impact on the Group's financial position and its operating result for the year ended 31 March 2020 as all the above payable amounts have already been recorded in the consolidated financial statements as at 31 March 2020.

(III) DEPOSIT REFUND OF RMB5,817,000

During the year ended 31 March 2017, an arbitral claim against a subsidiary of the Company, Holy (Hong Kong) Universal Limited ("Holy (Hong Kong)") was filed for refund of a management deposit of RMB5,817,000 (approximately HK\$6,369,000) by the Non-controlling Shareholder. The deposit originated from a management agreement made between Holy (Hong Kong), the Non-controlling Shareholder and some other parties. On the same day when the management agreement were signed, the rights and obligations of the deposit was transferred to an independent third party (the "Assignee") according to a legal rights assignment (the "Assignment Agreement") entered into between Holy (Hong Kong) and the Assignee. According to the Assignment Agreement, the Assignee would take custody of the deposit and is liable for the repayment of deposit on demand on completion of the obligations under the management agreement. The Assignee has not made the payment as required and as a result Holy (Hong Kong)'s 51% of the equity interests in Beijing HollyBridge has been frozen. In the opinion of the directors of the Company, in case when the Assignee defaults to repay, Holy (Hong Kong) may be obligated to make the deposit refund and able to take legal action against the Assignee.

Having sought advices from PRC legal counsel, the frozen equity interest by the court will have no effect of Beijing HollyBridge's operations, decision making and distribution of profit. The directors of the Company believe that the above contingent liabilities are unlikely to materialise and no provision for liabilities in this respect has been made in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

43. SUBSIDIARIES

43.1 GENERAL INFORMATION OF SUBSIDIARIES

Details of the Group's major subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation and principal place of business	Paid up issued/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2020	2019	2020	2019	
Beijing HollyBridge System Integration Company Limited (Note i) (Note ii)	PRC	RMB82,000,000	-	-	51%	51%	Provide solutions software and service
Plus Communication Limited	Hong Kong	HK\$2	100%	100%	-	-	Trading of mobile and electronic components
Plus Financial Management Services Limited	PRC	USD900,000	-	-	100%	100%	Consultancy service and trading of chemicals
Wai Chun Strategic Investment Limited	Hong Kong	HK\$1,000	100%	100%	-	-	Investment holding
Mayland Asian Limited	BVI	USD50,000	100%	100%	-	-	Investment and development in real estate
Wai Chun Ming Hing Trading Limited	Hong Kong	HK\$1	-	-	100%	-	Trading of plastic resins

To the best of the knowledge of the directors, none of the subsidiaries had any debt securities in issue at the end of the reporting period.

Notes:

- (i) The English name is directly translated from the Chinese name shown in the PRC business license.
- (ii) The equity interest in Beijing Hollybridge has been frozen. Details refer to note 42(III).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

43. SUBSIDIARIES (continued)

43.2 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31.3.2020	31.3.2019	31.3.2020	31.3.2019	31.3.2020	31.3.2019
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beijing Holly Bridge System Integration Company Limited	PRC	49%	49%	2,431	(2,439)	(2,196)	(6,168)

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

43. SUBSIDIARIES (continued)

43.2 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (continued)

Beijing HollyBridge System Integration Company Limited

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current assets	32,523	24,069
Non-current assets	34	40
Current liabilities	(75,041)	(74,698)
Non-current liabilities	–	–
Capital deficiency to owners of the Company	(21,667)	(25,800)
Non-controlling interests	(20,817)	(24,789)
Revenue	56,479	44,978
Expenses	(51,517)	(40,001)
Profit (loss) for the year	4,962	(4,977)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

43. SUBSIDIARIES (continued)

43.2 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (continued)

Beijing HollyBridge System Integration Company Limited (continued)

	2020 HK\$'000	2019 HK\$'000
Profit (loss) attributable to owners of the Company	2,531	(2,538)
Profit (loss) attributable to the non-controlling interests	2,431	(2,439)
Profit (loss) for the year	<u>4,962</u>	<u>(4,977)</u>
Other comprehensive income attributable to owners of the Company	1,603	2,236
Other comprehensive income attributable to the non-controlling interests	1,541	2,149
Other comprehensive income for the year	<u>3,144</u>	<u>4,385</u>
Total comprehensive income (expense) attributable to owners of the Company	4,134	(302)
Total comprehensive income (expense) attributable to the non-controlling interests	3,972	(290)
Total comprehensive income (expense) for the year	<u>8,106</u>	<u>(592)</u>
Net cash outflow from operating activities	<u>(2,046)</u>	<u>(4,012)</u>
Net cash inflow from investing activities	<u>65</u>	<u>1,868</u>
Net cash outflow from financing activities	<u>-</u>	<u>(1,394)</u>
Net cash outflow	<u>(1,981)</u>	<u>(3,538)</u>

Five Years Financial Summary

For the year ended 31 March 2020

RESULTS

	Year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	134,755	204,875	106,153	117,171	178,104
Loss before tax	(25,667)	(31,275)	(39,979)	(61,004)	(61,709)
Taxation	-	61	(61)	-	(111)
Loss for the year (Profit) loss for the year attributable to non-controlling interests	(25,667) (2,427)	(31,214) 2,443	(40,040) 6,535	(61,004) 12,151	(61,820) 5,073
Loss for the year attributable to owners of the Company	(28,094)	(28,771)	(33,505)	(48,853)	(56,747)

ASSETS AND LIABILITIES

	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	88,411	110,884	132,677	172,717	145,389
Total liabilities	(281,079)	(280,952)	(275,597)	(270,942)	(183,566)
	(192,668)	(170,068)	(142,920)	(98,225)	(38,177)
Non-controlling interests	2,209	6,177	5,287	(2,911)	(14,724)
Capital deficiency attributable to owners of the Company	(190,459)	(163,891)	(137,633)	(101,136)	(52,901)