協同通信集團有限公司
Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1613

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
EXECUTIVE DIRECTOR
Mr. Han Weining *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi

COMMITTEES
AUDIT COMMITTEE
Mr. Lam Ying Hung Andy *(Chairman)*
Mr. Wang Chen
Ms. Li Mingqi

NOMINATION COMMITTEE
Mr. Wang Chen *(Chairman)*
Mr. Lam Ying Hung Andy
Ms. Li Mingqi

REMUNERATION COMMITTEE
Ms. Li Mingqi *(Chairperson)*
Mr. Lam Ying Hung Andy
Mr. Wang Chen

COMPANY SECRETARY
Mr. Ting Kin Wai

AUTHORISED REPRESENTATIVES
Mr. Han Weining
Mr. Lam Ying Hung Andy (alternate to Mr. Han Weining)
Mr. Ting Kin Wai

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC
130 Qunxian Road, Nanhu District
Jiaxing City, Zhejiang Province
China

PRINCIPAL BANKERS
HONG KONG
The Hongkong & Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

PEOPLE'S REPUBLIC OF CHINA ("PRC")
Bank of China
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Merchants Bank
China Minsheng Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER
JunHe
Suite 3701–10, 37/F
Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

WEBSITE
www.synertone.net

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED
1613

FINANCIAL HIGHLIGHTS

The financial highlights of Synertone Communication Corporation (the "Company", together with its subsidiaries, the "Group") for the year ended 31 March 2020 are presented as follows:

- Revenue of the Group decreased by approximately HK$7.8 million or 9.6% from approximately HK$81.0 million for the year ended 31 March 2019 to approximately HK$73.2 million for the year ended 31 March 2020.

- Gross profit of the Group increased by approximately HK$0.3 million from approximately HK$26.8 million for the year ended 31 March 2019 to approximately HK$27.1 million for the year ended 31 March 2020, with gross profit margin increased from approximately 33.1% for the year ended 31 March 2019 to 37.0% for the year ended 31 March 2020.

- Loss attributable to owners of the Company amounted to approximately HK$38.7 million for the year ended 31 March 2020, as compared with profit attributable to owners of the Company of HK$208.7 million for the year ended 31 March 2019.

Results performance for the year ended 31 March	2020	2019	2018
For continuing and discontinued operations			
Revenue (HK$'000)	**73,243**	81,005	93,763
Gross profit (HK$'000)	**27,081**	26,781	15,020
Gross profit margin (%)	**37.0**	33.1	16.0
(Loss)/profit for the year (HK$'000)	**(38,490)**	206,184	(549,452)
Net (loss)/profit margin (%)	**(52.6)**	254.5	(586.0)
Basic (loss)/earnings per share (HK$)	**(0.04)**	0.05	(0.16)

Liquidity and gearing ratio as at 31 March	2020	2019	2018
Inventories turnover days *(Note 1)*	**367**	310	299
Trade receivables turnover days *(Note 2)*	**209**	347	460
Trade payables turnover days *(Note 3)*	**132**	194	253
Current ratio	**1.6**	1.1	0.7
Gearing ratio (%) *(Note 4)*	**12.8**	67.7	(386.6)

Operating cash flow and capital expenditure for the year ended 31 March	2020	2019	2018
Net cash used in operating activities (HK$'000)	**(17,869)**	(38,363)	(5,385)
Capital expenditure (HK$'000) *(Note 5)*	**1,938**	1,220	6,597

Notes:

1. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of sales (excluding depreciation and amortisation charges) for the year and multiplied by 365 days.

2. Calculation was based on the average of the trade receivables balance at the beginning and the end of the relevant year divided by total turnover for the year and multiplied by 365 days.

3. Calculation was based on the average of the trade payables balance at the beginning and the end of the relevant year divided by cost of sales (excluding depreciation and amortisation charges) for the year and multiplied by 365 days.

4. Calculation was based on total bank and other borrowings, convertible bonds payable, lease liabilities and finance leases payable, net of cash and cash equivalents at the end of the relevant year, over total equity at the end of the relevant year.

5. It represented the payments in relation to the acquisition of property, plant and equipment.

CEO'S STATEMENT

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Synertone Communication Corporation (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2020 ("FY2020").

Due to the recent outbreak of the COVID-19 epidemic, the Group's businesses in automation control systems and intelligent building systems were disrupted due to the production suspension in the first quarter of 2020. Accordingly, the Group's revenue from continuing operations decreased by approximately 8% to HK$73.2 million, as compared to HK$79.3 million for the preceding financial year. Accordingly, both the Group's gross profit and gross profit margin from continuing operations decreased to HK$27.1 million (2019: HK$30.9 million) and 37% (2019: 39%) respectively. Coupled with the unfavourable conditions brought by the global economic slowdown and the COVID-19 epidemic, the Group has recorded a loss attributable to owners of the Company of HK$38.7 million for FY2020, as compared to a profit attributable to owners of HK$208.7 million for the year ended 31 March 2019 ("FY2019"). The profit recorded for FY2019 was mainly attributable to the one-off gain on derecognition of finance leases payable for the discontinued satellite communication business of HK$372.4 million during that financial year. Looking ahead, due to the stabilisation in the COVID-19 epidemic situation in the People's Republic of China ("China" or the "PRC"), our production and business operations have started to resume since the second quarter of 2020. We expect that the performance of our automation control systems and intelligent building systems businesses will recover gradually afterwards.

It is our strategy to further develop and expand its intelligent building system business. During the year, the Group has further acquired a 51% equity interest in 杭州奧邁智能科技有限公司 (literally translated as Hangzhou Aomai Intelligent Technology Limited) ("Hangzhou Aomai") through its indirect 85%-owned subsidiary. Hangzhou Aomai is engaged in the sales of building intelligence products in China. Besides, subsequent to the financial period end, the Group has carried out other acquisition transactions to realize its diversification strategy, including the agreement to acquire the entire interest in a securities trading and brokerage firm in April 2020 and the acquisition of 20% equity interest in a mobile device charging station leasing service firm in June 2020.

In May 2020, the Group initiated its new respirator face masks business by entering into sale and purchase transactions of respirator masks with amounts of US$2.53 million and US$1.87 million respectively. The transactions marked a new milestone for the Group by diversifying its business with promising profit and at the same time fulfilling its social and ethical responsibility. As COVID-19 epidemic outbreak continues to spread globally without a clear sign of improvement, there is a persistent shortage of medical supplies, particularly the respirator masks, in many foreign countries. The Group will closely monitor the future development of the epidemic situation and will consider to further expand and invest in this new business segment in response to the exigent demand for face masks with the primary objective to save lives.

In view of the negative outlook and diminishing market demand for the Group's specialised communication systems and products, the Group also completely ceased its communication technology business during the year by disposals of certain of its subsidiaries in August 2019. The Board considered that the disposals would enable the Group to reallocate its resources more efficiently to other businesses with better prospects and could strengthen the Group's financial position by generating additional cash inflow from the disposal transactions.

On financing side, the Group successfully placed 860,000,000 new shares of HK$0.05 each to an independent third party in February 2020, which further strengthened the financial position of the Group. The net proceeds arising from the share placement amounted to approximately HK$85,900,000, which was expected to be applied as general working capital and for further investments of the Group. We will continuous to seek and identify any potential fund-raising opportunities in the future for the benefit of the Group's operations and future development.

On behalf of the Board, I would like to extend my sincere gratitude to the shareholders, staff, customers, suppliers and other stakeholders for your continuous support and contribution to the Company over the years.

Han Weining
Chief Executive Officer

26 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of industrial and building automation solutions and integrated communication systems. The Group provides its systems and solutions products through research and development and acquisition of relevant intellectual property rights and technology knowhow from third parties. During FY2020, the Group's continuing operations include (i) design, development and sale of automation control systems and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

Control system operations

MOX Products Pty Limited, which is wholly-owned by the Group, and its subsidiaries (the "MOX Group"), carry out the control system business to provide customers with automation control systems. Such control systems are widely used in various industries to monitor pressure, temperature, fluid levels, traffic condition etc., including airport control and public utilities control. The MOX Group has established a solid customer base ranging from large listed corporations to governmental entities, municipal utilities (fresh water, sewage, gas and city lights) as well as power generation plants.

Due to the outbreak of the COVID-19 epidemic, the customer orders for and the production of control system have been suspended and disrupted in the final quarter of FY2020. Accordingly, the external revenue recorded by the Group's control system segment decreased to HK$30.8 million for FY2020 (2019: 37.3 million) while operating loss recorded for the control system segment decreased to HK$5.4 million (2019: 8.0 million).

Building intelligence operations

Building intelligence business mainly provides customers with (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home devices and systems for households.

The Company's 85%-owned subsidiary Sense Field Group Limited ("Sense Field", together with its subsidiaries, the "Sense Field Group") is principally engaged in the design, development and manufacturing various building intelligence products in its production facility located at Jiaxing Science City in the Zhejiang province of the PRC. The Sense Field Group has developed an efficient and unified manufacturing control process with ISO9001 certification. A subsidiary of the Sense Field Group has been accredited high technology enterprise status with continuing new products and software developments.

Most of the customers of the Sense Field Group are major property developers or building systems integrators. Over the years, the Sense Field Group has established a sales network in not less than 23 first and second tier cities across the PRC.

During FY2020, the sales of the Group's "MOX" brand video intercom and surveillance system products remained stable along with the real estate market of China that continually drives demand of its products. The external revenue of the Group's building intelligence segment was HK$42.4 million for the year (2019: HK$42.0 million). With the effort of adopting stricter control over production cost and expenses by the Sense Field Group, its operating loss was significantly reduced to HK$1.0 million for the year (2019: HK$11.7 million). The EBITDA, being the earnings before interest, taxes, depreciation and amortization, recorded by the Sense Field Group for FY2020 was HK$9.8 million, which represents a positive indicator on the operating performance and profitability of the Group's building intelligence business.

Leveraging the large installation base and advanced technology, the Sense Field Group has been making progress in the home automation markets, both in China and in overseas countries such as Australia, Israel and Thailand. Its suite of home automation products are proven, and leading-edge, creating some exciting growth potential in new and existing dwellings markets.

Discontinued operations of communication technology

During FY2020, the Group also engaged in the communication technology business of manufacturing and assembling of the core components of the digital trunking system and very small aperture terminal satellite system at its production facilities in Shenzhen. In August 2019, the Group disposed of this communication technology business in light of the negative outlook and the lack of market demand for the Group's specialised communication systems and products. During the year ended 31 March 2020, the Group recognized a loss of HK$5.3 million for this discontinued operation in the communication technology business.

Business prospects

As there is a sign of stabilisation in the COVID-19 epidemic situation in China recently, the Group's businesses in both the control system operation and the building intelligence operation have started to resume since the second quarter of 2020. It is expected that the performance of our automation control systems and intelligent building systems businesses will recover gradually afterwards.

Future fund raising and investment opportunities

The Company will continue to explore opportunities for new investments or mergers and acquisitions which can expand or diversify the Group's business and will bring long-term benefit to the Group. This intention is evidenced by the recent acquisition of 100% equity interest in Wellington Financial Limited, which is principally engaged in securities trading and brokerage, in April 2020 and the acquisition of 20% equity interest in Iogo Workshop Investment Limited ("Iogo Workshop"), which is principally engaged in the leasing of charging stations for mobile devices, in June 2020. For the purpose of financing the Group's current businesses or any potential investment or acquisitions in the future, the Company is also continuously seeking and assessing any potential fund-raising opportunities. The Company will make announcement(s) in respect thereof as required by the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") should they materialize.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue from its continuing operations of approximately HK$73.2 million for the year ended 31 March 2020, representing a decrease of approximately HK$6.1 million or 7.7% as compared to approximately HK$79.3 million for the year ended 31 March 2019.

During the year under review, the Group derived its revenue substantially from control system and building intelligence businesses. The following table sets forth a breakdown of revenue by business segments for the years presented:

	2020		2019	
	HK$'000	**%**	HK$'000	%
Building intelligence	**42,426**	**57.9**	41,996	53.0
Control system	**30,817**	**42.1**	37,276	47.0
	73,243	**100.0**	79,272	100.0

The decrease in the Group's revenue from continuing operations for the year ended 31 March 2020 was mainly attributable to the decrease in sales of control system caused by the suspension of control system production in China in the first quarter of 2020 due to COVID-19 epidemic.

Cost of sales

Cost of sales of the Group consists of costs of raw materials, labour costs, manufacturing overheads and amortization charge of intangible assets. It decreased by approximately HK$2.2 million or 4.5% from approximately HK$48.4 million for FY2019 to approximately HK$46.2 million for FY2020, which is in line with the decrease in sales for the year.

Gross profit and gross profit margin

The Group's gross profit from continuing operations for FY2020 was approximately HK$27.1 million, representing a decrease of approximately HK$3.8 million or 12.3% from approximately HK$30.9 million for FY2019, which is in line with the decrease in sales for the year. The gross profit margin was maintained at a stable level of 37.0% (2019: 38.9%) for FY2020.

Administrative and other operating expenses

The administrative and other operating expenses of the Group from continuing operations mainly represent the staff costs, depreciation and amortization of property, plant and equipment and intangible assets and legal and professional fees. The expenses decreased by approximately HK$10.9 million or 20.8% from approximately HK$52.5 million for FY2019 to approximately HK$41.6 million for FY2020, mainly attributable to the adoption of stricter control over administrative and operating expenses by the management during the year.

Research and development expenditure

The research and development expenditure of the Group from continuing operations increased by approximately HK$9.2 million or 1.1 times from approximately HK$8.7 million for FY2019 to approximately HK$17.9 million for FY2020. Increased expenditure incurred during the year was mainly for the purposes of customer relationship management and network management system and related technical support services.

Reversal/(allowance) of expected credit loss, net

During the year ended 31 March 2020, the Group recorded a net reversal of expected credit loss of HK$2.4 million for its continuing operations in relation to its trade receivables and loan and other receivables, as compared to a net allowance of HK$5.8 million for FY2019. As at 31 March 2020, the Group's trade receivables amounted to HK$52.1 million (31 March 2019: HK$141.4 million) and the loan and other receivables amounted to HK$64.1 million (31 March 2019: HK$70.7 million), of which an amount of HK$16.0 million (31 March 2019: HK$93.5 million) and HK$2.8 million (31 March 2019: HK$ Nil) were considered impaired for each of the trade receivables and the loan and other receivables respectively based on an expected credit loss model. For the purpose of assessment of expected credit loss, expected loss rates were estimated based on historical observed default rates over the expected life of the debtors and were adjusted for forward looking information that was available without undue costs or effort.

Finance costs

The finance costs of the Group from continuing operations was approximately HK$6.4 million for the year ended 31 March 2020, mainly representing interest expense on bank and other borrowings. The decrease in finance costs of approximately HK$2.0 million or 23.8% from approximately HK$8.4 million for the year ended 31 March 2019 was due to the decrease in average balance of bank and other borrowings of the Group in FY2020.

Profit/loss from discontinued operations

In FY2019, the Group discontinued its Synertone 1 satellite communication business (the "Satellite Business") in November 2018 through disposals of Vastsuccess Holdings Limited and Synertone Satellite Communication Limited. The profit from the Group's Satellite Business up to the date of disposal completion amounted to HK$338.0 million was recorded and classified as profit from discontinued operation of the Group for FY2019.

In FY2020, the Group discontinued its communication technology business (the "Technology Business") in August 2019 through disposals of Synertone Communication Technology Limited ("SCT") and Thrive United Holdings Limited ("Thrive United"). The loss from the Group's Technology Business up to the date of disposal completion amounted to HK$5.3 million together with the corresponding loss from the Technology Business for FY2019 amounted to HK$72.1 million were recorded and classified as loss from discontinued operation of the Group for FY2020 and FY2019 respectively.

As compared to the loss recorded from discontinued operations of the Group for FY2020 of HK$5.3 million, the significant total profit from discontinued operation of the Group for FY2019 amounted to HK$265.9 million was recorded mainly due to an one-off gain from the disposal of the Satellite Business on derecognition of finance leases payable of approximately HK$372.4 million (which is non-cash in nature) in relation to the bandwidth resources fees for the remaining service years as a result of the early termination of the finance lease arrangement in connection with the exclusive right to use Synertone 1 satellite bandwidth.

Profit/loss for the year

The Group recorded a loss attributable to owners of the Company of approximately HK$38.7 million for FY2020 as compared to a profit attributable to owners of the Company for FY2019 of approximately HK$208.7 million mainly due to an one-off gain of HK$372.4 million on derecognition of finance leases payable for the discontinued Satellite Business was recognized in FY2019 but not for FY2020.

Capital structure, liquidity and financial resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by shareholders of the Company (the "Shareholders"). In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. As at 31 March 2020, the issued share capital of the Company was approximately HK$258.1 million, comprising 1,032,363,200 shares (the "Shares") of the Company of nominal value of HK$0.25 each (31 March 2019: 4,301,816,000 shares of HK$0.05 each).

On 22 September 2014, the Company issued 660,000,000 warrants to CITIC Capital Management Limited at the issue price of HK$0.01 per warrant (restated to 196,666,667 warrants following share consolidation on 24 March 2016 and rights issue completed on 28 April 2016). Each warrant carries the right to subscribe for one warrant share at the subscription price of HK$1.98 (subject to adjustment). Such warrants can be exercised at any time during the exercise period of five (5) years commencing from the date of issue. During the year ended 31 March 2020, no warrants were exercised and all the outstanding warrants were lapsed during the current financial year on 22 September 2019. No warrants were outstanding as at 31 March 2020.

On 14 January 2020, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Lam Siu Sun ("Mr. Lam"), pursuant to which Mr. Lam has conditionally agreed to subscribe for 860,000,000 new shares of the Company of nominal value of HK$0.05 each (the "Subscription Shares") at the subscription price of HK$0.1 per Subscription Share, representing a discount of approximately 17.36% to the closing price of HK$0.121 per share as quoted on the Stock Exchange on 14 January 2020, being the date of the Subscription Agreement (the "Subscription"). The aggregate nominal value of the Subscription Shares is HK$43,000,000. The Board considered that the Subscription was an appropriate means to provide additional funding for the Company to maintain the Group's working capital requirement while broadening the capital base of the Company. Accordingly, the Directors were of the view that the Subscription was in the interests of the Company and the Shareholders as a whole.

The Subscription completed on 19 February 2020 and 860,000,000 Subscription Shares were issued and allotted to Mr. Lam at the subscription price of HK$0.1 per Subscription Share. The net proceeds, after deduction of expenses, amounted to approximately HK$85,900,000, representing a net price of approximately HK$0.1 per Subscription Share, which were intended to be used as the Group's general working capital and/or for future investment opportunities of the Group.

As at 31 March 2020, the net proceeds of approximately HK$27.6 million have been utilized as intended use for the Group's general working capital with details as follows:

Description of use of proceeds	**Amount** (in HK$ million)
Staff salaries	4.7
Legal and professional fees	1.2
Research and development expenditure	12.6
Repayment of bank and other borrowings	2.3
Rental expenses, deposits and management fee	1.1
Other administrative and operating uses	5.7
Total	27.6

As at 31 March 2020, the unused net proceeds from the Subscription was approximately HK$58.3 million, which was proposed to be utilized according to the intentions previously disclosed as the Group's general working capital and/or for any investment opportunities, which shall include the acquisition transactions of the Group which are further disclosed in the section headed "Events Subsequent to Year End" below, within the year 2020.

On 24 March 2020, the consolidation of the Company's ordinary shares (the "Share Consolidation") became effective whereby every five issued and unissued ordinary shares of par value of HK$0.05 each in the share capital of the Company were consolidated into one consolidated share of par value of HK$0.25 each. Details of the Share Consolidation are contained in the announcement of the Company dated 12 February 2020 and the circular of the Company dated 4 March 2020.

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2020 was approximately 1.6 (31 March 2019: approximately 1.1). Gearing ratio calculated by total borrowings (comprising bank and other borrowings, lease liabilities and finance leases payable) net of cash and cash equivalents, over total equity as at 31 March 2020 was 13% (31 March 2019: 68%).

Bank and other borrowings

As at 31 March 2020, the Group had outstanding bank and other borrowings of approximately HK$66.1 million (31 March 2019: approximately HK$104.2 million).

Pledge of assets

As at 31 March 2020, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK$40.6 million (31 March 2019: approximately HK$47.1 million) pledged against bank borrowings raised by the Group and finance leases payable.

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities.

Major acquisition and disposal

On 23 August 2019, Radio World Holding Limited, a wholly-owned subsidiary of the Company, as vendor entered into two shares transfer agreements with Allied Link Technology Limited, as purchaser, pursuant to which Radio World Holding Limited agreed to sell and Allied Link Technology Limited agreed to purchase the entire issued share capital of each of SCT and Thrive United, both were the then indirect wholly-owned subsidiaries of the Company, at considerations of HK$7,700,000 and US$1 respectively (both together known as the "Disposals").

SCT and its subsidiary in China were principally engaged in research and development, production and sales of specialised communication systems, while Thrive United, together with its subsidiaries, were principally engaged in research and development and sale of safe communication technology and systems. In view of the negative outlook and diminishing market demand for the specialised communication systems and products, the Board considered that the Disposals were in the best interests of the Group and the Shareholders as a whole. The completion of the Disposals took place on 23 August 2019 upon which SCT and Thrive United ceased to be subsidiaries of the Company and the Group has fully disposed of its communication technology business. A loss arising from the Disposals of HK$2.5 million was recorded by the Group for FY2020 and the net proceeds from the Disposals of approximately HK$7,650,000 were used as the Group's general working capital during the year.

On 27 September 2019, the Group further acquired through an indirect 85%-owned subsidiary of the Company a 51% equity interest in Hangzhou Aomai for a cash consideration of HK$450,000 (the "Aomai Acquisition"). Hangzhou Aomai is engaged in the sales of building intelligence products in China. Upon completion of the Aomai Acquisition, the Group's effective equity interests in Hangzhou Aomai increased from 41.65% to 85% and thereafter Hangzhou Aomai became an indirect non-wholly owned subsidiary of the Company.

Significant capital expenditure for the year

Save as disclosed above, the Group has no significant capital expenditure commitments as at 31 March 2020.

Risk of foreign exchange fluctuations

Substantially all transactions of the Group are denominated in Renminbi ("RMB"), United States dollars ("US$") and Hong Kong dollars ("HK$") and most of the bank deposits are denominated in RMB and HK$ to minimise foreign exchange exposure. Despite the fluctuation of the exchange rates of RMB against US$ and HK$ during the year, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2020.

Employee and remuneration policy

As at 31 March 2020, the Group had 148 employees (31 March 2019: 159). For the year ended 31 March 2020, the staff costs of the Group from continuing operations amounted to approximately HK$21.9 million, representing an increase of approximately HK$4.8 million or 28.1% as compared to approximately HK$17.1 million for the corresponding period last year, mainly due to the significant increase in research and development related staff costs incurred for development and expansion of the Group's building intelligence business during the year.

The Group's employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the remuneration committee of the Company (the "Remuneration Committee"), and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics. The Group also adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the shares of the Company. As at 31 March 2020, no share options were outstanding under the share option scheme.

The Group has been committing resources in continuing education and training programmes for management staff and other employees in order to upgrade their skills and knowledge. These training courses include internal courses run by the management of the Group and external courses provided by professional trainers. They range from technical training for production staff to financial and administrative trainings for management staff.

EVENTS SUBSEQUENT TO YEAR END

On 17 April 2020, the Company, as purchaser, entered into a sale and purchase agreement (the "Wellington Agreement") with Wellington Investments Group Limited, as vendor, pursuant to which the Company agreed to acquire the entire equity interests in Wellington Financial Limited, a company principally engaged in securities trading and brokerage services in Hong Kong, at a consideration of HK$2.5 million plus the net asset value amount to be determined in accordance with the terms of the Wellington Agreement. According to the terms of the Wellington Agreement, the total consideration for the transaction shall not exceed HK$16 million. The transaction did not complete as at the date of this report.

On 5 June 2020, the Company, as purchaser, entered into a sale and purchase agreement with Wylie Wei Ji Chak, as vendor, pursuant to which the Company agreed to acquire from Wylie Wei Ji Chak 20% equity interests in Iogo Workshop Investment Limited ("Iogo Workshop") at a total consideration of HK$56 million. Iogo Workshop, together with its subsidiaries, is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. The acquisition of 20% equity interests in Iogo Workshop was completed in June 2020 and Iogo Workshop is expected to become an associate of the Company.

Save as disclosed above, there were no other significant events subsequent to year end and up to the date of this report.

DIVIDEND

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

DIRECTORS

DIRECTORS

EXECUTIVE DIRECTOR

Han Weining (韓衛寧*), ("Mr. Han"), aged 58, was appointed as an executive Director and the chief executive officer of the Company in February 2011 and June 2015, respectively. Mr. Han is also a director of certain subsidiaries of the Company. From 1989 to 2006, he worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia pacific. Mr. Han also served as an executive director of MOX Group in Australia. Mr. Han graduated from Zhejiang University (浙江大學) majoring in Wireless Electronic Technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Mr. Han is the sole director and sole shareholder of Excel Time Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Ying Hung Andy (林英鴻), ("Mr. Lam"), aged 55, was appointed as an independent non-executive Director in February 2011. He is the chairman of the audit committee of the Company (the "Audit Committee") and a member of each of the nomination committee (the "Nomination Committee") of the Company and the Remuneration Committee. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. He is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in Ecommerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. He is currently the managing consultant of Lontreprise Consulting Limited, and had been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of each of Xingfa Aluminum Holdings Limited (Stock Code: 0098), Brilliant Circle Holdings International Limited (Stock Code: 1008) and Weiye Holdings Limited (Stock Code: 1570), the shares of all of the above companies are listed on the Main Board of the Stock Exchange.

* *For identification purpose only*

Wang Chen (王忱) ("Mr. Wang"), aged 55, was appointed as an independent non-executive Director in June 2015. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Wang holds a Bachelor of Engineering degree in Microwave Communication Engineering from PLA Institute of Communication Engineering (中國人民解放軍通信工程學院) (now known as PLA University of Science and Technology) and a degree of Executive Master of Business Administration (EMBA) from the School of Business, Sun Yat-Sen University (中山大學). From 1986 to 2006, he worked in the Information Technology Department of the People's Liberation Army General Staff. Since 2006, Mr. Wang is the chairman of Guangzhou SKYI Information Technology Co., Ltd. (廣州市天奕信息科技有限公司 (now known as 廣州市天奕信息技術股份有限公司)), a company established in 2006 and its shares quoted on the National Equities Exchange and Quotations System (the New Third Board*) in the People's Republic of China since 9 May 2017 (Stock Code: 871411) and is principally engaged in development on software of quality assurance and general automated test system.

Li Mingqi (李明綺) ("Ms. Li"), aged 52, was appointed as an independent non-executive Director in October 2016. She is the chairperson of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Ms. Li graduated from Fudan University in Shanghai with a Bachelor's degree in Economics. She has also obtained a Master's degree in Economics from the Southern Methodist University and a Master's degree in Management and Administrative Sciences from the University of Texas. Ms. Li is a Certified Public Accountant in the State of New York, the United States of America and was licensed under license series 7 and 63 at the registered representative level in the United States of America from May 2019. She has extensive experience in financial management. Ms. Li was a senior associate of JP Morgan Chase, associate/portfolio manager of BHF Capital, vice president of Transamerica Business Capital, vice president of Morgan Stanley and hedge fund controller of Mercury Capital Management. She was also an independent non-executive director of Sino Gas International Holdings, Inc., whose shares were previously listed on the Over-The-Counter Bulletin Board in the United States of America, from March 2011 to November 2014. Ms. Li served as a business consultant of Seekers Advisors H.K. Limited from May 2015 to August 2016 and is currently a registered representative of Emerson Equity LLC and an independent non-executive director of Neo-Neon Holdings Limited (Stock Code: 1868), whose shares are listed on the Main Board of the Stock Exchange.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors are pleased to present the Company's annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 18 April 2012, the shares of the Company successfully commenced dealing on the Main Board of the Stock Exchange.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal operations of the Group are conducted in the PRC. The principal businesses of the Group include provision of (i) design, development and sale of automation control systems, and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings. Particulars of principal activities of the principal subsidiaries of the Company are set out in note 20 to the financial statements.

Further discussion and analysis of these activities, including an indication of likely future developments in the Group's business, can be found in the CEO's Statement and the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' Report.

Details of key performance indicators are shown in the "Financial Highlights" and "Management Discussion and Analysis" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

BUSINESS/MARKET RISKS

The Group's revenue is mainly derived from customers located in the PRC. The Group undertakes the risks associated with China, including risk of change in the policies and regulations, technological obsolescence, supply and demand imbalance, and overall economic conditions. Business/market risks may adversely affect the Group's business, financial and/or operating performance.

The functional manager will carefully scrutinize each project for related risks and returns. These include assessment of relevant government policies, market demand, market conditions and economic data. The management is responsible for supervision, conducting regular operational reviews and keeping the Board fully informed through regular reports (either in written or verbal form), and prompt decisions can therefore be made if changes are required.

OPERATIONAL RISK

The front-line or functional manager will review key activities of the Group and ensures all material required control procedures, including financial and operational, are functioning implemented. Precautionary and contingency measures are also set up to ensure the Group is protected against major potential loss, damage or impact to the business operations.

FINANCIAL RISK

The Group's business operation is exposed to risks from exchange rates, interest rates and liquidity. Please also refer to note 35 to the financial statements for discussion of the financial risks facing by the Group.

COMPLIANCE RISKS

Front-line or functional manager reviews key activities of the Group to ensure the compliance of local rules and regulations from time to time. The responsible persons of each of the major subsidiaries are required to communicate and consult with local legal advisors in daily operations or for material transactions if necessary. The Group has implemented certain internal control procedures to avoid/reduce the risk of non-compliance of local rules and regulations as well as the requirements of the Listing Rules.

KEY RELATIONSHIPS

(a) *Employees*

Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety. The Group maintains a good relationship with its employees. Staff salary payment and promotion will be measured against their progressive performance level, contribution, and achievement against the objectives set by the Group. The annual performance evaluation will be conducted annually.

(b) *Customers*

To maintain customer intimacy and keep good relationship with key customers, the Group has implemented a series of policies including the promotion of new products to customers, offered free testing and the provision of after sales and maintenance services.

(c) *Suppliers*

The Group has developed stable relationships with many of its key suppliers and implements stringent selection criteria for raw materials suppliers and product parts and components suppliers to maintain the quality of its products. The Group only procures raw materials and parts and components from suppliers who have passed its quality and reliability tests. The Group randomly inspects test samples of raw materials and product parts from its suppliers and return those that do not pass the inspection. Every year the Group will also conduct annual appraisal on key suppliers and new suppliers so as to ensure materials produced by these suppliers are in line with the Group's quality requirement.

Further discussion on the key relationships is set out in the Environmental, Social and Governance Report set out in this annual report.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

As a responsible corporation, the Group is committed to maintain the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

Further discussion on the environmental policies is set out in the Environmental, Social and Governance Report set out in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 March 2020 and up to the date of this annual report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 62 and 64 of this annual report respectively.

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 28 August 2020 ("2020 AGM"), the register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfer of Shares accompanied by the relevant share certificate(s) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 August 2020.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the five financial years ended 31 March 2020 is set out on page 166 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2020, together with the reasons therefore, are set out in note 33 to the financial statements. Details of change in the capital structure of the Company are set out in the paragraph headed "Capital structure, liquidity and financial resources" in the section headed "Management Discussion and Analysis" of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or, applicable laws of the Cayman Islands which would oblige the Company to offer new shares of the Company on a pro rata basis to the Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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.

RESERVES

The movements in the reserves of the Company and the Group during the year ended 31 March 2020 are set out in note 33 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2019: Nil).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2020, aggregate purchases attributable to the Group's five largest suppliers and aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total purchases and total revenue, respectively.

At all time during the year ended 31 March 2020, none of the Directors or any of their close associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or the five largest customers.

DIRECTORS

The Directors during the year ended 31 March 2020 and up to the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Han Weining *(Chief Executive Officer)*
Mr. Wong Chit On *(Chairman)* (resigned on 3 January 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi

Mr. Wong Chit On resigned as the chairman of the Board and an executive Director with effect from 3 January 2020 as he would like to spend more time pursuing his own business.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. and the Board considered that each of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

In accordance with the Articles of Association, Mr. Han Weining and Mr. Lam Ying Hung Andy will retire by rotation at the 2020 AGM and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year ended 31 March 2020.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Save for the above, at no time during the year ended 31 March 2020 and up to the date of this annual report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

EMOLUMENT POLICY

The Group's employee remuneration policy is determined based on a number of factors such as their performance, experience and prevailing industry practices. Compensation policies and packages of employees are reviewed on a yearly basis. In addition to basic salary, performance related salary such as bonus may also be awarded to employees based on internal performance evaluation. The Group also adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the shares of the Company.

The Group has been committing resources to continuing education and training programs for management staff and other employees in order to upgrade their skills and knowledge. These training courses include internal courses run by the management of the Group and external courses provided by professional trainers, ranging from technical training for production staff to financial and administrative trainings for management staff.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or a controlling shareholder (as defined in the Listing Rules) 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 ended 31 March 2020.

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

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in any of the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

LONG POSITIONS IN SHARES

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Han Weining	Interest of a controlled corporation	238,942,059 *(Note)*	23.15%
	Beneficial owner	8,160,000	0.79%

Note: These interests in Shares are held by Excel Time Investments Limited ("Excel Time"), which is wholly and beneficially owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han Weining is deemed to be interested in these 238,942,059 Shares. Mr. Han Weining is the sole director of Excel Time.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executives of the Company 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) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year ended 31 March 2020 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31 March 2020, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

LONG POSITION IN SHARES

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued Shares *(Note 1)*
Excel Time	Beneficial owner	238,942,059 *(Note 2)*	23.15%
Lam Siu Sun	Beneficial owner	172,000,000	16.66%
Gao Jiemin	Beneficial owner	97,716,800	9.47%
Baoshan International Group Limited	Beneficial owner	60,000,000 *(Note 3)*	5.81%
Wang Jian	Interest of a controlled corporation	60,000,000 *(Note 3)*	5.81%
	Beneficial owner	3,504,000	0.34%

Notes:

1. Based on 1,032,363,200 Shares in issue as at 31 March 2020.

2. Excel Time is wholly-owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director whose interest in Shares is set out in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company or its associated corporations".

3. Such Shares were registered in the name of Baoshan International Group Limited ("Baoshan International"), a company which is wholly-owned by Mr. Wang Jian. By virtue of the provisions of Part XV of the SFO, Mr. Wang Jian is deemed to be interested in all the Shares held by Baoshan International.

Save as disclosed above, as at 31 March 2020, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 22 March 2012.

Eligible participants of the Share Option Scheme include, (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Company or any of its subsidiaries holds an equity interest, including any executive Director, any of its subsidiaries or any Invested Entity; (ii) any non-executive Director (including any independent non-executive Director), any of its subsidiaries or any Invested Entity; (iii) any Shareholder, any of its subsidiaries or any Invested Entity or any holder of any securities issued by the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Company, any of its subsidiaries or any Invested Entity; (v) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity; (vi) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity; (vii) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; or (viii) the trustee of any trust preapproved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to the above classes of participants. For the avoidance of doubt, the grant of any option by the Company for the subscription of shares of the Company or other securities of the Company or its subsidiaries to any person who fall within any of the above classes of participants shall not, by itself, unless the Board otherwise determines, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any option shall be determined by the Board at its sole and absolute discretion from time to time.

Principal terms of the Share Option Scheme were set out in the note 32 to the financial statements.

As at 31 March 2019 and 2020, there was no outstanding share options under the Share Option Scheme. During the year ended 31 March 2020, there was no share option granted, exercised, lapsed or cancelled.

The total number of Shares available for issue under the Share Option Scheme is 86,036,320, representing approximately 8.33% of the total number of Shares in issue as at the date of this report.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Change in Director's information since the date of the 2019 interim report of the Company is set out below:

– Mr. Han Weining, an executive Director and the chief executive officer of the Company, acquired the entire issued shares of Excel Time, a substantial shareholder of the Company holding approximately 23.15% of the issued share capital of the Company, on 3 January 2020. Immediately after the acquisition, Excel Time remains the substantial shareholder of the Company and is wholly-owned by Mr. Han Weining, and Mr. Han Weining is personally interested and is deemed to be interested in an aggregate of 247,102,059 Shares under the SFO, representing approximately 23.94% of the issued share capital of the Company; and

– Ms. Li Mingqi, an independent non-executive Director, whose term of directorship under the letter of appointment with the Company was renewed automatically on 3 October 2019 for three years until 2 October 2022. Furthermore, Ms. Li has been appointed as a registered representative of Emerson Equity LLC since April 2019 and was licensed under license series 7 and 63 at the registered representative level in the United States of America from May 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

A report on the principal corporate governance practice adopted by the Company is set out on pages 26 to 40 of this annual report.

CONNECTED TRANSACTION

During the year ended 31 March 2020, the Directors are not aware of any transactions of the Group which constituted non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2020, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are set out in note 41 to the financial statements.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme as disclosed in note 32 to the financial statements and the subscription agreement relating to the subscription of warrants issued by the Company as disclosed in the paragraph headed "Capital structure, liquidity and financial resources" in the section headed "Management Discussion and Analysis" of this annual report, no equity-linked agreements were entered into by the Company during the year ended 31 March 2020 or subsisted at the end of the year.

SHARES ISSUED DURING THE YEAR

During the year, on 19 February 2020, the Company allotted and issued 860,000,000 new ordinary shares of the Company of HK$0.05 each in the share capital of the Company (before any adjustments for the effect of share consolidation of the Company became effective on 24 March 2020) to Mr. Lam Siu Sun, an independent third party, at a subscription price of HK$0.1 per subscription share. The gross proceeds and net proceeds arising from the share allotment amounted to approximately HK$86,000,000 and HK$85,900,000, respectively, which is expected to be applied for general working capital and/or further investments of the Group.

The Directors considered that the allotment of new shares would provide additional and immediate funding for the Company to maintain the Group's working capital requirement while broadening the capital base of the Company, and was in the interests of the Company and the Shareholders as a whole.

EVENTS AFTER THE REPORTING PERIOD

On 17 April 2020, the Company, as purchaser, entered into the Wellington Agreement with Wellington Investments Group Limited, as vendor, pursuant to which the Company agreed to acquire the entire issued share capital in Wellington Financial Limited, a company principally engaged in securities trading and brokerage services in Hong Kong, at a consideration of HK$2.5 million plus the net asset value amount to be determined in accordance with the terms of the Wellington Agreement. According to the terms of the Wellington Agreement, the total consideration for the transaction shall not exceed HK$16 million. The transaction did not complete as at the date of this report.

On 5 June 2020, the Company, as purchaser, entered into a sale and purchase agreement with Wylie Wei Ji Chak, as vendor, pursuant to which the Company agreed to acquire from Wylie Wei Ji Chak 20% equity interests in Iogo Workshop at a total consideration of HK$56 million. Iogo Workshop, together with its subsidiaries, is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. The acquisition of 20% equity interests in Iogo Workshop was completed in June 2020 and Iogo Workshop is expected to become an associate of the Company.

Save as disclosed above, the Group had no significant events occurring after the reporting period up to the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (as committee chairman), Mr. Wang Chen and Ms. Li Mingqi. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 March 2020 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient public float as required under the Listing Rules during the year ended 31 March 2020 and up to the date of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2020 were audited by HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng Limited shall retire and a resolution will be proposed for approval by Shareholders at the 2020 AGM to re-appoint HLB Hodgson Impey Cheng Limited as the auditor of the Company.

On Behalf of the Board

Han Weining
Executive Director

Hong Kong, 26 June 2020

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board considers that the Company was in compliance with all the applicable code provisions as set out in the CG Code during the year ended 31 March 2020 apart from code provision E.1.2 as disclosed below.

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Wong Chit On, the then chairman of the Board, was not able to attend the annual general meeting held on 26 September 2019 (the "2019 AGM") due to another important business meeting. Mr. Han Weining, the executive Director and chief executive officer of the Company, was appointed as the chairman of the 2019 AGM to answer and address questions raised by the Shareholders at the 2019 AGM.

The Directors believed that Mr. Han Weining, as the chief executive officer of the Company and the executive Director, possessed sufficient knowledge on the Group's businesses and had the required leadership in maintaining an effective dialogue with Shareholders and addressing any issues or questions raised in the general meeting. Therefore, Mr. Han was considered suitable and appropriate to act as the chairman of the 2019 AGM in the absence of the chairman of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2020.

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

As at 31 March 2020 and at the date of this report, the Board comprises one executive Director and three independent non-executive Directors. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. The Board members during the year and up to the date of this annual report, were:

Executive Directors
Mr. Han Weining *(Chief Executive Officer)*
Mr. Wong Chit On *(Chairman) (resigned on 3 January 2020)*

Independent Non-Executive Directors
Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors, as at the date of this annual report, are set out on pages 14 to 15 of this annual report.

Appropriate directors' liability insurance cover has been arranged to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are to be reviewed regularly.

(B) BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors. The Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service, and the selection of candidates will also base on the above. The Nomination Committee will review and adopt the above measurements when it reviewed the composition of the Board and it will also review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. After assessing the suitability of the Directors' skills and experiences to the Company's business, the Nomination Committee considered that the existing Board was appropriately structured.

(C) RESPONSIBILITY OF DIRECTORS

The Board is responsible for the overall leadership of the Company. The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors are responsible for formulating the business strategies and development plan of the Group, while the senior management personnel are delegated to supervise and execute the plans and overall management of the Group.

Training and Continuous Development for Directors

As at the date of this annual report, the Company has received the continuous professional development records from each of the Directors as a record of training (in the form of reading articles, researches, journals or professional updates, and attending briefings, trainings, seminars or conference) they received for the year ended 31 March 2020.

(D) BOARD MEETINGS AND GENERAL MEETING

In compliance with the code provision A.1.1 of the CG Code, there are at least four regular board meetings should be held each year at approximately quarterly intervals. A notice of the meeting would be given to all Directors at least 14 days prior to the date of the meeting to enable all Directors to attend the meetings. The agenda of the meeting shall be determined after consulting each Director so that each Director is given the opportunity to include their proposals into the agenda.

For the year ended 31 March 2020, four Board meetings and two general meetings, being the 2019 AGM and an extraordinary general meeting held on 20 March 2020, were held and the attendance record of the Directors during their tenure is set out below:

	Number of Board meetings attended/held	Attendance ratio	General meetings
Executive Directors			
Mr. Han Weining *(Chief Executive Officer)*	4/4	100%	2/2
Mr. Wong Chit On *(Chairman)* *(resigned on 3 January 2020)*	1/2	50%	0/1
Independent Non-executive Directors			
Mr. Lam Ying Hung Andy	4/4	100%	2/2
Mr. Wang Chen	4/4	100%	2/2
Ms. Li Mingqi	3/4	75%	1/2

The company secretary of the Company (the "Company Secretary") assists the chairman of each meetings in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. The Company Secretary also keeps detailed minutes of each meetings, which are available to all Directors for inspection. A draft of Board minutes are circulated to all Directors for their comments and approved as soon as practicable after the Board meetings.

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing Directors with board papers and related materials and ensuring that board procedures are followed.

(E) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The current independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi. The Board considers that all independent non-executive Directors possess appropriate and sufficient industry and finance experience and qualification to carry out their duties so as to protect the interest of the Shareholders. One of the independent non-executive Directors, Mr. Lam Ying Hung Andy, has over 20 years of experience in accounting and finance industry and he is a fellow of the Association of Chartered Certified Accountants (United Kingdom).

The Board confirms that the Company has received from each of the independent non-executive Directors an annual confirmation in respect of their independence for the year under review and up to the date of publication of this annual report pursuant to Rule 3.13 of the Listing Rules. Based on the confirmation, the Board considers all independent non-executive Directors to be independent.

(F) TERMS OF APPOINTMENT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy has renewed his letter of appointment with the Company for a term of three years commencing on 22 March 2018, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

Mr. Wang Chen has renewed his letter of appointment with the Company for a term of three years commencing on 25 June 2018, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

Ms. Li Mingqi has renewed her letter of appointment with the Company for a term of three years commencing on 3 October 2019, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

(G) NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL PROCEDURES

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

(i) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(ii) taking the lead where potential conflicts of interests arise;

(iii) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;

(iv) bringing a range of business and financial experience to the Board, giving the Board and any committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

(v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(vi) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

(vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. Every Director is subject to the provisions of retirement from office by rotation at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members held immediately after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIVIDEND POLICY

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for the Group's future growth. In proposing any dividend payout, the Company would consider various factors including but not limited to the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity, future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and the Company's constitutional documents. The Company does not have any pre-determined dividend distribution proportion or distribution ratio. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the chairman of the Board was Mr. Wong Chit On ("Mr. Wong"), until his resignation as the executive Director and the chairman of the Board on 3 January 2020, and the chief executive officer of the Company was Mr. Han Weining throughout the year. Since Mr. Wong's resignation, the position of the chairman of the Board has been vacant and the Company is in the process of identifying the suitable candidate with appropriate background, qualification and experience to fill in the vacancy as soon as possible. The roles of the chairman and chief executive officer were separate and exercised by different individuals.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. In line with the development of the Company and for the enhancement of corporate governance of the Company, the former chairman of the Board, being Mr. Wong, was responsible for the management of the Board by providing leadership for the Board and has taken primary responsibility for ensuring that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with Shareholders and that their views were communicated to the Board as a whole, and the chief executive officer of the Company, being Mr. Han Weining, is responsible for the day-to-day management of business of the Group.

COMPANY SECRETARY

During the year ended 31 March 2020, the Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Mr. Tse Kam Fai ("Mr. Tse"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Ms. Zhang Lin, the CEO Assistant, is the primary point of contact at the Company for the Company Secretary of the Company.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Tse has taken no less than 15 hours of relevant professional training for the year ended 31 March 2020.

On 29 April 2020, Mr. Tse resigned as the Company Secretary and Mr. Ting Kin Wai was appointed as the Company Secretary in replacement of Mr. Tse.

BOARD COMMITTEES

In accordance with the requirements of the Listing Rules, the Company has established Board committees in compliance with the CG Code as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and monitor the Group's financial reporting process, risk management and internal control systems. The members of the Audit Committee are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi, all being independent non-executive Directors. Mr. Lam Ying Hung Andy is the chairman of the Audit Committee.

The Company's annual results for the year ended 31 March 2020 have been reviewed and discussed by the Audit Committee.

For the year ended 31 March 2020, the Audit Committee has held 3 meetings. The work performed by the Audit Committee during the year included reviewed the Group's annual financial statements for the year ended 31 March 2019 and the interim financial statements for the six months ended 30 September 2019; reviewed the terms of engagement of external auditor of the Company; and discussed with the auditors on the audit plan. The attendance record of each member of the Audit Committee is set out below:

	Number of Audit Committee meetings attended/held	Attendance ratio
Mr. Lam Ying Hung Andy	3/3	100%
Mr. Wang Chen	3/3	100%
Ms. Li Mingqi	1/3	33%

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the Remuneration Committee are Ms. Li Mingqi, Mr. Lam Ying Hung Andy and Mr. Wang Chen, all being independent non-executive Directors. Ms. Li Mingqi is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management; to consider and advise on the recommendations regarding remuneration, bonuses and other compensation payable to all Directors and senior management; to review and approve the management's remuneration proposal; to make recommendations on performance evaluation procedure for determining remuneration of Directors and senior management. The Remuneration Committee shall ensure the Company has a formal and transparent procedure for developing remuneration policy of all Directors and senior management and none of the Directors is involved in determining his/her own remuneration. The Remuneration Committee has adopted the approach made under B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Director and senior management of the Company.

For the year ended 31 March 2020, the Remuneration Committee has held 1 meeting. The work performed by the Remuneration Committee during the year included reviewed the existing policy and structure of the remuneration for the Directors and senior management of the Company. The attendance record of each member of the Remuneration Committee is set out below:

	Number of Remuneration Committee meetings attended/held	Attendance ratio
Ms. Li Mingqi	1/1	100%
Mr. Lam Ying Hung Andy	1/1	100%
Mr. Wang Chen	1/1	100%

The remuneration of the senior management (being Directors) of the Company for the year ended 31 March 2020, by band is set out below:

Remuneration	Number of Individuals 2020
HK$1 to HK$1,000,000	3
HK$1,500,001 to HK$2,000,000	1
HK$2,500,001 to HK$3,000,000	1
	5

NOMINATION COMMITTEE

The Nomination Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the Nomination Committee are the independent non-executive Directors, Mr. Wang Chen, Mr. Lam Ying Hung Andy and Ms. Li Mingqi. Mr. Wang Chen is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to (1) review the structure, size and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (2) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (3) assess the independence of the independent non-executive Directors; (4) make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

For the year ended 31 March 2020, the Nomination Committee has held 1 meeting. The work performed by the Nomination Committee during the year included: reviewed the structure, size and composition of the Board; considered the independence of independent non-executive Directors; and made recommendations to the Board on the re-election of retiring Directors at the 2019 AGM. The attendance record of each member of the Nomination Committee is set out below:

	Number of Nomination Committee meetings attended/held	Attendance ratio
Mr. Wang Chen	1/1	100%
Mr. Lam Ying Hung Andy	1/1	100%
Ms. Li Mingqi	1/1	100%

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

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

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

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the prospectus of the Company dated 30 March 2012 (the "Prospectus"), in order to protect the Group from any potential competition, Mr. Wong and Excel Time (the "Covenantors") have executed a deed of non-competition undertaking (the "Non-competition Undertaking") in favour of the Company on 25 March 2012 pursuant to which the Covenantors have, among other matters, undertaken to the Company (for itself and for the benefit of the subsidiaries) that each of the Covenantors and their respective associates shall not engaged in any business which will or may compete with the business currently and from time to time engaged by the Group. Details of the Non-competition Undertaking are set out in the paragraph headed "Relationship with controlling shareholders – Non-competition Undertaking" of the Prospectus. As each of Mr. Wong and Excel Time has ceased to be a controlling shareholder of the Company since 31 May 2018, there was no requirement relating to compliance with the terms of the Non-competition Undertaking during the year ended 31 March 2020.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

The Company recognizes the importance of maintaining a timely communication and transparent reporting to the Shareholders and/or investors.

The Company maintains an on-going dialogue with the Shareholders and/or investors by various communication channels, including but not limited to, general meetings, annual and interim reports, announcements and circulars. The Company publishes all corporate communications on the Company's website at www.synertone.net, and on the website of the Stock Exchange at www.hkexnews.hk.

In compliance with the CG Code, notice will be given to the Shareholders for annual general meeting at least 20 clear business days before the meeting and notice will be given for all other general meetings at least 10 clear business days.

All general meetings of the Company have been conducted by way of poll and detailed procedures for conducting a poll were explained at the commencement of the meeting. The poll voting results will be published by way of an announcement immediately following the relevant general meeting.

The procedures for Shareholders to convene and put forward proposals at an annual general meeting or extraordinary general meeting are set out in Article 58 of the Articles of Association, which can be accessed on the Company's website at www.synertone.net or on the website of the Stock Exchange. 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.

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

ACCOUNTABILITY AND AUDIT

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2020 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2020, the total fee in respect of audit services provided by HLB Hodgson Impey Cheng Limited, the auditor of the Company, was approximately HK$800,000.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group for the year ended 31 March 2020 and confirm that the financial statements give a true and fair view of the state of affairs of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The statement of the auditor as to its responsibility for the financial statements is set out in the Independent Auditors' Report set out on pages 57 to 61 of this annual report. The Directors have prepared the financial statements on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board's responsibilities for the risk management and internal control systems

The Board acknowledges that it is responsible for the risk management and internal control systems and oversees such systems on an ongoing basis, while ensuring a review of the effectiveness of these systems of the Group is conducted at least annually. The scope of such review covers all material controls, including financial, operational and compliance controls. The Group's risk management and internal control systems are designed to manage risks rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. The management has provided a confirmation to the Audit Committee on the effectiveness of these systems for the year ended 31 March 2020 and the Audit Committee has recommended the Board for approval of the confirmation of the management.

Main features of the risk management systems

The Company recognises that good risk management is essential for the long-term and sustainable growth of a business. The Group has established a governance structure and the major responsibilities of each role of the structure are summarized below:

Role	Major Responsibilities
Board	– determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives;
	– oversees management in the design, implement and monitoring of the risk management and internal control systems;
	– oversees the Group's risk management and internal control systems on an ongoing basis and ensures the Company establishes and maintains appropriate and effective risk management and internal control systems;
Audit Committee	– reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls;
	– reviews the emerging risks of the Group annually, and the risk management and the internal controls in place to address those risks;
	– discusses the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have an effective systems;
	– considers major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Group's management's response to these findings;
	– implements any remedial plans recommended by the management should there be any internal control deficiencies;
Management	– designs, implements and ongoing assesses the Group's risk management and internal control systems;
	– gives prompt responses to, and follow up the findings on risk management and internal control matters as delegated by the Board, on Audit Committee's initiative or raised by the external risk management and internal control review advisor(s);
	– provides confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems;
Risk Owners	– ultimately accountable for ensuring the risk is managed appropriately;
	– prepare their respective operating plans pursuant to corporate objectives for consideration; and
	– responsible for, or oversight of, activities to manage each identified risk.

In addition, the Company has engaged external consultant to conduct a review of the effectiveness of the risk management and internal control systems for the year ended 31 March 2020.

Main features of the internal control systems

The Company has in place an internal control system which is compatible with the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

Control Environment	–	a set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
Risk Assessment	–	a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
Control Activities	–	actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
Information and Communication	–	internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
Monitoring	–	ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Process used to identify, evaluate and manage significant risks

(1) Understand the business objective and update the risk assessment criteria and relevant risk items.

(2) Review the existing risk management mechanism, identify areas for enhancement and refine the mechanism if necessary.

(3) Identify relevant risks and update the identified risks in the risk register in response to the changes in the Company's business and the external environment.

(4) Rating for the impacts and inherent likelihood of each identified risks, priorities the identified risk items and identify the responsible risk owners.

(5) Analyse the counter measures which have been put in the risk response (ranking) table based on risk priorities.

All high risk items should be reduced or eliminated by mitigation actions while all medium risk items should be considered for mitigation which subject to a cost benefit analysis.

(6) Estimate the initial and ongoing costs for mitigation by comparing with the estimate cost of non-mitigation and consider all risk mitigation options. Once the decision to mitigate the risk has been made and the strategy is identified of each risk item, a mitigation plan should be developed.

(7) Prepare for the risk assessment results, which covers significant control failings or weaknesses that have been identified, which have a material impact on the Company's financial performance or condition, and present the same to the Audit Committee.

(8) Develop the ongoing risk mitigation plan for the top prioritised (significant) risk items based on the risk assessment results.

In achieving sound and effective risk management and internal control systems, employees are obliged to respect all applicable legislation, rules and regulations, and to follow certain policies and procedures.

For the year ended 31 March 2020, the Board considered the risk management and internal control systems of the Company are effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of such review covers the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting functions and their attitude against internal control of the Group. The Board will continue to work with the management to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

Whistleblowing policy

The Group relies on each of its employees, at all levels, to monitor the quality of the Group's daily operation and compliance with relevant laws and regulations. The Group considers recommendations from employees for improving the Group's practices and controls and communicates policy changes and other matters of the Group in a timely basis.

In addition, the Company has adopted a whistleblowing policy, under which employees and those who deal with the Company are provided with ways to raise their concerns about possible improprieties in any matter relating to the Company without fear of reprisal or victimization, and in a responsible and effective manner. Written complaints can be lodged directly to the chairman of the Audit Committee and copied to the Company Secretary. The chairman of the Audit Committee shall convene a meeting to decide whether and/or how to carry out any necessary investigation and, depending upon the circumstances, consider to nominate investigating officer or to set up a special committee to investigate the matter independently.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with the requirements of the SFO and the Listing Rules for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in the announcements or circulars of the Company are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

The Group has adopted and implemented written policy and procedures on handling and dissemination of inside information. Certain measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements, which include the following:

– The Group has established the inside information team (the "Inside Information Team") to identify, assess and escalate potentially inside information to the attention of the Board.

– A reporting channel has been set up for employees to use upon they become aware of actual or potentially inside information ("Information"). They must report to their respective divisional disclosure officers, or the Inside Information Team of the Information at the possible earliest time. Divisional disclosure officers shall then conduct preliminary assessment of the Information received. Upon notification of Information, the Inside Information Team reviews and decides whether the Information must be disclosed, as well as when and how the Information shall be released and gives recommendation to the Board. The Board reviews the recommendation from the Inside Information Team and decides whether the Information should be disclosed; and/or any other appropriate actions.

– The Group has designated officers with appropriate skills and training to speak on behalf of the Group when communicating with media, analysts or investors.

– The Group has strict prohibition on unauthorized use or disclosure of confidential information. Such prohibition is included in the employment agreements for all employees.

– Officers/relevant employees are given access to a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information. Trainings are provided to them on a regular basis to ensure that they are familiar with the procedures as well as their relevant disclosure duties and obligations.

Internal audit function

The Company currently does not assign any specialized staff to monitor the internal control system of the Company. The Board has reviewed, on an annual basis, the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

On behalf of the Board
Han Weining
Executive Director and Chief Executive Officer

26 June 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE AND STANDARD OF THE REPORT

This environmental, social and governance report was prepared in accordance with "comply or explain" provisions set out in Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Listing Rules and the principles of materiality, quantitative, balance and consistency. This report intends to summarise the philosophy of the Group on environment, social and governance aspects and relevant overall performance of the business operations of the Group in the PRC during the year ended 31 March 2020 (the "Reporting Year"). For the philosophy and performance of corporate governance of the Group, please refer to the "Corporate Governance Report" in the Annual Report 2020.

This report was prepared based on the information obtained from or implied in official documents or statistic report of the Group, covering issues concerned by stakeholders of the Group. To further understand their needs, the Group actively communicates with its stakeholders, including shareholders, the government, employees, clients, suppliers, the community and the public. Matters related to environment, social and governance which pose significant influence on the stakeholders were evaluated and identified through the combination of group discussions and phone interview.

Wankesi Automation Information (China) Co. Limited (萬科思自控信息(中國)有限公司) ("Wankesi"), being one of the Group's major operating companies, is quite involved in key concern areas as discussed in the Company's "Environmental, Social and Governance Report" for the Reporting Year and represents a higher percentage of revenue of the Group for the Reporting Year. Therefore, the abovementioned company is highly associated in regard to environment, society and governance. As a result, disclosures were made around policies and performance of the abovementioned company in three environmental areas and eight social areas in this report for the Reporting Year.

ENGAGEMENT WITH STAKEHOLDERS

The Group proactively listened to the views of stakeholders to ensure continuous improvement. The Group strived to communicate with internal and external stakeholders through various communication channels, so as to understand and respond to their expectations and concerns, and to strike a balance between their respective interests, which in turn enabled us to determine our business development direction in the long run.

Stakeholders	Expectations and concerns	Communication and response
Shareholders	• Financial results • Corporate transparency • Sound risk control	• Financial report and corporate announcements • Daily information disclosure • Optimization of risk management and internal control
The government	• Being law-abiding • Paying tax in accordance with the law	• Operation in compliance with the law • Making timely tax payment in full
Employees	• Career development platform • Remuneration and benefit • Safe working environment	• Promotion mechanism • Competitive remuneration and benefit packages • Provision of training to staff and enhancing their safety awareness

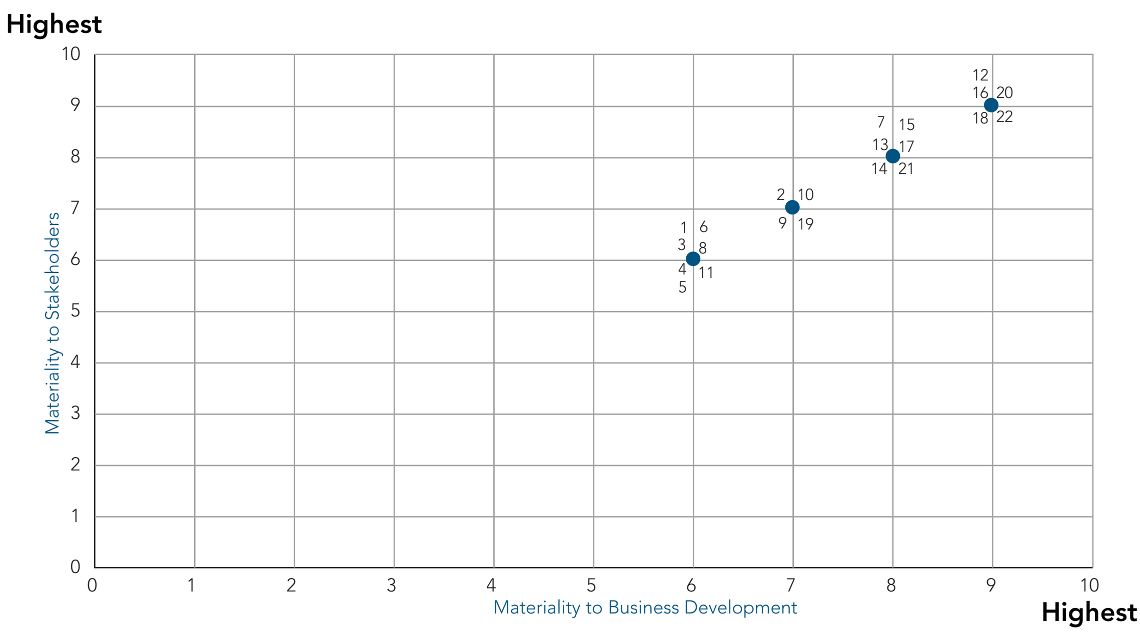
Stakeholders	Expectations and concerns	Communication and response
Clients	• Customer information security • Customer interest protection	• Customer privacy protection • Marketing in compliance with the law
Supplier	• Collaboration integrity • Business ethics and creditworthiness	• Building a responsible supply chain • Performing contracts in accordance with the law
The community and the public	• Environmental friendliness • Employment opportunities	• Committing to building an environmentally-friendly corporation • Provision of employment opportunities

MATERIALITY ASSESSMENT

During the Reporting Year, the Group carried out a materiality assessment to the environment, society and governance related issues. With reference to its actual business and industrial characteristics, the Group identified and recognized 22 issues in relation to the environment, society and governance, and invited internal and external stakeholders to give rating on the materiality of such 22 issues. After consolidating the rating results of stakeholders and the Group's sustainable development target, our management concluded in a report the materiality priority of these issues and prepared a materiality matrix chart.

The result of materiality assessment will be used by the Group as a guidance when developing future environmental, social and governance working projects and targets, with a view to creating sustainable value for stakeholders.

The Group's environmental, social and governance materiality matrix chart for the Reporting Year is as follows:



Environmental issues	Social issues	Governance issues
1. Greenhouse gas emissions 2. Energy consumption 3. Water consumption 4. Waste 5. Environmental impact created by our business 6. Green building certification 7. Engagement with customers on environmental issues 8. Use of chemicals	9. Engagement with local community 10. Community investment 11. Occupation health and safety 12. Supply chain labor standard 13. Training and development 14. Employee benefit 15. Inclusion and equal opportunity 16. Attract and retain talents	17. Economic value created 18. Corporate governance 19. Anti-corruption 20. Supply chain management 21. Customer satisfaction 22. Customer privacy

ENVIRONMENT

The Group is committed to ensuring continuous growth of its business and at the same time maintaining sustainable development of the environment. The Group conducts internal trainings and internal review with reference to relevant requirements of ISO14000 Environmental Management System. The Group strives to make environmental protection a self-motivation to every employee, making the spirit of environmental protection a part of corporate culture. The Group has launched a number of measures for environmental protection, with an aim to optimising emission management and enhancing efficient use of resources.

Emission management

The Group strictly complies with relevant national and local laws and regulations on environmental protection and pollutant emissions, including "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and "Regulations on Construction Projects Environmental Protection (建設項目環境保護管理條例)" during business operation. The Group's production process does not involve wastewater discharge. Domestic sewage discharged in daily operation and exhaust gases emitted in production process comply with relevant local standards.

All domestic sewage is discharged through sewage pipelines, with the sewage discharge pipelines and sewage treatment equipment being maintained and repaired regularly. Meanwhile, circulating water is used in cooling, greening and cleaning to minimise discharge of wastewater. Thus the total water consumption of the Group has been effectively reduced.

After centralising and collecting soldering tin exhaust gases during the production process, high-efficiency particulate air filter (HEPA) is used in filtering process. The gas is then led to direct emission through windows after the processing performance reaches 99.9%. In addition, the Group arranges use of vehicles reasonably and promotes green travelling to reduce the emission of greenhouse gas. Through these efforts, the Group is aiming to enhance the environmental protection awareness of its staff, and as a result, the air pollution emissions and greenhouse gas emissions of the Group have been effectively reduced.

During the Reporting Year, the main air pollution emissions of the Group from vehicle used during operation are set out below:

Emission Type and Related Emission Data

Types of air pollutants	Unit	2020	2019
NO_X	Kg	**16.82**	20.36
SO_X	Kg	**0.05**	0.06
PM	Kg	**1.61**	1.95

During the Reporting Year, the greenhouse gas emissions and intensity of the Group during operation are set out below:

Greenhouse Gas Emissions and Intensity

Scope of greenhouse gas emission *(note)*	Unit	2020	2019
Scope 1 Direct greenhouse gas emissions and reduction	CO2 equivalent (kg)	**6,958**	9,243
Scope 2 Energy indirect greenhouse gas emissions	CO2 equivalent (kg)	**369,617**	402,039
Scope 3 Other indirect greenhouse gas emissions	CO2 equivalent (kg)	**5,195**	4,118
Total greenhouse gas emissions	CO2 equivalent (kg)	**381,770**	415,400
Greenhouse gas emissions intensity	CO2 equivalent (kg)/total annual production	**5.03**	5.62

Note:

The greenhouse gas emissions (direct and indirect) and reduction can be divided into the following three independent scopes:

Scope 1: the greenhouse gas emissions directly generated from businesses owned or controlled by the major operating companies of the Group/Wankesi, which include: (i) greenhouse gas emissions generated from vehicles controlled by the major operating companies of the Group/Wankesi; and (ii) trees planted by the major operating companies of the Group/Wankesi in the Reporting Year that are used for greenhouse gas reduction;

Scope 2: "indirect energy" greenhouse gas emissions resulted from electricity consumed (purchased or acquired) by the major operating companies of the Group/Wankesi; and

Scope 3: other indirect greenhouse gas emissions occurred outside the major operating companies of the Group/Wankesi, including upstream and downstream emissions.

Unqualified printed circuit boards and electronic components in production process are returned to suppliers for processing; tin scrap and waste packages are collected and delivered to qualified waste recycling units for processing. Active measures for recycling and integrated usage are also adopted to avoid secondary pollution. The Group promotes "Paperless" office and upholds the principles of 3R ("Reduce", "Reuse", "Recycle") in paper usage. The Group encourages staff to read documents through electronic equipment, print relevant documents after checking, select double-sided printing whenever possible, and use both sides of paper so as to reduce waste of paper. The Group's total non-hazardous wastes have been effectively reduced through waste recycling and "Paperless" office policy. The Group is devoted to promoting clean techniques and formula and using less polluting raw materials in product design. New techniques, new technology and new equipment are adopted to maximise utilisation of raw materials and resources with an aim to avoid formation of scraps in production process, so as to effectively reduce hazardous wastes.

During the Reporting Year, the total waste generated and its intensity were set forth as follows:

Total Waste and Intensity

Types of waste	Unit	2020	2019
Total amount of non-hazardous waste	Kg	**21,235**	23,100
Non-hazardous waste intensity	Kg/total annual production	**0.28**	0.31
Total amount of hazardous waste *(note)*	Kg	**N/A**	N/A
Hazardous waste intensity	Kg/total annual production	**N/A**	N/A

Note:

The hazardous waste produced by the Group's business are delivered to qualified waste recycling units for processing as the Group generated only an insignificant amount of hazardous waste, which did not have any substantial impact to the environment, thus no data is disclosed.

In the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to the Group's air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact, such as "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and "Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)". In addition, there was no report of significant fines or non-monetary sanctions as the result of non-compliance with relevant laws and regulations in the Reporting Year.

Use of resources

The Group encourages staff to implement the concept of environmental protection, participate in environmental protection work and enhance the efficient use of resources. The Group keeps raising staff's consciousness of environmental protection through different communication channels. The Group has launched resource-saving measures in its production activities and daily office operation, including:

– Using zone switch for lighting and air-conditioning systems so as to conserve energy consumption;

– Maintaining the temperature of air-conditioners at 25 degree Celsius in summer so as to conserve energy consumption;

– Switching off air-conditioning systems and lighting equipment in workplace when they are idle so as to conserve energy consumption;

– Reducing idle time for devices so as to conserve energy consumption; and

– Optimising purchase process and improving purchase system to reduce inventory storage so as to conserve energy consumption.

During the Reporting Year, the total energy consumption of the Group and its intensity were set forth as follows:

Total Energy Consumption and Intensity

Use of Resources	Unit	2020	2019
Total energy consumption	KWh	**570,000**	620,000
Energy consumption intensity	KWh/total annual production	**7.5**	8.38

The Group has adopted water-saving measures and established internal guidance. Plans for water-saving targets are developed annually. Water-saving measures are implemented to enhance daily maintenance and management of equipment consuming water, with the aims of avoiding "running", "spraying", "dripping" and "leakage" of water and the occurrence of "prolonged water flow" and ensuring employees comply with principles of conservation and efficient use of water when using water resources. Once any malfunction is found in water-consuming equipment, professionals will be notified immediately for repairing. The Group promotes the use of circulating water to minimise the use of tap water. The Group also examines the situation of water usage regularly for the investigation of the reasons for overconsumption and the statistics and announcement on the status of water consumption and conservation.

During the Reporting Year, the total water consumption of the Group and its intensity were set forth as follows:

Total Water Consumption and Intensity

Use of Resources	Unit	2020	2019
Total water consumption	m^3	**8,500**	6,520
Water consumption intensity	m^3/total annual production	**0.11**	0.09

Large amount of packaging materials are used in the Group's products. To reduce waste generation, the Group strives to reuse all paper boxes and filling materials in packages.

During the Reporting Year, the total packaging materials used by the Group and intensity per production unit were set forth as follows:

Total Packaging Materials and with Intensity Per Production Unit

Use of Resources	Unit	2020	2019
Total packaging materials	Kg	**8,300**	7,800
Intensity of packaging materials	Kg/total annual production	**0.11**	0.11

Environment and natural resources

The Group has stringent control on production procedure to ensure compliance with local environmental laws and regulations. No material non-compliance with "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and other applicable laws and regulations was recorded during the Reporting Year. The Group will strive to reduce the impacts on the environment and natural resources from aspects including operation and management by continually perfecting environmental protection, energy conservation and emission reduction management system with emphasis on controlling the emission of pollutants during production process.

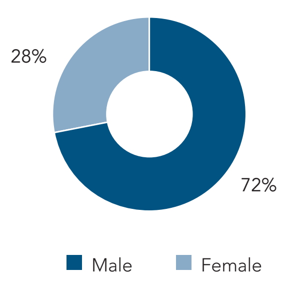
EMPLOYMENT AND LABOUR PRACTICES

Employees are the most valuable capital for achieving the target of the Group. The Group is committed to providing a fair and safe working environment for employees. The Group is always attentive and supportive to employees. The Group continuously provides diversified skill trainings and career development opportunities for employees so as to achieve harmony and mutual win between employees and the Group.

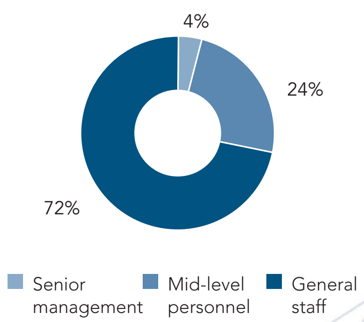
Employment

The Group strictly complies with laws and regulations related to employment in mainland China and Hong Kong, such as "Labour Law of the People's Republic of China (中華人民共和國勞動法)", "Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法)" and "Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法)" as well as Employment Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong, to ensure the provision of fair employment and promotion opportunities to employees. During the Reporting Year, there were no violations of laws and regulations relating to labour and employment by the Group. The Group upholds the performance-based employment concept that "capable person replaces incapable one". Employment and dismissal policy will not be affected by race, gender, age, religious belief, disabilities or family status of applicants. As at 31 March 2020, the Group had 148 employees in total, who located in places like Hong Kong, Shenzhen, Shanghai and Hangzhou. The ratio of male to female staff was approximately 7:3. The Group has a qualified team comprising talents with doctoral degree, master degree, bachelor degree and college graduates. Distribution of positions of staff was as follows: senior management accounted for 4%, mid-level personnel accounted for 24% and general staff accounted for 72%.

By Gender



By Positions



The Group treasures and respects talented personnel, and endeavours to offer comprehensive and competitive remuneration package and benefits to attract, retain and motivate outstanding employees. The Group benchmarks employees' compensation according to its internal situation and the external labour market of related fields, sectors and professions, to ensure their compensation are reasonable and consistent with market level. Remuneration adjustments are based on the Group's operating results, the level of the staff's position, personal competency and performance and social development level. Discretionary performance bonus is offered to staff according to annual appraisal as recognition of their contribution and as motivation for achieving self-improvement. The Remuneration Committee is responsible for reviewing the management's proposal of the Group's remuneration adjustment and discretionary performance bonus and share options as incentives to senior management with outstanding performance.

The Group emphasises the wellbeing of its employees, caring for employees from various aspects. The trade union of Wankesi was established in 2013, which was organized by employees. The trade union was founded to care for employees' work and life, organize employees to participate in team building activities, sports activities, public welfare activities, etc., communicate with the Company from the perspective of employees, and handle employee complaints, suggestions and so on. The activities are categorized as follows:

– Providing welfare canteen and welfare supermarket for employees, in which food ingredients are sourced from large supermarkets so that employees could have healthy and safe meals;

– Providing commute transport and dormitory for non-local employees; and

– Organising birthday event each month for employees to celebrate birthday in the month and to share cakes, play games and receive birthday gifts.

During the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to the Group's compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have significant impact. The Group strictly complied with local laws and regulations relating to employment, such as "Labour Law of the People's Republic of China (中國人民共和國勞動法)" and "Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法)". In addition, there was no report of significant fines or sanctions as the result of non-compliance with relevant laws and regulations during the Reporting Year.

Occupational health and safety

The Group pays high attention to occupational health of staff and targets zero accident in operation. The Group strictly complies with applicable laws and regulations such as "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法)"and Occupational Safety and Health Ordinance of Hong Kong. The Group is committed to providing a healthy and safe working environment to prevent its employees from suffering occupational hazards. During the Reporting Year, there was no non-compliance matter in relation to the occupational health and safety by the Group. To prevent occurrence of disasters and accidents, the Group enhances the promotion and trainings on labour protection and precautions and prevention and control of occupational diseases. First-aid and fire drill exercises are conducted regularly to persistently raise the occupational safety awareness of employees. The Group also reinforces checkings on important positions to promote the proper use of labour protection supplies and protect employees' health and safety.

To ensure employees' safety in production, the following mechanism has been established: Management System for Safe Production is established to specify the leaders of the Group as the first person in charge of safe production. A safety committee is established for the identification, prevention and recording of safety risks. Machines and equipment are maintained regularly and assigned to person-in-charge. Trainings on safe operation standards of positions are enhanced to ensure standardised operation.

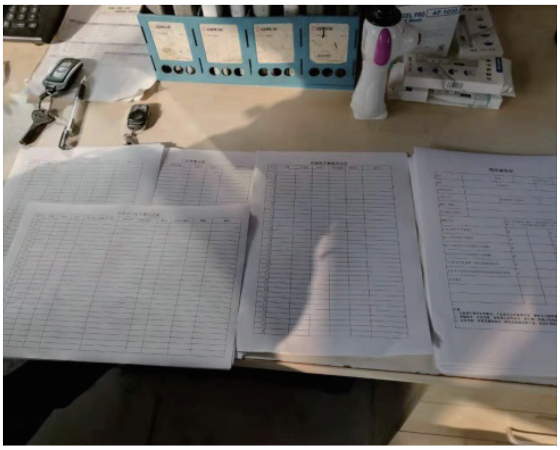
The Group has also implemented various measures to create healthy indoor working environment for employees. For example, professional cleaners are required to clean the office an hour before working hour begins every day and to clean common facilities such as lavatories and conference rooms regularly as required. Air-conditioning system and air filters are cleaned regularly to maintain good indoor air quality. Professional cleaning companies are engaged to clean carpets and maintain the floor in the workplace. Professional drinking water system is installed with water quality checked and announced each quarter.

In addition to general social insurance like medical and pension insurance, the Group has also purchased critical illness insurance for employees of certain subsidiaries and traffic accident damage insurance for frequent travelling employees. Annual physical examination is arranged for all employees and occupational health check is arranged for employees at certain special positions. The Group monitors work-related injury rate continuously and considers relevant data as key indicators for the evaluation of safety performance. During the Reporting Year, the Group had no work-related fatal incident. Besides, loss of working days caused by work injuries in the subsidiaries in Hong Kong and Shenzhen was less than 1 day.

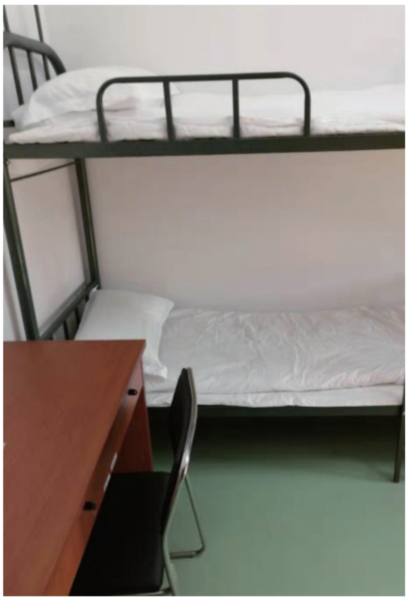
The Group actively promotes establishment of safe production and occupational health and safety system. For example, Synertone Communication Technology Limited (協同通信技術有限公司) and 悉雅特萬科思自動化(杭州)有限公司, being the Group's subsidiaries, have obtained Work Safety Standardization Certificate (Level 3) (安全生產標準化證書(三級)), and OHSAS18001 Occupational Health and Safety Management System Certification and Work Safety Standardization Certificate (Level 2) (安全生產標準化證書(二級)) respectively.

During the prevention and control of the COVID-19 pandemic, Wankesi has adopted 10 measures to ensure its employees would resume work in a safe environment in accordance with the requirements of Jiaxing Science and Technology City Management Committee, pursuant to which, (i) no new employees will be recruited from severely stricken Hubei Province during the pandemic period; (ii) all non-local employees who have returned to work will be quarantined 14 days by their own arrangement; (iii) all non-local employees who have not returned to work will be temporarily suspended; (iv) the employees who have recently passed or stayed in Hubei Province are not allowed to work; (v) the related knowledge of the COVID-19 is provided to all employees, and preventive measures are extensively promoted to ensure that all employees are in compliance with the pandemic prevention rules; (vi) body temperature measurements shall be taken at least twice each day, and the Group must provide protective materials such as masks, disinfectants and hand sanitizers; (vii) a reasonable number of separate quarantine and observation rooms shall be set up by the employer; (viii) central cold air-conditioning shall be shut down and ventilation shall be maintained at workshops; (ix) an emergency plan shall be well prepared. If any employee is found to have symptoms such as fever and respiratory tract infections, they must be quarantined as soon as possible, which shall be reported to the local economic development office and pandemic prevention department. In this regard, the local epidemic prevention personnel shall handle these cases; and (x) we will strictly implement the relevant requirements set by other levels of government bodies and prevention and control teams.

During the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to providing a safe working environment and protecting employees from the Group's occupational hazards that have significant impact. The Group strictly complied with local laws and regulations relating to health and safety, such as the "Safe Production Law of the People's Republic of China (中華人民共和國安全生產法)" and the "Regulations on Work-Related Injury Insurance of the People's Republic of China (中華人民共和國工傷保險條例)". In addition, there was no report of significant fines or sanctions as the result of non-compliance with relevant laws and regulations during the Reporting Year.



To enter the production facilities, any employee must present his or her employee ID, take a body temperature measurement, and register entries and exits of personnel.



Vacant staff quarters are remodeled into separate 14-day quarantine and observation rooms.

The first floor of the office building will be used as a temporary quarantine zone.

Employee development and training

The Group believes that nurturing talents lays the foundation for corporate development. As such, the Group actively promotes talent strategy of "Respecting science, respecting knowledge, continuous learning, striving for performance, team work, respecting individuality" and regards talents as strategic and value-adding resources of first priority to conduct in-depth development and operation. The Group focuses on nurturing talents and management staff and assigns them work with flexibility. On-the-job training and career opportunities are emphasised. Through serialised talent training programs including occupation development training camp, induction programs, manager research camp and senior management motivation camp, supplemented with the knowledge sharing platform of Synertone Online College, a training system covering four major aspects, namely online training, daily training, focused training and external training, was established. The system provides rich resources to support career development and personal values of employees, and integrates the core values of "seeking mutual development, abiding by ethics, pushing the limits, pursuing effectiveness, efficiency, excellence" with the Group's daily work.

During the Reporting Year, directors, management and staff responsible for finance, accounting, laws and regulatory affairs in Hong Kong and Shenzhen subsidiaries of the Group have participated in relevant professional training courses organised by various professional organizations.

Labour standards

The Group strictly complies with "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)", Employment of Children Regulations of Hong Kong and other laws and regulations related to labour standards. During the Reporting Year, there were no cases of violation of labour laws to recruit child labour and forced labour by the Group. The Group implements five-day work week encouraging employees to strike balance among health, work, social and family. To support self-development of employees, the Group provides flexible working hour arrangement for employees at certain positions. In addition to ordinary annual leaves and paid sick leaves, the Group also provides other leave arrangement like marriage leave, maternity leave, paternity leave and bereavement leave to employees for their relaxation and refreshment.

During the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to prohibiting the Group from employing child and forced labour. The Group strictly complied with local laws and regulations relating to labour standards, such as the "Labour Law of the People's Republic of China (中華人民共和國勞動法)", "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)" and "Employment of Children Regulations (僱用兒童規例)". In addition, there was no significant fines or sanctions as the result of non-compliance with relevant laws and regulations in the Reporting Year.

OPERATING PRACTICES

The Group insists on treating every detail in daily operation seriously in a responsible manner. From the areas of supply chain, product responsibility and anti-corruption, the Group keeps perfecting its operations management, persistently creating value for customers and benefits for the society.

Supply chain management

"Creativity", "Safety", "Environmental Protection", "Sustainable Development" are the main factors considered by the Group when choosing suppliers, monitoring their performance and communicating with them. Prior to the procurement of materials from the suppliers and in the course of tendering and quotation, the Group complied with laws and regulations such as the "Bidding Law of the People's Republic of China (中華人民共和國招標投標法)" as well as the procurement guidance to carry out strict examination procedures on the qualification of the suppliers. Suppliers' competencies and performance in respect of costing, quality, use of technologies, environmental protection awareness, moral conduct and social responsibility are examined through business meetings, factory visit and review of labour and employment status, random checking and cost calculation, ensuring the best products were offered by the most suitable supplier. The Group's purchasing committee takes part in the selection processes of key suppliers, material procurement tendering projects and procurement projects with strategic risk, and the final decisions of procurement contracts for key projects. The Group maintains close relationship and collaborates with suppliers and contractors to ensure that their operations fully comply with local laws and regulations environmentally and socially. The Group also shares the sustainable development guideline with them in order to guarantee their business activities are in line with the principles of sustainable development.

The Group requires its cooperating suppliers to obtain international certificates such as ISO9001 Quality Management System Certificate and ISO14001 Environmental Management System Certificate. Suppliers are required to provide environmental-friendly and non-hazardous materials, so that chemical materials contained in the Group's products would fall below the limits stipulated by the relevant laws and regulations or the Group's customers. The Group encourages its suppliers to implement a systematic environmental protection and life-cycle management for their products, achieving green design, green production and control the usage of different restricted materials from their origins, hence building up a green supply chain.

To prohibit suppliers from providing gifts, certificates, loans, hospitality, services or assistance in an improper manner, the Group requires its suppliers to follow and enter into a code of conduct for ethical standard and commercial behavior prepared by the Group and to comply with it. Suppliers are also required to comply with the local laws and regulations in relation to bribery. Moreover, in respect of terms and conditions for procurement, suppliers are required to comply with the laws and regulations relating to the prohibition of using child-labour, forced labour and occupational discrimination as set out in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights. The Group also monitors regularly the compliance of suppliers with those laws and regulations and guiding principles through self-declaration and on-site examination. Furthermore, the Group continuously measures and assesses suppliers' commitments to fulfill the above requirements through a supplier performance grading system.

Products responsibility

The Group puts great emphasis on the protection of intellectual property. All of the Group's staff shall follow the internal policy guidance and their awareness of respecting third parties' intellectual property rights is emphasised. The Group possesses or is in the process of applying various patents (including invention patents, practical new design patents and exterior design patents) in relation to its self-developed communication systems and technologies and building intelligence products design. The Group protects intellectual property rights according to laws and regulations such as the "Patent Law of the People's Republic of China (中華人民共和國專利法)" and "Copyright Law of the People's Republic of China (中華人民共和國著作權法)". During the Reporting Year, there was no non-compliance matter in relation to the intellectual property rights by the Group or disputes with third parties on the intellectual property rights.

Ensuring data safety of the Group's customers is another important mission. In the Group's daily operation, the protection of clients' information resources remains top priority. Users' information resources are protected from unauthorized access, usage and leakage through different safety technologies and procedures. Electronic information containing clients' details is kept in the Group's server. All the paper-based documents are kept in a file room. The Group also adopts customer management measures and designates personnel responsible for the maintenance of clients' data. Clients' information will only be used legally for the relevant purpose based on provisions on personal data privacy. The Group assures that the personal and commercial data of the Group's customers are properly kept and used only for authorized commercial purpose, and can only be accessed by staff that are considered necessary. Moreover, the Group's cooperating suppliers shall comply with the same requirements.

The Group insists on delivering quality products to customers. Stringent review is carried out in the product development process. Procedures such as material inspection, semi-finished product inspection, finished product inspection, shipping inspection and process inspection etc. are strictly executed, ensuring the products are in good quality and fulfilled the safety and health requirement. Subsidiaries of the Group engaging in manufacturing have obtained ISO9001 Quality Management System Certificate. During the Reporting Year, the Group did not commit any material non-compliance or illegal events in relation to product safety.

For advertising and promotion, the Group strictly complies with the "Advertising Law of the People's Republic of China (中華人民共和國廣告法)" and the "Trademark Law of the People's Republic of China (中華人民共和國商標法)". The Group is devoted to providing customers with true and accurate information as well as fast and convenient user experience. The Group promotes its products and marketing activities and collects feedback through the use of various platforms such as official website, mobile APP, 3D products module, and social media including WeChat. When receiving complaint on its products or services, the Group will initiate investigation and studies on the complaint and opinion lodged by customers. Details will be passed to the relevant management personnel within 24 hours and the Group guarantees to give reply within a week. Meanwhile, the relevant sales team is responsible for collecting and consolidating customers' comments on the quality of services and goods etc. so as to prevent the problem from occurring again and solve the problem in a timely and satisfactory manner. During the Reporting Year, all the complaints the Group received on the products and services and other matters were settled promptly. The Group was also widely praised by its clients for professional skills and localized service with fast reaction.

During the Reporting Year, the Group was not aware of any material non-compliance with relevant rules and regulations relating to health and safety, advertising, labeling and privacy matters relating to products provided by the Group and methods of redress that have a significant impact. The Group strictly complied with local laws and regulations relating to product responsibility, such as the "Advertising Law of the People's Republic of China (中華人民共和國廣告法)"and the "Trademark Law of the People's Republic of China (中華人民共和國商標法)". In addition, there was no report of significant fines in the Reporting Year.

Anti-Corruption

The Group has formulated a code and guidance for business ethics, expressly stating the approach and requirements the Group adopted towards business ethics. The code for business ethics is included in the Staff Handbook. Any form of corruption, bribery, fraud and money laundering will not be tolerated. The relevant requirements will be explained to all new employees in their induction training. Relevant information is also available on the internal network of the Group for existing employees. The Group requires all its staff to adhere to a high standard of business ethics to protect the interest and business operation of the Group. During the Reporting Year, the Group was not aware of any non-compliance with relevant laws and regulations including the "Law of the People's Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法)" and the "Interim Provisions on the Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定)".

The Group has a whistle-blowing policy and system in place. Employees and stakeholders can report any inappropriate acts or dishonest behaviors (e.g. suspicion of corruption, fraud and other forms of criminal offence) directly to the chairman of the Audit Committee of the Board (an independent non-executive director of the Company), to ensure undergoing of individual investigation. During the Reporting Year, the Group did not receive any report of the above cases.

During the Reporting Year, none of the Group or its employees was involved in any legal proceedings relating to bribery, extortion, fraud or money laundering. The Group strictly complied with local laws and regulations relating to anti-corruption, such as "Law of the People's Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法)" and "Interim Provisions on the Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定)".

Community

The Group is committed to acting as a positive strength for the community in which it is operating and has been maintaining close communication and interaction with the community so as to contribute to the community from time to time.

Being a global responsible corporate citizen, the Group is dedicated to improving the image of the community and enhancing the sense of responsibility through community investments. All employees of the Group are encouraged to lend a helping hand to and support the local community and their neighborhoods.

In line with the prevention and control of the COVID-19 pandemic in Zhejiang Province, the Group responded to the emergent request for pandemic materials by the supply team under the leading pandemic control and prevention taskforce of the Zhejiang Provincial Department of Economics and Information Technology by independently setting up a new production line specialized for the assembly and processing of forehead thermometers (infrared thermometers).

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

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

TO THE SHAREHOLDERS OF
SYNERTONE COMMUNICATION CORPORATION
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Synertone Communication Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 165, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the Key Audit Matter
Allowance for expected credit losses assessment of trade receivables	
Refer to note 23 to the consolidated financial statements.	
The Group had trade receivables of approximately HK$36,100,000 (2019: HK$47,942,000) and reversal/allowance for expected credit losses of approximately HK$5,165,000 (2019: HK$17,262,000). In general, the trade receivable credit terms granted by the Group to the customers ranged between 30 to 180 days (2019: 30 to 180 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment.	Our procedures in relation to management's allowance expected credit losses assessment of the trade receivables as at 31 March 2020 included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2020 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the Key Audit Matter
Impairment assessment of Control System Business	
Refer to note 19 and 18 to the consolidated financial statements.	
The Group has goodwill and intangible assets of approximately HK$47,472,000 and HK$4,536,000 respectively relating to the control system business as at 31 March 2020. Management performed impairment assessment of control system business and concluded that an impairment loss on goodwill of nil was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cashflows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to the management's impairment assessment on included: • Evaluating of the management's independent valuer's competence capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using auditors' valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the key assumptions were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of 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 intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 26 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations			
Revenue	5	**73,243**	79,272
Cost of sales		**(46,162)**	(48,398)
Gross profit		**27,081**	30,874
Other income	6	**6,123**	6,783
Other gains and losses	6	**(587)**	(1,776)
Selling and distribution expenses		**(4,495)**	(5,705)
Administrative and other operating expenses		**(41,589)**	(52,453)
Research and development expenditure	7(c)	**(17,850)**	(8,683)
Reversal/(allowance) of expected credit loss, net	7(c)	**2,384**	(5,790)
Impairment loss of intangible assets	7(c)	**–**	(1,742)
Impairment loss of goodwill	7(c)	**–**	(15,000)
Loss from operations		**(28,933)**	(53,492)
Finance costs	7(a)	**(6,362)**	(8,389)
Share of results of an associate		**(12)**	483
Impairment loss of interests in an associate		**–**	(1,280)
Loss before taxation	7	**(35,307)**	(62,678)
Income tax	8	**2,113**	2,986
Loss for the year from continuing operations		**(33,194)**	(59,692)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	9	**(5,296)**	265,876
(Loss)/profit for the year		**(38,490)**	206,184

	Notes	2020 HK$'000	2019 HK$'000 (restated)
(Loss)/profit for the year attributable to owners of the Company:			
– Continuing operations		**(33,381)**	(57,209)
– Discontinued operations		**(5,296)**	265,876
		(38,677)	208,667
Profit/(loss) for the year attributable to non-controlling interests:			
– Continuing operations		**187**	(2,483)
– Discontinued operations		**–**	–
		187	(2,483)
		(38,490)	206,184
		HK cents	HK cents (restated)
(Loss)/earnings per share			
For continuing and discontinued operations			
– Basic	*13*	**(4.39)**	25.38
– Diluted	*13*	**(4.39)**	25.38
For continuing operations			
– Basic	*13*	**(3.79)**	(6.96)
– Diluted	*13*	**(3.79)**	(6.96)

The notes on pages 71 to 165 form part of these 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)/profit for the year	**(38,490)**	206,184
Other comprehensive income/(loss) for the year		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and PRC subsidiaries	**865**	(1,809)
Reclassification adjustment of exchange differences on translation upon disposal of subsidiaries	**(13,053)**	(2,077)
Other comprehensive loss for the year (net of tax)	**(12,188)**	(3,886)
Total comprehensive (loss)/income for the year	**(50,678)**	202,298
Attributable to:		
Owners of the Company	**(50,399)**	205,440
Non-controlling interests	**(279)**	(3,142)
	(50,678)	202,298

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**35,785**	49,584
Prepaid lease payments	*16*	**–**	8,297
Right-of-use assets	*17*	**10,081**	–
Intangible assets	*18*	**4,536**	12,755
Goodwill	*19*	**47,472**	50,566
Interests in an associate	*21*	**–**	467
Deposits and prepayments	*23*	**139**	–
		98,013	121,669
Current assets			
Inventories	*22*	**45,811**	41,938
Trade and other receivables	*23*	**106,154**	131,095
Prepaid lease payments	*16*	**–**	201
Cash and cash equivalents	*24*	**46,310**	10,599
		198,275	183,833
Current liabilities			
Trade and other payables	*25*	**31,024**	45,492
Contract liabilities	*26*	**22,283**	12,156
Bank and other borrowings	*27*	**66,139**	104,221
Finance leases payable	*28*	**–**	551
Lease liabilities	*29*	**1,724**	–
Amount due to a director	*30*	**–**	1
		121,170	162,421
Net current assets		**77,105**	21,412
Total assets less current liabilities		**175,118**	143,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Finance leases payable	*28*	–	124
Lease liabilities	*29*	**649**	–
Deferred tax liabilities	*31(a)*	**1,264**	3,646
		1,913	3,770
Net assets		**173,205**	139,311
EQUITY			
Share capital	*33(b)*	**258,091**	215,091
Reserves		**(92,523)**	(83,696)
Equity attributable to owners of the Company		**165,568**	131,395
Non-controlling interests		**7,637**	7,916
Total equity		**173,205**	139,311

Approved and authorised for issue by the board of directors on 26 June 2020 and signed on its behalf by:

Han Weining
Director

Wang Chen
Director

The notes on pages 71 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Notes	Attributable to owners of the Company												
		Share capital	Share premium	Share-based compensation reserve	Warrants reserve	Convertible bonds reserve	Capital reserve	Statutory reserve	Other reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018		167,440	745,507	10,472	6,600	3,481	(90)	40,737	(9,996)	8,020	(1,145,961)	(173,790)	11,058	(162,732)
Comprehensive income														
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	208,667	208,667	(2,483)	206,184
Other comprehensive loss														
Exchange differences arising on translation of financial statements of overseas and PRC subsidiaries		–	–	–	–	–	–	–	–	(1,150)	–	(1,150)	(659)	(1,809)
Release of translation reserve upon disposal of subsidiaries		–	–	–	–	–	–	–	–	(2,077)	–	(2,077)	–	(2,077)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	–	(3,227)	208,667	205,440	(3,142)	202,298
Transactions with owners														
Lapse of share option		–	–	(10,472)	–	–	–	–	–	–	10,472	–	–	–
Issue of shares	*33(b)*	32,651	19,590	–	–	–	–	–	–	–	–	52,241	–	52,241
Share issuance costs		–	(48)	–	–	–	–	–	–	–	–	(48)	–	(48)
Issue of convertible bonds		–	–	–	–	5,568	–	–	–	–	–	5,568	–	5,568
Issue of shares upon conversion of convertible bonds		15,000	36,033	–	–	(9,049)	–	–	–	–	–	41,984	–	41,984
Disposal of subsidiaries	*37*	–	–	–	–	–	–	(10,616)	–	–	10,616	–	–	–
Total transactions with owners		47,651	55,575	(10,472)	–	(3,481)	–	(10,616)	–	–	21,088	99,745	–	99,745
At 31 March 2019		215,091	801,082	–	6,600	–	(90)	30,121	(9,996)	4,793	(916,206)	131,395	7,916	139,311

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2020

		Attributable to owners of the Company												
	Notes	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Warrants reserve HK$'000	Convertible bonds reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2019		215,091	801,082	–	6,600	–	(90)	30,121	(9,996)	4,793	(916,206)	131,395	7,916	139,311
Impact on initial application of HKFRS 16		–	–	–	–	–	–	–	–	–	(1,374)	(1,374)	–	(1,374)
At 1 April 2019 (restated)		215,091	801,082	–	6,600	–	(90)	30,121	(9,996)	4,793	(917,580)	130,021	7,916	137,937
Comprehensive income														
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	(38,677)	(38,677)	187	(38,490)
Other comprehensive (loss)/income														
Exchange differences arising on translation of financial statements of overseas and PRC subsidiaries		–	–	–	–	–	–	–	–	1,331	–	1,331	(466)	865
Release of translation reserve upon disposal of subsidiaries		–	–	–	–	–	–	–	–	(13,053)	–	(13,053)	–	(13,053)
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	(11,722)	(38,677)	(50,399)	(279)	(50,678)
Transactions with owners														
Lapse of warrants	*33(c)(vii)*	–	–	–	(6,600)	–	–	–	–	–	6,600	–	–	–
Issue of shares	*33(b)*	43,000	43,000	–	–	–	–	–	–	–	–	86,000	–	86,000
Share issuance costs		–	(54)	–	–	–	–	–	–	–	–	(54)	–	(54)
Disposal of subsidiaries	*37*	–	–	–	–	–	–	(30,121)	–	–	30,121	–	–	–
Total transactions with owners		43,000	42,946	–	(6,600)	–	–	(30,121)	–	–	36,721	85,946	–	85,946
At 31 March 2020		258,091	844,028	–	–	–	(90)	–	(9,996)	(6,929)	(919,536)	165,568	7,637	173,205

The notes on pages 71 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Operating activities			
(Loss)/profit before taxation			
– Continuing operations		**(35,307)**	(62,678)
– Discontinued operations		**(5,296)**	265,876
		(40,603)	203,198
Adjustments for:			
Interest income		**(2,347)**	(2,932)
Finance costs		**6,444**	19,141
Amortisation of prepaid lease payments		**–**	208
Amortisation of intangible assets		**7,673**	9,284
Depreciation of property, plant and equipment		**5,109**	10,859
Depreciation of right-of-use assets		**2,940**	–
Write down of inventories		**–**	5,078
Gain on derecognition of finance leases payable		**–**	(372,449)
Loss on disposal of subsidiaries		**2,484**	10,066
Net loss/(gain) on disposal of property, plant and equipment		**26**	(3,768)
Share of results of an associate		**12**	(483)
Impairment loss of goodwill		**–**	15,000
Impairment loss of intangible assets		**–**	1,742
Impairment loss of interests in an associate		**–**	1,280
(Reversal)/allowance of expected credit loss, net		**(2,384)**	17,262
		(20,646)	(86,514)
Changes in working capital			
Increase in inventories		**(9,756)**	(1,612)
Decrease in trade and other receivables		**9,659**	77,937
Increase/(decrease) in trade and other payables		**2,893**	(28,160)
Cash used in operations		**(17,850)**	(38,349)
Income tax paid			
The People's Republic of China ("PRC")	*8(a)*	**(19)**	(14)
Net cash used in operating activities		**(17,869)**	(38,363)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Investing activities			
Payment for the purchase of property, plant and equipment		**(1,938)**	(1,220)
Proceeds from disposal of property, plant and equipment		**518**	290
Prepayment for acquisition of property, plant and equipment		**(139)**	–
Disposal of subsidiaries	*37*	**7,529**	(611)
Acquisition of a subsidiary	*38*	**(440)**	–
Payment of loans to independent third parties		**(38,820)**	(55,000)
Repayment of loans from independent third parties		**40,000**	20,000
Interest received		**2,851**	2,068
Net cash generated from/(used in) investing activities		**9,561**	(34,473)
Financing activities			
Repayment of finance leases payable		**–**	(2,011)
Repayment of lease liabilities		**(2,851)**	–
Proceeds from bank and other borrowings		**95,671**	168,147
Repayment of bank and other borrowings		**(128,031)**	(229,544)
Proceeds from issue of convertible bonds		**–**	28,000
Proceeds from issue of new shares		**86,000**	52,241
Proceeds from non-controlling shareholders of a subsidiary in respect of profit guarantee adjustment		**–**	72,061
Share issuance cost		**(54)**	(48)
Interest paid		**(6,444)**	(11,873)
Net cash generated from financing activities		**44,291**	76,973
Net increase in cash and cash equivalents		**35,983**	4,137
Cash and cash equivalents at beginning of the year		**10,599**	6,877
Effect of foreign exchange rates changes		**(272)**	(415)
Cash and cash equivalents at end of the year	*24*	**46,310**	10,599
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	*24*	**46,310**	10,599

1. GENERAL

Synertone Communication Corporation (the "Company") was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company's registered office and the principal place of business in Hong Kong are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 1012, 10th Floor, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong respectively.

On 18 April 2012, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) design, development and sales of automation control systems and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

During the current year, the Group discontinued the business of provision of design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies along with the disposal of subsidiaries (see note 9).

The principal operations of the Group are conducted in the People's Republic of China. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. The directors consider that presenting consolidated financial statements in HK$ is preferable when controlling and monitoring the performance and financial position of the Group. These financial statements are presented in HK$, rounded to the nearest thousand except for per share data.

According to the register of substantial shareholders maintained by the Company as at 31 March 2020, Excel Time Investment Limited is the substantial corporate shareholders of the Company. The ultimate controlling party of Excel Time Investment Limited is Mr. Han Weining.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

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

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

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 lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. During the year ended 31 March 2020, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases (Continued)

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 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:

(i) 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;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.22%.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases (Continued)

Impact on transition

The following table reconciles the operating lease commitments as previously disclosed in the consolidated financial statements for the year ended 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 HK$'000
Operating lease commitments at 31 March 2019	9,779
Less: total future finance costs	(705)
Present value of remaining lease payments, discounted using the incremental borrowing rates and the total liabilities recognised at 1 April 2019	9,074
Reclassified from finance leases payable *(Note)*	675
	9,749
Analysed as:	
Current	4,743
Non-current	5,006
	9,749

Note: Present value of remaining lease payments in relation to motor vehicles acquired through hire purchase were accounted for as finance leases payable as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of finance leases payable amounting to HK$551,000 and HK$124,000 respectively were reclassified to lease liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases (Continued)

Impact on transition *(Continued)*

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

	1 April 2019 HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	7,700
Reclassified from prepaid lease payments *(Note a)*	8,498
Reclassified from property, plant and equipment *(Note b)*	789
	16,987

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$201,000 and HK$8,297,000 respectively were reclassified to right-of-use assets.

(b) Motor vehicles acquired through hire purchase were classified as an item of property, plant and equipment as at 31 March 2019. Upon application of HKFRS 16, the net carrying value of motor vehicles acquired through hire purchase amounting to HK$789,000 were reclassified to right-of-use assets.

Except as described above, the application of HKFRS 16 has had no material impact on the amounts reported set out in the consolidated financial statements.

The following table summarises the impact of transition to HKFRS 16 in accumulated losses as at 1 April 2019:

	1 April 2019 HK$'000
Accumulated losses as at 31 March 2019	(916,206)
Adjustment under HKFRS 16	(1,374)
Accumulated losses as at 1 April 2019 (restated)	(917,580)

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases (Continued)

Impact on transition *(Continued)*

The following table summarises the impact of the initial application of HKFRS 16 on the Group's consolidated statement of financial position as at 1 April 2019 for each of the line items affected:

	As at 31 March 2019 HK$'000	Impact on initial application of HKFRS 16 HK$'000	As at 1 April 2019 HK$'000
Non-current assets			
Property, plant and equipment	49,584	(789)	48,795
Right-of-use assets	–	16,987	16,987
Prepaid lease payments	8,297	(8,297)	–
Total non-current assets	121,669	7,901	129,570
Current assets			
Prepaid lease payments	201	(201)	–
Total current assets	183,833	(201)	183,632
Current liabilities			
Finance leases payable	(551)	551	–
Lease liabilities	–	(4,743)	(4,743)
Total current liabilities	(162,421)	(4,192)	(166,613)
Total assets less current liabilities	143,081	3,508	146,589
Non-current liabilities			
Finance leases payable	(124)	124	–
Lease liabilities	–	(5,006)	(5,006)
Total non-current liabilities	(3,770)	(4,882)	(8,652)
Net assets	139,311	(1,374)	137,937
Equity			
Accumulated losses	(916,206)	(1,374)	(917,580)

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs issued 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 3 (Amendments)	Definition of a Business[4]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 16 (Amendments)	COVID-19-Related Rent Concession[5]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combination 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.
5 Effective for annual period 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 all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basic of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2020 comprise the financial statements of the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise set out in the accounting policies below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basic of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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 until the date when the Group ceases to control the subsidiary.

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

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

All 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 subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 3(i)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) (i) Business combinations

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) (i) Business combinations *(Continued)*

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Groups previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

(ii) Goodwill

Goodwill arising on a business combination is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) (ii) Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less any accumulated depreciation and impairment losses (see note 3(i)(ii)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvements	5 years
– Plant and machinery	4–10 years
– Furniture, fixtures and equipment	3–5 years
– Motor vehicles	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 3(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 3(i)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets (other than goodwill) *(Continued)*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Technical know-how for digital trunking system	3–5 years
– Technical know-how for VSAT satellite system	5 years
– Administrative system costs	5 years
– Rights to use Synertone 1 satellite bandwidth	9.5 years
– Safe communication technology software	10 years
– Patents and software	5–10 years
– Trademarks	5–10 years
– Customer relationship	5 years

Both the period and method of amortisation are reviewed annually.

(h) Leases (upon application of HKFRS 16 in accordance with transitions in note 2)

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises 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 straightline basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

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:

- 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

The Group as a lessee (Continued)

Lease modifications *(Continued)*

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.

The Group as lessee (prior to 1 April 2019)

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straightline basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets measured at fair value, including equity securities measured at FVTPL, equity securities designated at FVTOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For fixed-rate financial assets and trade and other receivables, the expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof; and for variable-rate financial assets the expected cash shortfalls are discounted using the current effective interest rate, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 365 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in a financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligations; and

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of the debtors.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 3(t)(iii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets;

– goodwill;

– prepayment for acquisition of property, plant and equipment; and

– investments in subsidiaries in the Company's statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for credit losses (see note 3(i)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the bond is converted or redeemed.

If the bond is converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bonds reserve is released directly to retained profits.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 3(v)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Contract liability

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 3(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the date of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(s)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(s)(ii).

(ii) Other provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Sale of goods

Revenue from sale of goods for communication technology, building intelligence and control system businesses is recognised at a point in time when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Sale of services

Revenue is recognised at a point in time when the services are provided to customers.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVTOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(i)(i)).

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them.

Government grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

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

(vi) Value-added taxes refund

Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005 are translated into HK$ at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies *(Continued)*

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

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(w) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) 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 the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

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

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

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period. Note 32 contains information about the assumptions and risk factors relating to equity-settled share-based transactions. Other judgements made by the management in the application of HKFRSs that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of non-financial assets (other than goodwill)

Determining whether there is an impairment requires an estimation of recoverable amounts of the property, plant and equipment, right-of-use assets, intangible assets, prepayment for acquisition of property, plant and equipment or the respective cash generating unit in which property, plant and equipment, right-of-use assets, intangible assets, prepayment for acquisition of property, plant and equipment belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash generating unit to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets of cash generating units and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit to which the goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2020, the carrying amount of goodwill is HK$47,472,000 (net of accumulated impairment losses of HK$176,535,000) (2019: carrying amount of HK$50,566,000, net of accumulated impairment losses of HK$187,672,000). Details of the recoverable amount calculation are disclosed in note 19.

(iii) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment in accordance with accounting policy stated in note 3(f). The Group will revise the depreciation charge where useful lives and residual values are different from the previous estimates, or will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives in accordance with accounting policy stated in note 3(g). The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

(v) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. The directors estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

(vi) Expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, and customer type and rating). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(vi) Expected credit losses on trade and other receivables (continued)

The Group assessed the credit exposures of financial assets included in other receivables, and there has not been a significant increase in credit risk since initial recognition and the Group performed expected credit loss assessment for credit losses that result from default events that are possible within the next 12 months. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 31 March 2020, the carrying amount of trade and other receivables is HK$106,293,000 (net of loss allowance of HK$18,808,000) (2019: carrying amount of HK$131,095,000, net of loss allowance of HK$93,451,000). Further information about the ECLs on the Group's trade, other receivables and loan receivables is disclosed in note 23 and note 35(a).

(vii) Estimation of provision for warranty

The Group generally provides 0 to 3 years warranties to its customers on its products under which faulty products are repaired and replaced. Provision for warranty is made based on possible claims on the products by customers with reference to the percentage of warranty expenses incurred over total sales amounts during the year ended 31 March 2020, and no provision for warranty has been made in the consolidated financial statements. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

(b) Critical accounting judgements in applying the group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(i) Income tax

The Group is subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 tax provisions in the financial period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charge in the periods in which such estimates are changed.

5. REVENUE

Disaggregation of the Group's revenue from contracts with customers by major products is as follows:

	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations		
Building intelligence	**42,426**	41,996
Control system	**30,817**	37,276
	73,243	79,272

Revenue from sales of products is from contracts with customers and recognised at a point in time when the customer obtains control of the goods.

Disaggregation of the Group's revenue from contracts with customers by geographic markets is disclosed in note 14.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations		
Other income		
Interest income on bank deposits *(note a)*	**10**	232
Interest income on loan receivables *(note a)*	**2,337**	2,695
Government grants *(note b)*	**319**	83
Value-added taxes refund *(note c)*	**1,924**	2,862
Sundry income	**1,533**	911
	6,123	6,783
Other gains and losses		
Net exchange loss	**(561)**	(1,776)
Net loss on disposal of property, plant and equipment	**(26)**	–
	(587)	(1,776)
	5,536	5,007

6. OTHER INCOME AND OTHER GAINS AND LOSSES *(Continued)*

Notes:

(a) Interest income from bank deposits and loan receivables represented the total interest income on financial assets not at FVTPL.

(b) These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to "hi-tech enterprise".

(c) Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

(a) Finance costs

	2020 HK$'000	2019 HK$'000
Continuing operations		
Interest expense on bank and other borrowings	6,167	7,214
Interest expense on convertible bonds payable	–	1,085
Finance charges on lease liabilities	195	–
Finance charges on finance leases payable	–	90
Total interest expense on financial liabilities not at FVTPL	6,362	8,389

(b) Staff costs (including Directors' emoluments in Note 10)

	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations		
Salaries, wages and other benefits	19,181	14,853
Contributions to defined contribution retirement plans	2,725	2,285
	21,906	17,138

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of Group are required to contribute a state-sponsored retirement plan, which is a defined contribution pension schemes, for all of their employees at a certain percentage of the employee's basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

7. LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs (including Directors' emoluments in Note 10) *(Continued)*

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

Save for the above, the Group has no other obligation for payment of retirement benefits beyond the contributions.

(c) Other items

	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations		
Auditor's remuneration	800	1,000
Cost of inventories	44,585	46,638
Amortisation of prepaid lease payments *(note 16)*	–	208
Amortisation of intangible assets *(note 18)*	7,673	9,284
Depreciation of property, plant and equipment *(note 15)*	3,620	5,073
Depreciation of right-of-use assets *(note 17)*	2,353	–
(Reversal)/allowance of expected credit loss, net *(note 23)*	(2,384)	5,790
Impairment loss of intangible assets *(note (i))*	–	1,742
Impairment loss of goodwill *(note (i))*	–	15,000
Operating lease charges in respect of leased property	–	4,926
Expenses relating to short term lease	300	–
Research and development expenditure *(note (ii))*	17,850	8,683

Notes:

(i) Based on management's assessment and by reference to the value-in-use calculations performed by an independent appraisal firm, the Group recognised impairment losses of (1) goodwill of HK$Nil (2019: HK$15,000,000), attributable to control system cash generating unit, and (2) intangible assets of HK$Nil (2019: HK$1,742,000) in respect of patents and software and trademarks attributable to building intelligence cash generating unit. Details of impairment assessment of goodwill and intangible assets are disclosed in notes 19 and 18, respectively.

(ii) Research and development expenditure for the year ended 31 March 2020 included HK$2,596,000 (2019: HK$Nil) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 7(b).

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss

	2020 HK$'000	2019 HK$'000
Continuing operations		
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (iv))*	19	11
Under-provision in respect of prior year		
PRC EIT	–	3
Deferred tax		
Origination and reversal of temporary differences *(note 31(a))*	(2,132)	(3,000)
	(2,113)	(2,986)

Notes:

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

(ii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.

(iii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

(iv) Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the Group, 萬科思自控信息(中國)有限公司 (Wankesi Automation Information (China) Co. Limited), is exempted from PRC EIT for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The first profit-making year was the year 2014.

Other PRC subsidiaries of the Group are subject to PRC EIT at a rate of 25% (2019: 25%).

(v) Under the EIT Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2020 **HK$'000**	2019 HK$'000 (restated)
Loss before taxation from continuing operations	**(35,307)**	(62,678)
Notional tax on loss before taxation, calculated at the rates applicable in the countries concerned	**(6,500)**	(13,918)
Tax effect of non-deductible expenses	**3,834**	8,115
Tax effect of non-taxable income	**(6)**	(202)
Tax effect of deductible temporary differences not recognised	**–**	1,447
Tax effect of unused tax losses not recognised	**1,434**	4,807
Tax effect of utilisation of tax losses not recognised in prior years	**(238)**	(1,361)
Effect of tax incentive on eligible expenditure *(note)*	**(615)**	(1,391)
Under-provision in prior years	**–**	3
Others	**(22)**	(486)
Actual tax credit	**(2,113)**	(2,986)

Note:

Certain PRC subsidiaries of the Group enjoyed an additional 50% to 75% (2019: 50% to 75%) tax deduction on research and development costs charged to profit or loss in the calculation of PRC EIT charge.

9. DISCONTINUED OPERATIONS

For the year ended 31 March 2020

On 23 August 2019, the Group disposed of its entire equity interests in Synertone Communication Technology Limited and Thrive United Holdings Limited to an independent third party for cash consideration of HK$7,700,000 and US$1 (equivalent to approximately HK$8) respectively, and thereafter the Group ceased the operation of its communication technology business.

Synertone Communication Technology Limited and Thrive United Holdings Limited carried out the Group's communication technology business, which was discontinued by the Group's along with the disposal.

9. DISCONTINUED OPERATIONS *(Continued)*

For the year ended 31 March 2020 *(Continued)*

The results of the communication technology business for the period from 1 April 2019 to 23 August 2019 have been presented as a discontinued operation in the Group's consolidated statement of profit or loss for the current year, and the comparative figures in the preceding year has been restated accordingly.

	Period from 1 April 2019 to 23 August 2019 HK$'000	Year ended 31 March 2019 HK$'000
Revenue	–	1,733
Cost of sales	–	(5,826)
Gross loss	–	(4,093)
Other income	**1,094**	2,675
Other gains and losses	**(5)**	128
Selling and distribution expenses	–	(711)
Administrative and other operating expenses	**(1,823)**	(18,280)
Research and development expenditure	**(1,996)**	(40,890)
Allowance of expected credit loss, net	–	(10,956)
Loss from operations	**(2,730)**	(72,127)
Finance costs	**(82)**	–
Loss before taxation	**(2,812)**	(72,127)
Income tax expense	–	–
Loss for the period/year	**(2,812)**	(72,127)
Loss on disposal of subsidiaries *(note 37)*	**(2,484)**	–
Loss for the period/year from discontinued operation	**(5,296)**	(72,127)

9. DISCONTINUED OPERATIONS *(Continued)*

For the year ended 31 March 2020 *(Continued)*

Loss for the period/year from discontinued operation is arrived at after charging/(crediting):

	2020 **HK$'000**	2019 HK$'000
Cost of inventories recognised as expense	**–**	774
Government grants *(Note)*	**(1,094)**	–
Depreciation of property, plant and equipment	**1,489**	4,737
Depreciation of right-of-use assets	**587**	–
Write-down of inventories	**–**	5,078
Net exchange loss	**5**	3
Net gain on disposal of property, plant and equipment	**–**	(131)

Note: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to "hi-tech enterprise".

Cash flows from discontinued operation for the years are as follows:

	2020 **HK$'000**	2019 HK$'000
Net cash from operating activities	**630**	3,198
Net cash used in investing activities	**(1,416)**	(3,228)
Net cash used in financing activities	**(38)**	–
Effect of foreign exchange rate changes	**138**	(40)

For the year ended 31 March 2019

On 15 November 2018, the Group disposed of the entire issued share capital of Vastsuccess Holdings Limited ("Vastsuccess") and Synertone Satellite Communication Limited ("Synertone Satellite") to an independent third party, and thereafter Vastsuccess and Synertone Satellite ceased to be subsidiaries of the Group.

Vastsuccess and Synertone Satellite carried out the Group's Synertone 1 satellite communication business, which was discontinued by the Group's along with the disposal.

9. DISCONTINUED OPERATIONS *(Continued)*

For the year ended 31 March 2019 *(Continued)*

The results of Synertone 1 satellite communication business for the period from 1 April 2018 to 15 November 2018 have been presented as a discontinued operation in the Group's consolidated statement of profit or loss for the year ended 31 March 2019.

	Period from 1 April 2018 to 15 November 2018 HK$'000
Revenue	–
Cost of sales	–
Gross loss	–
Other income	1,932
Other gains and losses	362,786
Selling and distribution expenses	(1,667)
Administrative and other operating expenses	(3,714)
Allowance of expected credit loss, net	(516)
Profit from operations	358,821
Finance costs	(10,752)
Profit before taxation	348,069
Income tax expense	–
Profit for the period	348,069
Loss on disposal of subsidiaries *(note 37)*	(10,066)
Profit for the period from discontinued operation	338,003

9. DISCONTINUED OPERATIONS *(Continued)*

For the year ended 31 March 2019 *(Continued)*

Profit for the period from discontinued operation is arrived at after charging/(crediting):

	2019 HK$'000
Depreciation of property, plant and equipment	1,049
Finance charges on finance leases payable	10,752
Interest income on bank deposits	(1)
Net exchange loss	13,300
Gain on disposal of property, plant and equipment (note)	(3,637)
Gain on derecognition of finance leases payable (note)	(372,449)
Operating lease charges in respect of leased property	1,167
Staff costs	
– Salaries, wages and other benefits	1,557
– Contributions to defined contribution retirement plans	193

Note: In October 2018, (i) the Company and Vastsuccess entered into the settlement agreement (the "Settlement Agreement") with the vendor of Synertone 1 satellite bandwidth (the "Vendor") and (ii) Vastsuccess entered into the transfer agreement (the "Transfer Agreement") with the Vendor, pursuant to which, among others, the relevant agreements in respect of the exclusive right to use Synertone 1 satellite bandwidth resources granted by the Vendor to the Group had been terminated as of December 2017 and the Group should settle the outstanding amount of United States Dollars ("US$") 6,277,419.54 (including the outstanding bandwidth resource fees payable for the fourth service year) (the "Outstanding Amount") due to the Vendor.

In accordance with the relevant agreements, US$5,000,000 out of the Outstanding Amount has been settled by the Group by transfer of the ownership of the upgraded hub system installed at the gateway stations (the "Transfer") to the Vendor. The Group has accounted for the upgraded hub system as an item of property, plant and equipment within the category of construction-in-progress. Included in the gain on disposal of property, plant and equipment is HK$3,607,000 attributable to the gain arising from the Transfer to the Vendor.

Due to the early termination of the exclusive right to use Synertone 1 satellite bandwidth resources as stipulated in the relevant agreements, the Group is not liable to pay any of the bandwidth resources fees beyond the fourth service year, and as such the corresponding finance lease payables of HK$372,449,000 has been reversed and the gain derived from the derecognition of finance leases payable was included in profit for the period from discontinued operation.

Cash flows from discontinued operation for the year are as follows:

	2019 HK$'000
Net cash used in operating activities	(5,475)
Net cash used in investing activities	(365)
Net cash used in financing activities	–
Effect of foreign exchange rate changes	(55)

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments is as follows:

	Year ended 31 March 2020				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Wong Chit On *(resigned with effect from 3 January 2020)*	76	2,729	–	15	2,820
Han Weining *(Chief executive officer)*	360	1,440	–	18	1,818
Independent non-executive directors					
Lam Ying Hung Andy	100	–	–	–	100
Wang Chen	100	–	–	–	100
Li Mingqi	100	–	–	5	105
	736	4,169	–	38	4,943

	Year ended 31 March 2019				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Wong Chit On *(Chairman)*	100	3,865	–	18	3,983
Han Weining *(Chief executive officer)*	360	1,440	–	18	1,818
Independent non-executive directors					
Lam Ying Hung Andy	100	–	–	–	100
Wang Chen	100	–	–	–	100
Li Mingqi	100	–	–	5	105
	760	5,305	–	41	6,106

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any emoluments for the years ended 31 March 2020 and 2019.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors of the Company whose emoluments are disclosed in note 10. The aggregate of emoluments of the remaining three (2019: three) individuals were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other emoluments	**1,827**	2,080
Contributions to retirement benefit schemes	**54**	109
	1,881	2,189

The emoluments of the three (2019: three) individuals with the highest emoluments are within the following bands:

	2020	2019
HK$Nil to HK$1,000,000	**3**	3

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2020 and 2019.

12. DIVIDENDS

The directors did not recommend the payment of any dividends in respect of the years ended 31 March 2020 and 2019.

13. (LOSS)/EARNINGS PER SHARE

For continuing and discontinued operations

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$38,677,000 (2019: profit attributable to owners of the Company of HK$208,667,000) and the weighted average number of 880,101,000 (2019: 822,127,000) ordinary shares in issue during the year, as adjusted to reflect the effect of the share consolidation of the Company on 24 March 2020 as detailed in Note 33(b)(ii).

13. (LOSS)/EARNINGS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the following:

	2020 HK$'000	2019 HK$'000
Earnings		
(Loss)/earnings attributable to owners of the Company for the purpose of diluted (loss)/earnings per share	**(38,677)**	208,667

	2020 '000	2019 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**880,101**	822,127

The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share has been adjusted for the consolidation of shares on 24 March 2020.

For continuing operations

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

	2020 HK$'000	2019 HK$'000
Earnings		
(Loss)/profit for the year attributable to owners of the Company	**(38,677)**	208,667
Add: Loss/(profit) for the year from discontinued operation	**5,296**	(265,876)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(33,381)**	(57,209)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.60cent per share (2019: basic and diluted earnings of HK32.34 cents per share), based on the loss for the year from discontinued operation of HK$5,296,000 (2019: profit for the year from discontinued operation of HK$265,876,000) and the denominators detailed above for both basic and diluted (loss)/earnings per share.

14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines.

On adopting HKFRS 8 Operating Segments and in a manner consistent with the way in which information is reported internally to the chief executive officer of the Company, who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

Building Intelligence:	Provision of (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home automation systems for new and existing households.
Control System:	Provision of (i) automation hardware and software products, information systems platforms, as well as (ii) the industrial and monitoring and scheduling management system solutions for municipal utilities industry.

During the year ended 31 March 2020 and 2019, the Group discontinued the operation of its Communication technology business and Synertone 1 satellite communication business respectively. The segment information does not include any amounts for this discontinued operation.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief executive officer monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables attributable to the activities of the individual segments, bank and other borrowings, lease liabilities and finance leases payable managed directly by the segments with the exception of corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment results is adjusted earnings or loss before interest and taxes ("Adjusted EBIT"). To arrive at the Adjusted EBIT, the Group's earnings or loss are further adjusted for interest income, impairment loss of intangible assets, goodwill and interests in an associate, share of results of an associate and items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

14. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

In addition to receiving segment information concerning Adjusted EBIT, the Group's chief executive officer is provided with segment information concerning revenue (including inter-segment sales), interest income, finance costs, amortisation of intangible assets, depreciation of property, plant and equipment and right-of-use assets, reversal or allowance of expected credit loss, net, research and development expenditure, and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is as follows:

Continuing operations

	2020			
	Building intelligence HK$'000	Control system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	42,426	30,817	–	73,243
Inter-segment revenue	8,123	4,509	–	12,632
Reportable segment revenue	50,549	35,326	–	85,875
Reportable segment loss (Adjusted EBIT)	(970)	(5,364)	–	(6,334)
Interest income	5	4	2,338	2,347
Finance costs	(6,195)	(58)	(109)	(6,362)
Amortisation of intangible assets	(6,544)	(1,129)	–	(7,673)
Depreciation of property, plant and equipment	(3,583)	(31)	(6)	(3,620)
Depreciation of right-of-use assets	(618)	(444)	(1,291)	(2,353)
Reversal/(allowance) of expected credit loss, net	3,941	703	(2,260)	2,384
Research and development expenditure	(3,281)	(2,009)	(12,560)	(17,850)
Reportable segment assets	121,659	76,107	–	197,766
Addition to non-current segment assets	162	110	–	272
Reportable segment liabilities	101,550	16,083	–	117,633

14. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Continuing operations (Continued)

	2019 (restated)			
	Building intelligence HK$'000	Control system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	41,996	37,276	–	79,272
Inter-segment revenue	10,184	115	–	10,299
Reportable segment revenue	52,180	37,391	–	89,571
Reportable segment loss (Adjusted EBIT)	(11,722)	(8,048)	–	(19,770)
Interest income	5	219	2,703	2,927
Finance costs	(4,979)	–	(3,410)	(8,389)
Amortisation of prepaid lease payments	(208)	–	–	(208)
Amortisation of intangible assets	(8,078)	(1,206)	–	(9,284)
Depreciation of property, plant and equipment	(4,099)	(27)	(947)	(5,073)
Impairment loss of:				
– Goodwill	–	(15,000)	–	(15,000)
– Intangible assets	(1,742)	–	–	(1,742)
– Trade receivables	(3,959)	(1,831)	–	(5,790)
Research and development expenditure	(8,683)	–	–	(8,683)
Reportable segment assets	198,678	80,366	–	279,044
Addition to non-current segment assets				
– Property, plant and equipment	–	41	20	61
Reportable segment liabilities	140,406	77,712	–	218,118

14. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations		
Revenue		
Reportable segment revenue	**85,875**	89,571
Elimination of inter-segment revenue	**(12,632)**	(10,299)
Consolidated revenue	**73,243**	79,272
Loss		
Reportable segment loss	**(6,334)**	(19,770)
Impairment loss of goodwill	**–**	(15,000)
Impairment loss of intangible assets	**–**	(1,742)
Allowance of expected credit loss, net	**(2,260)**	–
Interest income	**2,347**	2,927
Finance costs	**(6,362)**	(8,389)
Share of results of an associate	**(12)**	483
Impairment loss of interests in an associate	**–**	(1,280)
Unallocated corporate expenses	**(22,686)**	(19,907)
Consolidated loss before taxation	**(35,307)**	(62,678)
Assets		
Reportable segment assets		
– Continuing operations	**197,766**	279,044
– Discontinued operation	**–**	27,243
Elimination of inter-segment receivables	**–**	(65,381)
	197,766	240,906
Unallocated corporate assets	**98,522**	64,596
Consolidated total assets	**296,288**	305,502

14. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities *(Continued)*

	2020 HK$'000	2019 HK$'000 (restated)
Liabilities		
Reportable segment liabilities		
– Continuing operations	117,633	218,118
– Discontinued operation	–	4,814
Elimination of inter-segment payables	–	(65,381)
	117,633	157,551
Amount due to a director	–	1
Deferred tax liabilities	1,264	3,646
Unallocated corporate liabilities	4,186	4,993
Consolidated total liabilities	123,083	166,191

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, intangible assets and goodwill. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of right-of-use assets and property, plant and equipment is based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which they are allocated. In the case of interests in an associate, it is the location of operations of such associate.

	Revenue from external customers		Non-current assets	
	2020 HK$'000	2019 HK$'000 (restated)	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations				
Hong Kong (place of domicile)	–	–	1,059	816
PRC	72,757	78,807	96,954	113,738
Overseas	486	465	–	–
	73,243	79,272	98,013	114,554

14. SEGMENT REPORTING *(Continued)*

(d) Information about products and services

The Group's revenue from external customers for each principal type of products were set out in note 5.

(e) Information about major customers

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

	2020 **HK$'000**	2019 HK$'000
Building intelligence Customer A	**9,299**	N/A *(note)*

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 April 2018	48,660	63,094	51,384	3,340	11,797	29,602	207,877
Additions	–	–	88	43	985	104	1,220
Disposals	–	–	(2)	(12)	(3,046)	(27,478)	(30,538)
Disposal of subsidiaries	–	(11,912)	(4,009)	(2,086)	(4,119)	–	(22,126)
Effect of foreign currency exchange differences	(3,234)	(4,548)	(3,530)	(367)	(292)	(2,228)	(14,199)
At 31 March 2019	45,426	46,634	43,931	918	5,325	–	142,234
At 1 April 2019	45,426	46,634	43,931	918	5,325	–	142,234
Impact on initial application of HKFRS 16	–	–	–	–	(2,368)	–	(2,368)
At 1 April 2019 (restated)	45,426	46,634	43,931	918	2,957	–	139,866
Additions	–	162	1,666	110	–	–	1,938
Disposals	(559)	–	–	–	–	–	(559)
Disposal of subsidiaries	–	(41,389)	(40,008)	(773)	(2,443)	–	(84,613)
Effect of foreign currency exchange differences	(2,763)	(2,388)	(2,339)	(154)	(104)	–	(7,748)
At 31 March 2020	**42,104**	**3,019**	**3,250**	**101**	**410**	**–**	**48,884**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation and impairment						
At 1 April 2018	5,704	54,785	37,588	1,705	8,228	108,010
Charge for the year	2,371	1,814	5,294	406	974	10,859
Eliminated on disposals of assets	–	–	(2)	(12)	(2,914)	(2,928)
Eliminated on disposal of subsidiaries	–	(8,374)	(3,301)	(1,322)	(2,654)	(15,651)
Effect of foreign currency exchange differences	(454)	(3,931)	(2,767)	(262)	(226)	(7,640)
At 31 March 2019	7,621	44,294	36,812	515	3,408	92,650
At 1 April 2019	7,621	44,294	36,812	515	3,408	92,650
Impact on initial application of HKFRS 16	–	–	–	–	(1,579)	(1,579)
At 1 April 2019 (restated)	7,621	44,294	36,812	515	1,829	91,071
Charge for the year	2,209	397	2,341	96	66	5,109
Eliminated on disposals of assets	(15)	–	–	–	–	(15)
Eliminated on disposal of subsidiaries	–	(39,930)	(36,081)	(472)	(1,632)	(78,115)
Effect of foreign currency exchange differences	(534)	(2,271)	(1,971)	(129)	(46)	(4,951)
At 31 March 2020	**9,281**	**2,490**	**1,101**	**10**	**217**	**13,099**
Carrying amounts						
At 31 March 2020	**32,823**	**529**	**2,149**	**91**	**193**	**35,785**
At 31 March 2019	37,805	2,340	7,119	403	1,917	49,584

Note:

(a) At 31 March 2020, buildings with net book value of HK$32,823,000 (2019: HK$37,805,000) was pledged to banks as collateral against the bank borrowings of HK$8,500,000 (2019: HK$33,108,000) (note 27).

16. PREPAID LEASE PAYMENTS

	2019 HK$'000
Cost	
At beginning of the year	9,815
Effect of foreign currency exchange differences	(647)
At end of the year	9,168
Accumulated amortisation and impairment losses	
At beginning of the year	502
Charge for the year	208
Effect of foreign currency exchange differences	(40)
At end of the year	670
Carrying amount	8,498
Analysed for reporting purposes as:	
Current assets	201
Non-current assets	8,297
	8,498

At 31 March 2019, the carrying amount of prepaid lease payments of HK$8,498,000 was pledged as security for the Group's bank borrowings amounting to HK$29,611,000.

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Office premises HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 31 March 2019	–	–	–	–
Impact on initial application of HKFRS 16 *(note 2)*	9,168	7,700	2,368	19,236
At 1 April 2019	9,168	7,700	2,368	19,236
Lease modification	–	(120)	–	(120)
Disposal of subsidiaries	–	(3,090)	(2,368)	(5,458)
Effect of foreign currency exchange differences	(561)	(311)	–	(872)
As at 31 March 2020	**8,607**	**4,179**	**–**	**12,786**
Accumulated depreciation:				
At 31 March 2019	–	–	–	–
Impact on initial application of HKFRS 16 *(note 2)*	670	–	1,579	2,249
At 1 April 2019	670	–	1,579	2,249
Charge for the year	195	2,548	197	2,940
Lease modification	–	(48)	–	(48)
Disposal of subsidiaries	–	(572)	(1,776)	(2,348)
Effect of foreign currency exchange differences	(47)	(41)	–	(88)
As at 31 March 2020	**818**	**1,887**	**–**	**2,705**
Carrying amounts				
As at 31 March 2020	**7,789**	**2,292**	**–**	**10,081**
As at 1 April 2019	8,498	7,700	789	16,987

18. INTANGIBLE ASSETS

	Technical know-how for digital trunking system HK$'000 *(note a)*	Technical know-how for VSAT satellite system HK$'000 *(note a)*	Administrative system costs HK$'000 *(note a)*	Right to use Synertone 1 satellite bandwidth HK$'000 *(note b)*	Safe communication technology software HK$'000 *(note c)*	Patents and software HK$'000 *(note d)*	Trademark HK$'000 *(note d)*	Customer relationship HK$'000 *(note e)*	Total HK$'000
Cost									
At 1 April 2018	52,773	9,500	5,300	643,624	34,257	67,086	4,205	15,337	832,082
Derecognised upon early termination of lease arrangement *(note (b))*	–	–	–	(643,437)	–	–	–	–	(643,437)
Disposal of subsidiaries	(13,780)	(9,500)	–	–	–	–	–	–	(23,280)
Effect of foreign currency exchange differences	(535)	–	(19)	(187)	(2,258)	(4,421)	(277)	(1,011)	(8,708)
At 31 March 2019	38,458	–	5,281	–	31,999	62,665	3,928	14,326	156,657
At 1 April 2019	38,458	–	5,281	–	31,999	62,665	3,928	14,326	156,657
Disposal of subsidiaries	(38,076)	–	(5,011)	–	(30,387)	(34,300)	–	–	(107,774)
Effect of foreign currency exchange differences	(382)	–	(17)	–	(1,612)	(3,445)	(241)	(876)	(6,573)
At 31 March 2020	**–**	**–**	**253**	**–**	**–**	**24,920**	**3,687**	**13,450**	**42,310**
Accumulated amortisation and impairment									
At 1 April 2018	52,773	9,500	5,227	643,624	34,257	52,186	1,962	7,422	806,951
Charge for the year	–	–	19	–	–	5,490	812	2,963	9,284
Impairment loss recognised *(note (g))*	–	–	–	–	–	1,482	260	–	1,742
Eliminated upon early termination of lease arrangement *(note (b))*	–	–	–	(643,437)	–	–	–	–	(643,437)
Eliminated upon disposal of subsidiaries	(13,780)	(9,500)	–	–	–	–	–	–	(23,280)
Effect of foreign currency exchange differences	(535)	–	(15)	(187)	(2,258)	(3,621)	(155)	(587)	(7,358)
At 31 March 2019	38,458	–	5,231	–	31,999	55,537	2,879	9,798	143,902
At 1 April 2019	38,458	–	5,231	–	31,999	55,537	2,879	9,798	143,902
Charge for the year	–	–	9	–	–	4,280	609	2,775	7,673
Eliminated upon disposal of subsidiaries	(38,076)	–	(5,011)	–	(30,387)	(34,300)	–	–	(107,774)
Effect of foreign currency exchange differences	(382)	–	(15)	–	(1,612)	(3,139)	(195)	(684)	(6,027)
At 31 March 2020	**–**	**–**	**214**	**–**	**–**	**22,378**	**3,293**	**11,889**	**37,774**
Carrying amounts									
At 31 March 2020	**–**	**–**	**39**	**–**	**–**	**2,542**	**394**	**1,561**	**4,536**
At 31 March 2019	–	–	50	–	–	7,128	1,049	4,528	12,755

18. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) Administrative system costs represent costs of Group's computer system software. Technical know-how for digital trunking system and VSAT satellite system represents technical know-how acquired by the Group in relation to the production of specialized communication systems.

(b) It represents the right to use Synertone 1 satellite bandwidth acquired by the Group and has a finite useful life of 9.5 years.

During the year ended 31 March 2019, the Group entered into the Settlement Agreement with the Vendor (note 9) and both parties agreed that the definitive agreement signed in March 2013 had been early terminated. As a result, the intangible asset was derecognised in the Group's consolidated financial statements.

(c) It represents the technologies in relation to the provision of a safe communication environment for end users.

(d) Patents and software and trademarks represent those related to safe communication technologies, building intelligence products and control systems acquired by the Group through business combinations in prior years.

(e) It represents customer relationship under building intelligence business and control system business acquired by the Group through business combinations in prior years.

(f) The amortisation charge for the year is included in cost of sales of nil (2019: nil), research and development expenditure of nil (2019: nil) and administrative expenses of approximately HK$7,673,000 (2019: HK$9,284,000) respectively in the consolidated statement of profit or loss.

(g) Impairment losses of HK$Nil (2019: HK$1,742,000) in respect of patents and software and trademark related to building intelligence cash generating unit had been recognised during the year ended 31 March 2020 and 2019, which was triggered by operating losses incurred by the business segment in the current and preceding years. The recoverable amount of the relevant intangible assets attributable to the building intelligence cash generating unit is calculated based on value-in-use calculations and made reference to a valuation performed by an independent professional valuer. These calculations used cash flow projections based on financial forecasts prepared by management for the next five years, discounted using a pre-tax discount rate of 21.3% (2019: 19.6%) for patents and software and 24.3% (2019: 22.6%) for trademark. Cash flows beyond the 5-year period were extrapolated using a growth rate of 3% (2019: 3%). The discount rates used reflect specific risks relating to the relevant assets.

19. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost		
At beginning of the year	**238,238**	255,050
Effect of foreign currency exchange differences	**(14,231)**	(16,812)
At end of the year	**224,007**	238,238
Accumulated impairment losses		
At beginning of the year	**187,672**	184,816
Impairment loss recognised	**–**	15,000
Effect of foreign currency exchange differences	**(11,137)**	(12,144)
At end of the year	**176,535**	187,672
Carrying amount	**47,472**	50,566

Goodwill are allocated to the Group's cash generating units as follows:

	2020 HK$'000	2019 HK$'000
Building intelligence	**–**	–
Control system	**47,472**	50,566
	47,472	50,566

Impairment tests for cash-generating units containing goodwill

For the purpose of determining whether goodwill attributable to the control system cash generating unit is impaired, the recoverable amount of the control system cash generating unit is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating unit operates.

19. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill *(Continued)*

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

	Control system	
	2020	2019
	%	%
– Gross margin	**12%**	25%
– Long-term growth rate	**3.00%**	3.00%
– Pre-tax discount rate	**19.63%**	19.56%

Management determined the budgeted gross margin based on historical experience and its expectations for market development. The long term growth rates used was adopted based on the China long term projected inflation as sourced from the International Monetary Fund. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

Based on management's assessment and by reference to the calculations performed by an independent appraisal firm, ROMA Appraisals Limited, the Group recognised impairment loss of Nil and HK$15,000,000 under the control system cash generating unit for each of the years ended 31 March 2020 and 2019 respectively as the carrying amounts of those assets related to the cash generating unit exceeded their respective recoverable amounts at the end of each reporting period. As the carrying amount of the cash generating unit have been reduced to their recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

The directors considered that the goodwill attributable to control system cash generating unit was impaired for the year ended 31 March 2019 as there has been a decrease in actual gross margin due to keen market competition during the prior year, which arose from the Group's attempt to explore market presence in new geographical locations such as northern and western provinces of China.

20. SUBSIDIARIES

The following is a list of subsidiaries at 31 March 2020:

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities/ place of operation
LakeWest Holdings Limited ("LakeWest")	Hong Kong	10,000 ordinary shares	100%	100%	–	Inactive/Hong Kong
Radio World Holding Limited	BVI	1,000 ordinary shares of US$1 each	100%	100%	–	Investment holding/Hong Kong
MOX Products Pty Limited	BVI	50,000 ordinary shares of US$1 each	100%	–	100%	Investment holding/Hong Kong
悉雅特萬科思自動化(杭州)有限公司*(note (a))*	PRC	Registered capital of US$1,000,000	100%	–	100%	Design, development and sales of automation control systems/PRC
萬科思自動化(上海)有限公司 *(note (b))*	PRC	Registered capital of RMB1,000,000	100%	–	100%	Design, development and sales of automation control systems/PRC
Sense Field Group Limited ("Sense Field")	BVI	100 ordinary shares of US$1 each	85%	–	85%	Investment holding/Hong Kong
MOX Group Limited	BVI	50,000 ordinary shares of US$1 each	85%	–	85%	Investment holding/Hong Kong
悉雅特樓宇自控(杭州)有限公司 *(note (a))*	PRC	Registered capital of US$300,000	85%	–	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
萬科思自控信息(中國)有限公司 *(note (a))*	PRC	Registered capital of US$10,000,000	85%	–	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
杭州奧邁智能科技有限公司 *(note (a))*	PRC	Registered capital of RMB5,000,000	85%	–	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC

Notes:

(a) Registered under the laws of the PRC as a wholly-owned foreign enterprise.

(b) Registered under the laws of the PRC as a limited liability company.

20. SUBSIDIARIES *(Continued)*

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Sense Field Group	
	2020	2019
	HK$'000	HK$'000
NCI percentage	**15%**	15%
Current assets	**108,408**	136,675
Non-current assets	**48,248**	62,002
Current liabilities	**(104,520)**	(142,738)
Non-current liabilities	**(1,509)**	(3,184)
Net assets	**50,627**	52,755
Carrying amount of NCI	**7,594**	7,916
Revenue	**50,549**	52,180
Profit/(loss) for the year	**1,247**	(16,554)
Other comprehensive loss	**(994)**	(4,398)
Total comprehensive income/(loss)	**253**	(20,952)
Profit/(loss) allocated to NCI	**187**	(2,483)
Cash flows from/(used in) operating activities	**38,114**	(15,789)
Cash flows (used in)/from investing activities	**(79)**	33
Cash flows (used in)/from financing activities	**(39,047)**	16,148

21. INTERESTS IN AN ASSOCIATE

The Group further acquired through an indirect 85%-owned subsidiary of the Company an 51% equity interest in 杭州奧邁智能科技有限公司 ("Hangzhou Aomai") for a cash consideration of HK$450,000. The Group's effective equity interest in Hangzhou Aomai increased from 41.65% to 85%. Therefore, Hangzhou Aomai became an indirect non-wholly-owned subsidiary of the Group during the year ended 31 March 2020. Further details are disclosed in note 38 to the financial statements.

The following is a list of the particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available, as at 31 March 2019:

Name of associate	Place of incorporation and business	Class of share held	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activity
杭州奧邁智能科技有限公司 ("Hangzhou Aomai")	PRC	Registered	Registered capital RMB2,450,000	41.65%	–	49%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC

Notes:

(a) Registered under the laws of the PRC as a Sino-foreign joint venture.

(b) The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of associate:

	2019 HK$'000
Current assets	19,874
Non-current assets	–
Current liabilities	(18,921)
Non-current liabilities	–
Revenue	4
Profit for the year	3,205
Other comprehensive income for the year	46
Total comprehensive income for the year	3,251

21. INTERESTS IN AN ASSOCIATE *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of interest in Hangzhou Aomai recognised in the consolidated financial statements as at 31 March 2019:

	2019 HK$'000
Net assets of the associate	953
Proportion of the Group's ownership interest in the associate	49%
	467
Carrying amount of the Group's interest in the associate	467

22. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**9,367**	12,337
Work in progress	**21,632**	20,836
Finished goods	**14,812**	8,765
	45,811	41,938

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade receivables *(notes (a) and (b))*	**52,127**	141,393
Less: Loss allowance *(note (c))*	**(16,027)**	(93,451)
	36,100	47,942
Bill receivables	**1,404**	–
Loan receivables *(note (d))*	**55,575**	55,000
Other receivables	**8,537**	15,672
Prepaid value-added and other taxes	**120**	63
Deposits and prepayments	**7,338**	12,418
Less: Loss allowance	**(2,781)**	–
	70,193	83,153
	106,293	131,095
Reconciliation to the consolidated statement of financial position:		
Non-current	**139**	–
Current	**106,154**	131,095
	106,293	131,095

Notes:

(a) For the year ended 31 March 2020, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2019: 30 to 180 days). A longer credit period of 181 to 365 days (2019: 181 to 365 days) may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers payment history, financial background, transaction volume and length of business relationship with the Group.

(b) The following is an aging analysis of trade receivables, presented based on invoice date:

	2020 HK$'000	2019 HK$'000
0–60 days	**9,451**	12,109
61–90 days	**3,195**	2,966
91–180 days	**4,546**	9,732
181–365 days	**3,198**	6,849
Over 365 days	**31,737**	109,737
	52,127	141,393
Less: Loss allowance	**(16,027)**	(93,451)
	36,100	47,942

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: (Continued)

(c) Impairment of trade receivables

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**93,451**	98,597
(Reversal)/allowance of expected credit loss	**(5,165)**	17,262
Disposal of subsidiaries	**(63,669)**	(14,926)
Effect of foreign currency exchange difference	**(8,590)**	(7,482)
At end of the year	**16,027**	93,451

Details of impairment assessment of trade receivables for the years ended 31 March 2020 and 2019 are set out in note 35(a).

(d) Loan receivables

Loan receivables represent amounts advanced to independent third parties and are unsecured, interest bearing at 6% per annum (2019: 6% per annum) and repayable within one year.

24. CASH AND CASH EQUIVALENTS

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 0.35% (2019: 0.001% to 0.35%) per annum.

25. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**12,469**	19,031
Bill payables	**4,487**	5,712
Accrued salaries	**1,185**	3,268
Accrued expenses and other payables	**12,802**	16,827
Financial liabilities measured at amortised cost	**30,943**	44,838
Other tax payables	**81**	654
	31,024	45,492

25. TRADE AND OTHER PAYABLES *(Continued)*

The aging analysis of trade payables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0–60 days	**4,095**	6,002
61–90 days	**246**	647
91–180 days	**3,437**	2,025
181–365 days	**872**	680
Over 365 days	**3,819**	9,677
	12,469	19,031

26. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities	**22,283**	12,156
Movements in contract liabilities:		
At beginning of the year	**12,156**	7,331
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(11,612)**	(5,206)
Increase in contract liabilities as a result of receiving forward sales deposits	**21,739**	10,031
At end of the year	**22,283**	12,156

The contract liabilities relating to sales of intelligent building system for buildings will be recognised as revenue when the Group fulfil the contract's obligation.

27. BANK AND OTHER BORROWINGS

At 31 March 2020, bank and other borrowings were as follows:

	2020 HK$'000	2019 HK$'000
Bank borrowings:		
– secured *(note (c))*	**39,400**	33,108
– unsecured *(note (d))*	**26,639**	34,974
Unsecured other borrowings *(note (e))*	**100**	36,139
	66,139	104,221

At 31 March 2020, bank and other borrowings were due for repayment as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**66,139**	104,221

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 35(b). As at 31 March 2020, none of the covenants relating to drawn down facilities had been breached (2019: none).

All of the bank and other borrowings are carried at amortised cost.

Notes:

(a) All the Group's bank and other borrowings are denominated in RMB and HK$.

(b) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank and other borrowings are as follows:

	2020	2019
Effective interest rates:		
Fixed-rate borrowings	**3.05%–6.31%**	5.22%–6.85%

(c) At 31 March 2020, the secured bank borrowings are secured by right-of-use assets and property, plant and equipment of the Group (see notes 17 and 15).

At 31 March 2019, the secured bank borrowings are secured by prepaid lease payments and property, plant and equipment of the Group (see notes 16 and 15) and collaterals from a director of the Company.

(d) The unsecured bank borrowings were guaranteed by a subsidiary of the Company.

(e) Unsecured other borrowings represented loans from independent third parties bearing interest fixed at 5% (2019: 6%–6.85%) per annum and are repayable within 1 year.

28. FINANCE LEASES PAYABLE

At 31 March 2019, the Group's finance leases arise from the hire purchase of motor vehicles with a fixed lease term of 4.5 years. Interest rates underlying the obligations under finance leases are fixed at respective contract rates of 2% per annum.

At 31 March 2019, the Group had obligations under finance leases repayable as follows:

	2019	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	551	564
After 1 year but within 2 years	124	130
	675	694
Less: total future interest expenses		(19)
Present value of lease obligations		675

During the year ended 31 March 2019, the Group had derecognised the finance leases payable in relation to the outstanding payments for the rights to use Synertone 1 satellite bandwidth upon the termination of the relevant agreements (note 9).

The Group's obligations under finance leases in respect of motor vehicles are secured by the lessor's title to the leased assets.

At 31 March 2019, he Group's finance leases payable are denominated in HK$, being the functional currency of the relevant group entity.

29. LEASE LIABILITIES

The following tables shows the remaining contractual maturities of the Group's lease liabilities as at 31 March 2020:

	2020	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	1,724	1,762
After 1 year but within 2 years	649	705
	2,373	2,467
Less: total future interest expenses		(94)
Total lease liabilities		2,373
Less: non-current portion		(649)
Current portion		1,724

Notes:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated.

Total cash outflow for leases during the year ended 31 March 2020 was HK$2,851,000.

Further details on the impact of the transition to HKFRS 16 are set out in note 2.

30. AMOUNT DUE TO A DIRECTOR

The balance as at 31 March 2019 was unsecured, interest-free and repayable on demand.

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Accelerated tax depreciation HK$'000	Fair value adjustment on property, plant and equipment HK$'000	Fair value adjustment on intangible assets HK$'000	Total HK$'000
At 1 April 2018	332	637	6,265	7,234
Credited to profit or loss	(17)	(231)	(2,752)	(3,000)
Disposal of subsidiaries *(note 37)*	(217)	–	–	(217)
Effect of foreign currency exchange differences	–	(34)	(337)	(371)
At 31 March 2019	98	372	3,176	3,646
At 1 April 2019	**98**	**372**	**3,176**	**3,646**
Credited to profit or loss	**–**	**(216)**	**(1,916)**	**(2,132)**
Disposal of subsidiaries *(note 37)*	**(98)**	**–**	**–**	**(98)**
Effect of foreign currency exchange differences	**–**	**(16)**	**(136)**	**(152)**
At 31 March 2020	**–**	**140**	**1,124**	**1,264**

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$26,545,000 (2019: HK$32,280,000) as at 31 March 2020 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for tax losses of RMB21,519,505 (2019: RMB28,592,589) in the PRC which is available for carry forward to offset future taxable profit for a period of five years.

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 22 March 2012 (the "Share Option Scheme") whereby the board of directors or a duly authorised committee thereof may at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to eligible participants, including directors and employees of the Company or any of its subsidiaries, any person or entity that provides research, development or other technological support to the Company or any of its subsidiaries, an option to subscribe for shares of the Company. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.

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 and any other share option schemes of the Company will not exceed 30% of the issued share capital of the Company.

No option may be granted to any one person in any 12-month period which, if exercised in full, would result in the total number of shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval by the shareholders in a general meeting.

The subscription price for shares under the Share Option Scheme will be a price not be 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 of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the shares.

The share options granted on 24 December 2013 may be exercised in accordance with the following terms of the Scheme as to:

- up to the maximum of one-third of the share options exercisable commencing on 24 December 2015 to 23 December 2016, with vesting period from 24 December 2013 to 23 December 2015, the fair value of each option at the date of grant is approximately HK$0.2605 ("Lot 1");

- up to a maximum of one-third of the share options exercisable commencing on 24 December 2016 to 23 December 2017, with vesting period from 24 December 2013 to 23 December 2016, the fair value of each option at the date of grant is approximately HK$0.2778 ("Lot 2");

- all the remaining share options that have not been exercised (including those which have not been exercised under Lot 1 and Lot 2 above) exercisable commencing on 24 December 2017 to 23 December 2018, with vesting period from 24 December 2013 to 23 December 2017, the fair value of each option at the date of grant is approximately HK$0.3058 ("Lot 3").

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) The terms and conditions of the grants that existed as at 31 March 2018 are as follows, whereby all options are settled by physical delivery of shares:

	Number of Shares issuable under options *(note i)*	Exercise price *(note i)*	Contractual life of options
Options granted to directors:			
– on 24 December 2013	**4,369,812**	**HK$2.06**	**5 years**
Options granted to employees:			
– on 24 December 2013	**11,677,112**	**HK$2.06**	**5 years**
Options granted to other participants:			
– on 24 December 2013	**29,132,076**	**HK$2.06**	**5 years**
	45,179,000	**HK$2.06**	

Note:

(i) The exercise price and number of shares issuable under options granted have been adjusted for the effects of the issue of bonus shares on 21 February 2014, the share consolidation on 24 March 2016 and the rights issue on 28 April 2016.

(b) The number and weighted average exercise prices of share options during the year ended 31 March 2019 are as follows:

	2019	
	Weighted average exercise price	Number of shares issuable under options granted *(note i)*
Outstanding at 31 March 2018 and 1 April 2018	HK$2.06	45,179,000
Lapsed during the year ended 31 March 2019 *(note ii)*	HK$2.06	(45,179,000)
Outstanding at 31 March 2019	N/A	–
Exercisable at 31 March 2019	N/A	–

Notes:

(i) The exercise price and number of shares issuable under options granted have been adjusted for the effects of the issue of bonus shares on 21 February 2014, the share consolidation on 24 March 2016 and the rights issue on 28 April 2016.

(ii) During the year ended 31 March 2019, 655,470 share options were lapsed due to the resignation of employees and 44,523,530 share options were lapsed due to end of the exercisable period. The impact was directly recognised in accumulated losses, with a corresponding adjustment to the share-based compensation reserve.

No share option was granted, cancelled or exercised during the years ended 31 March 2020 and 2019. No share options were outstanding as at 31 March 2020 and 2019.

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options granted on 24 December 2013 and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model.

	Lot 1	Lot 2	Lot 3
Fair value of share options and assumptions	HK$0.2605	HK$0.2778	HK$0.3058
Share price *(note)*	HK$2.06	HK$2.06	HK$2.06
Exercise price *(note)*	HK$2.06	HK$2.06	HK$2.06
Contractual life	5 years	5 years	5 years
Expected volatility (expected as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	31.510%	31.878%	33.069%
Expected option period (expressed as weighted average life used in the modeling under the Black-Scholes Option Pricing Model)	3.500 years	4.001 years	4.501 years
Expected dividends	5.882%	5.882%	5.882%
Risk-free rate (based on yields of Hong Kong government bonds and treasury bills)	0.835%	1.027%	1.204%

Note: The share price and the exercise price have been adjusted for the effects of the issue of bonus shares on 21 February 2014, the share consolidation on 24 March 2016 and the rights issue on 28 April 2016.

The expected volatility is based on the historical volatilities of the comparable companies of the Company, over the expected option period. Expected dividend yield are based on historical dividend payout of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options granted to other participants are measured at fair values of options granted as these other participants are providing services that are similar to those rendered by employees.

33. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Movements in components of equity

		Attributable to owners of the Company							
	Notes	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Merger reserve *(note 33(c)(iv))* HK$'000	Warrants reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018		167,440	745,507	10,472	71,349	6,600	3,481	(912,124)	92,725
Comprehensive loss									
Loss for the year		–	–	–	–	–	–	(55,886)	(55,886)
Total comprehensive loss for the year		–	–	–	–	–	–	(55,886)	(55,886)
Lapse of share options		–	–	(10,472)	–	–	–	10,472	–
Issue of new shares	*33(b)*	32,651	19,590	–	–	–	–	–	52,241
Share issuance costs		–	(48)	–	–	–	–	–	(48)
Issue of convertible bonds	*39*	–	–	–	–	–	5,568	–	5,568
Issue of shares upon conversion of convertible bonds	*39*	15,000	36,033	–	–	–	(9,049)	–	41,984
At 31 March 2019		215,091	801,082	–	71,349	6,600	–	(957,538)	136,584
At 1 April 2019		**215,091**	**801,082**	**-**	**71,349**	**6,600**	**-**	**(957,538)**	**136,584**
Comprehensive loss									
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(63,220)**	**(63,220)**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(63,220)**	**(63,220)**
Lapse of warrants	*33(c)(vii)*	**-**	**-**	**-**	**-**	**(6,600)**	**-**	**6,600**	**-**
Issue of new shares	*33(b)*	**43,000**	**43,000**	**-**	**-**	**-**	**-**	**-**	**86,000**
Share issuance costs		**-**	**(54)**	**-**	**-**	**-**	**-**	**-**	**(54)**
At 31 March 2020		**258,091**	**844,028**	**-**	**71,349**	**-**	**-**	**(1,014,158)**	**159,310**

33. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2020 No. of shares '000	2020 Amount HK$'000	2019 No. of shares '000	2019 Amount HK$'000
Authorised:				
At beginning of the year (ordinary shares of HK$0.05 each)	**8,000,000**	**400,000**	8,000,000	400,000
Share consolidation *(note 33(b)(ii))*	**(6,400,000)**	**–**	–	–
At end of the year (ordinary shares of HK$0.25 each (2019: HK$ 0.05 each))	**1,600,000**	**400,000**	8,000,000	400,000
Issued and fully paid:				
At beginning of the year (ordinary shares of HK$0.05 each)	**4,301,816**	**215,091**	3,348,800	167,440
Issue of shares upon conversion of convertible bonds *(note 39)*	**–**	**–**	300,000	15,000
Issue of new shares *(note 33(b)(i))*	**860,000**	**43,000**	653,016	32,651
Share consolidation *(note 33(b)(ii))*	**(4,129,453)**	**–**	–	–
At end of the year (ordinary shares of HK$0.25 each (2019: HK$ 0.05 each))	**1,032,363**	**258,091**	4,301,816	215,091

Note:

(i) During the year ended 31 March 2020, the Company issued 860,000,000 new shares under general mandate to an independent third party at the subscription price of HK$0.1 per share. The net proceeds amounting to HK$85,900,000 have been applied as general working capital purpose.

During the year ended 31 March 2019, the Company issued 653,016,000 new shares under general mandate to an independent third party at the subscription price of HK$0.08 per share. The net proceeds amounting to HK$52,193,000 have been applied as general working capital purpose.

(ii) With effect from 24 March 2020, every five (5) shares of HK$0.05 each were consolidated into one (1) share of HK$0.25 each. As a result, the 5,161,816,000 issued shares of the Company of HK$0.05 each were consolidated into 1,032,363,200 issued shares of HK$0.25 each.

The owners 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.

33. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based compensation reserve

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(q).

(iii) Capital reserve

The capital reserve of the Group represents the differences between the nominal value of the Company's shares issued and the nominal value of shares of LakeWest acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(iv) Merger reserve

The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of LakeWest and its subsidiaries acquired through an exchange of shares in December 2006 pursuant to the reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange, which was not available for distribution.

(v) Statutory reserve

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of the entity's registered capital.

The Company's certain subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations to the statutory reserves until the reserve balances reaches 50% of the registered capital. The transfer must be made before distribution of dividends to owners.

The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the respective subsidiary and is non-distributable other than in the event of liquidation.

(vi) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(u).

33. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(vii) Warrants reserve

On 28 August 2014, the Company and an independent third party, CITIC Capital Management Limited ("CITIC Management"), entered into a subscription agreement pursuant to which the Company has agreed to issue and CITIC Management has agreed to subscribe for 660,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe for one warrant share at the subscription price of HK$1.98 (subject to adjustment) at any time during the exercise period of five years commencing from the date of issue of the warrant. The subscription was completed on 22 September 2014 and an aggregate of 660,000,000 warrants have been issued (restated to 196,666,667 warrants following share consolidation on 24 March 2016 and the rights issue completed on 28 April 2016). Each warrant carries the right to subscribe for one warrant share at the subscription price of HK$1.98 (subject to adjustment). Such warrants can be exercised at any time during the exercise period of five (5) years commencing from the date of issue. During the year ended 31 March 2020, no warrants were exercised and all the outstanding warrants were lapsed during the current financial year on 22 September 2019. No warrants were outstanding as at 31 March 2020.

(viii) Other reserve

The other reserve represents the difference between the consideration paid for the further acquisition of 36% equity interest in Sense Field in March 2017 and the carrying value of non-controlling interest derecognised.

(ix) Convertible bonds reserve

The convertible bonds reserve comprises the value of the equity component of unexercised convertible bonds issued by the Group. The reserve is dealt with in accordance with the accounting policy set out in note 3(m).

(d) Distributability of reserves

As at 31 March 2020, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2019: nil).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

33. CAPITAL AND RESERVES *(Continued)*

(e) Capital management *(Continued)*

The Group monitors its capital structure on the basis of the adjusted net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is defined as total debt (which includes bank and other borrowings, finance leases payable and lease liabilities) less cash and cash equivalents.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 April 2019. This caused a significant increase in the Group's total debt and hence the Group's adjusted gearing ratio rose from 68% to 75% on 1 April 2019 when compared to its position as at 31 March 2019.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	31 March 2020 *(Note (i))* **HK$'000**	1 April 2019 *(Note (i))* HK$'000	31 March 2019 HK$'000
Bank and other borrowings *(note 27)*	**66,139**	104,221	104,221
Finance leases payable *(note 28)*	**–**	–	675
Leases liabilities *(note 29)*	**2,373**	9,749	–
	68,512	113,970	104,896
Less: Cash and cash equivalents *(note 24)*	**(46,310)**	(10,599)	(10,599)
Net debt	**22,202**	103,371	94,297
Total equity	**173,205**	137,937	139,311
Adjusted gearing ratio	**13%**	75%	68%

Notes:

(i) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated (Note 2).

(ii) Total equity includes share capital and reserves at the end of each reporting period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34. FINANCIAL INSTRUMENTS BY CATEGORIES

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Financial assets at amortised cost	**98,955**	129,213
Financial liabilities		
Financial liabilities at amortised costs	**99,455**	149,735

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group has exposure to credit risk, liquidity risk, interest rate risk and currency 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.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other receivables. The Group's credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies, for which the Group considers to have low credit risk.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2020, the Group has a certain concentration of credit risk as 36% (2019: 34%) of the trade receivables were due from the Group's five largest customers.

In order to minimise the credit risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each major customer periodically. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The Group do not require collateral from its debtors. Debts are usually due within 30 to 180 days from the date of billing.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk *(Continued)*

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

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

The following table details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2020	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts HK$'000
Trade receivables	*23*	N/A	Note (i)	Lifetime ECL (provision matrix)	**52,127**
Bill, loan and other receivables	*23*	N/A	Note (ii)	12-month ECL	**65,516**
Cash and cash equivalents	*24*	N/A	Note (iii)	12-month ECL	**46,310**

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

2019	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts HK$'000
Trade receivables	*23*	N/A	Note (i)	Lifetime ECL (provision matrix)	141,393
Loan and other receivables	*23*	N/A	Note (ii)	12-month ECL	70,672
Cash and cash equivalents	*24*	N/A	Note (iii)	12-month ECL	10,599

Notes:

(i) The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020:

	Average loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
0–60 days	**15.63%**	**9,451**	**1,477**
61–90 days	**22.75%**	**3,195**	**727**
91–180 days	**28.02%**	**4,546**	**1,274**
181–365 days	**33.46%**	**3,198**	**1,070**
Over 365 days	**36.17%**	**31,737**	**11,479**
		52,127	**16,027**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

	Average loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
0–60 days	15.08%	12,109	1,826
61–90 days	2.63%	2,966	78
91–180 days	2.83%	9,732	275
181–365 days	2.86%	6,849	196
Over 365 days	82.99%	109,737	91,076
		141,393	93,451

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk *(Continued)*

Notes: (Continued)

(i) *(Continued)*

For long overdue trade receivables, the Group regularly reviews the specific circumstances of each major customer to determine if any follow-up action has to be taken. An extension of credit period may be granted by the Group to customers with long business relationship and established reputation; customers which are distributors that have difficulty in receiving payments from final customers; customers which are government-related entities that are subject to strictly regulated government annual budgeting process and payment approval procedures; and customers for which a repayment plan has been arranged.

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

(ii) In determining the ECL of the Group's bill receivables, the management assessed the expected losses individually by estimation based on historical credit loss experience, general economic conditions of the relevant industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on the result of the foregoing, the management is of the opinion the risk of default by the counterparties of other receivables is not significant and thus no impairment loss allowance was recognised.

In determining the ECL of the Group's other receivables, the management assessed the expected losses individually by estimation based on historical credit loss experience, general economic conditions of the relevant industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on the result of the foregoing, the management is of the opinion the risk of default by the counterparties of other receivables is not significant and thus allowance for expected credit losses of approximately HK$524,000 was recognised. The expected credit losses rate is 5.96%.

In determining the ECL of the Group's loan receivables, the management assessed the expected losses individually by estimation based on general economic conditions of the relevant industry in which the debtors operate, value of any pledged assets, financial position of the debtors and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The allowance for expected credit losses of approximately HK$2,257,000 was recognised. The expected credit losses rate is 4.06%.

(iii) In relation to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to parent company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted amount HK$'000	Carrying amount HK$'000
As at 31 March 2020						
Non-derivative financial liabilities						
Trade payables	**12,469**	**–**	**–**	**–**	**12,469**	**12,469**
Accrued salaries	**1,185**	**–**	**–**	**–**	**1,185**	**1,185**
Accrued expenses and other payables	**12,802**	**–**	**–**	**–**	**12,802**	**12,802**
Bills payables	**4,487**	**–**	**–**	**–**	**4,487**	**4,487**
Bank and other borrowings	**67,781**	**–**	**–**	**–**	**67,781**	**66,139**
Lease Liabilities	**1,762**	**705**	**–**	**–**	**2,467**	**2,373**
	100,486	**705**	**–**	**–**	**101,191**	**99,455**

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted amount HK$'000	Carrying amount HK$'000
As at 31 March 2019						
Non-derivative financial liabilities						
Trade payables	19,031	–	–	–	19,031	19,031
Accrued salaries	3,268	–	–	–	3,268	3,268
Accrued expenses and other payables	16,827	–	–	–	16,827	16,827
Bills payables	5,712	–	–	–	5,712	5,712
Amount due to a director	1	–	–	–	1	1
Bank and other borrowings	108,668	–	–	–	108,668	104,221
Finance leases payable	564	130	–	–	694	675
	154,071	130	–	–	154,201	149,735

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, loan receivables, borrowings and lease liabilities.

The Group is exposed to cash flow interest rate risk in relation to the Group's bank deposits which is mainly concentrated on the fluctuation of market interest rate. The Group is also exposed to fair value interest rate risk in respect of its fixed-rate loan receivables, fixed-rate bank and other borrowings and lease liabilities.

The Group aims at keeping borrowings at fixed rates.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing assets and liabilities at the end of the reporting period:

	2020 Range of interest rates	**2020** HK$'000	2019 Range of interest rates	2019 HK$'000
Fixed-rate borrowings:				
Bank and other borrowings	**3.05%–6.31%**	**66,139**	5.22%–6.85%	104,221
Lease liabilities	**4.70%–6.18%**	**2,373**	–	–
Finance leases payable	**–**	**–**	1.98%	675
		68,512		104,896
Fixed-rate loan receivables:				
Loan receivables	**6%**	**53,318**	6%	55,000
Variable-rate bank deposits:				
Cash at bank	**0.001%–0.35%**	**46,310**	0.001%–0.35%	10,599

(ii) Sensitivity analysis

Borrowings of the Group which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

No sensitivity analysis for interest rate risk exposure to variable rate bank deposits is presented as the management considered that the amount involved is insignificant.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$ and RMB.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year-end date.

	Exposure to foreign currencies (expressed in HK$'000)			
	2020		2019	
	US$	**RMB**	US$	RMB
Trade and other receivables	**752**	**–**	871	–
Cash and cash equivalents	**1**	**10**	1	10
Trade and other payables	**(1,231)**	**–**	(1,233)	–
Net exposure arising from recognised assets and liabilities	**(478)**	**10**	(361)	10

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation and accumulated losses that would arise if exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and US$ would be materially unaffected by any changes in value of US$ against other currencies.

	Exposure to foreign currencies (expressed in HK$'000)					
	2020			2019		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after taxation**	**Effect on accumulated losses**	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation	Effect on accumulated losses
RMB	**5%**	**(1)**	**(1)**	5%	(1)	(1)
	(5%)	**1**	**1**	(5%)	1	1

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis (Continued)

Results of the analysis is presented in the above table represent an aggregate of the instantaneous effects on each of the group entities' profit/loss after taxation and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2019.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the expose during the year.

(e) Fair value measurement

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2020 and 2019.

36. 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 flows as cash flows from financing activities.

	Bank and other borrowings HK$'000	Finance leases payable HK$'000	Lease liabilities HK$'000	Convertible bonds payable HK$'000	Interest payable (included in other payables) HK$'000	Total HK$'000
At 1 April 2018	171,655	413,531	–	18,467	4,659	608,312
Changes from cash flows:						
– Borrowings raised	168,147	–	–	–	–	168,147
– Repayment of borrowings	(229,544)	–	–	–	–	(229,544)
– Repayment of finance leases	–	(2,011)	–	–	–	(2,011)
– Issue of convertible bonds	–	–	–	28,000	–	28,000
– Interest paid	(7,214)	–	–	–	(4,659)	(11,873)
Non-cash changes						
– Finance costs recognised	7,214	10,842	–	1,085	–	19,141
– Equity component of convertible bonds	–	–	–	(5,568)	–	(5,568)
– Conversion of convertible bonds into ordinary shares *(note 39)*	–	–	–	(41,984)	–	(41,984)
– Disposal of subsidiaries *(note 37)*	–	(9,889)	–	–	–	(9,889)
– Settlement by transfer of property, plant and equipment *(note 9)*	–	(39,228)	–	–	–	(39,228)
– Release upon early termination of finance lease arrangement *(note 9)*	–	(372,449)	–	–	–	(372,449)
– Effect of foreign exchange rate changes	(6,037)	(121)	–	–	–	(6,158)
At 31 March 2019	104,221	675	–	–	–	104,896
Impact on initial application of HKFRS 16 *(Note 2)*	**–**	**(675)**	**9,749**	**–**	**–**	**9,074**
At 1 April 2019	**104,221**	**–**	**9,749**	**–**	**–**	**113,970**
Changes from cash flows:						
– Borrowings raised	**95,671**	**–**	**–**	**–**	**–**	**95,671**
– Repayment of borrowings	**(128,031)**	**–**	**–**	**–**	**–**	**(128,031)**
– Repayment of leases liabilities	**–**	**–**	**(2,851)**	**–**	**–**	**(2,851)**
– Interest paid	**(6,167)**	**–**	**(277)**	**–**	**–**	**(6,444)**
Non-cash changes						
– Finance costs recognised	**6,167**	**–**	**277**	**–**	**–**	**6,444**
– Disposal of subsidiaries *(note 37)*	**–**	**–**	**(4,113)**	**–**	**–**	**(4,113)**
– Lease modification	**–**	**–**	**(74)**	**–**	**–**	**(74)**
– Effect of foreign exchange rate changes	**(5,722)**	**–**	**(338)**	**–**	**–**	**(6,060)**
At 31 March 2020	**66,139**	**–**	**2,373**	**–**	**–**	**68,512**

37. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2020

The analysis of assets and liabilities of Synertone Communication Technology Limited and Thrive United Holdings Limited at the date of disposal as detailed in note 9 were as follows:

	HK$'000
Property, plant and equipment	6,498
Right-of-use assets	3,110
Inventories	3,049
Trade and other receivables	19,818
Cash and cash equivalents	171
Trade and other payables	(5,198)
Lease liabilities	(4,113)
Deferred tax liabilities	(98)
	23,237
Release of translation reserve	(13,053)
Loss on disposal of subsidiaries	(2,484)
Total consideration	7,700

Net cash inflow arising on disposal:

	HK$'000
Cash consideration received	7,700
Less: Bank balances and cash disposed of	(171)
	7,529

The impact of Synertone Communication Technology Limited and Thrive United Holdings Limited on the Group's results and cash flows in the current and prior years is disclosed in note 9.

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2019

The analysis of assets and liabilities of Vastsuccess and Synertone Satellite at the date of disposal as detailed in note 9 were as follows:

	HK$'000
Property, plant and equipment	6,475
Financial asset at FVTOCI	3,900
Inventories	30
Trade and other receivables	18,195
Cash and cash equivalents	611
Trade and other payables	(5,409)
Finance leases payable	(9,889)
Tax payables	(1,553)
Deferred tax liabilities	(217)
	12,143
Release of translation reserve	(2,077)
Loss on disposal of subsidiaries	(10,066)
Total consideration	–

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	–
Less: Bank balances and cash disposed of	(611)
	(611)

The impact of Vastsuccess and Synertone Satellite on the Group's results and cash flows in the prior years is disclosed in note 9.

38. ACQUISITION OF A SUBSIDIARY

The Group further acquired through an indirect 85%-owned subsidiary of the Company an 51% equity interest in Hangzhou Aomai for a cash consideration of HK$450,000 (the "Further Acquisition"). Hangzhou Aomai is engaged in the sales of building intelligence products in the PRC. Upon completion of the Further Acquisition, the Group's effective equity interest in Hangzhou Aomai increased from 41.65% to 85% and thereafter Hangzhou Aomai becomes an indirect non-wholly owned subsidiary of the Company. No goodwill arose from the acquisition.

The analysis of assets and liabilities acquired by the Group arising from the Further Acquisition of equity interest in Hangzhou Aomai were as follows:

	HK$'000
Trade and other receivables	2,151
Cash and cash equivalents	10
Trade and other payables	(1,279)
Fair value of net identifiable assets and liabilities acquired	882
Carrying amount of interests in an associate previously held	(432)
Total consideration	450

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	450
Less: Bank balances and cash acquired	(10)
	440

39. CONVERTIBLE BONDS PAYABLE

On 23 May 2017, the Company entered into a subscription agreement with an independent third party (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$48,000,000. The conditions of the subscription agreement were fulfilled and completed on 6 June 2017.

The convertible bonds give the holder the right (the "Conversion Right") to convert all or any part of the outstanding principal amount of the convertible bonds into fully paid ordinary shares of HK$0.05 each in the Company at initial price of HK$0.16 per share (the "Conversion Price"). The Conversion Price is subject to adjustment for share consolidation, share split or reverse share split, share subdivision or other similar event affecting the number of outstanding conversion shares.

The holder can exercise the Conversion Right from time to time during the conversion period from the first anniversary date to the maturity date. The convertible bonds shall mature two years from the date of issue.

The convertible bonds bear interest from the date of issue of the convertible bonds at the rate of 5% per annum on the principal amount of the convertible bonds, payable at the anniversary date annually in arrears.

During the year ended 31 March 2019, the Company had issued the convertible bonds in aggregate principal amount of HK$28,000,000 with the written demand to the Subscriber. The Subscriber then exercised the Conversion Right to convert all outstanding convertible bonds in an aggregate amount of HK$48,000,000 into 300,000,000 ordinary shares of HK$0.05 each of the Company at the Conversion Price of HK$0.16 per share.

The movement of the liability component and equity component of the convertible bonds for the year ended 31 March 2019 was set out below:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 April 2018	18,467	3,481	21,948
Issued during the year	22,432	5,568	28,000
Effective interest charged to profit or loss	1,085	–	1,085
Conversion into ordinary shares	(41,984)	(9,049)	(51,033)
At 31 March 2019	–	–	–

The fair value of the liability component of the convertible bonds is calculated using cash flows discounted at a rate based on the effective interest rate of 15.8%-17.9% per annum.

40. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2020 and 2019 not provided for in the consolidated financial statements were as follows:

	2020 HK$'000	2019 HK$'000
Contracted but not provided for:		
Renovation of new office	–	1,676

(b) As at 31 March 2019, the total future minimum lease payment under non-cancellable operating lease are payable as follows:

	2019 HK$'000
Within one year	4,279
In the second to fifth year inclusive	5,500
	9,779

Operating lease payments represent rental payable by the Group for certain of its office and factory premises. Leases are negotiated for an average of 1 to 10 years during which rentals are fixed. None of the leases includes contingent rentals.

41. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

(a) Balances with related parties

Amount due to a director

At the end of each reporting period, the Group had the following balances with related parties:

	2020 HK$'000	2019 HK$'000
Wong Chit On (resigned with effect from 3 January 2020)	–	1

41. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with key management personnel

Emoluments for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11 are as follows:

	2020	2019
	HK$'000	HK$'000
Short-term employee benefits	**6,268**	8,051
Post-employment benefit	**93**	140
	6,361	8,191

Total emoluments is included in "Staff Costs" (see note 7(b)).

(c) Guarantee

At 31 March 2019, a personal guarantee was given by Mr. Wong Chit On, Chairman and executive director of the Company, for the purchase of motor vehicles under finance leases through financial institutions with the carrying value of finance leases payable as follows:

	2019
	HK$'000
Finance leases payable guaranteed by a director	675

42. COMPARATIVE INFORMATION

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The comparative figures of (loss)/earnings per share attributable to owners of the Company have been restated to reflect the share consolidation which was effective on 24 March 2020.

In addition, the consolidated statement of profit or loss has been restated as if the operation discontinued during the current year has been discontinued at the beginning of the comparative period.

43. EVENT AFTER THE REPORTING PERIOD

(a) Outbreak on Coronavirus Disease

Since January 2020, the outbreak on Coronavirus Disease ("COVID-19") has impacted the global business environment. Pending the development and spread of COVID-19 after the end of reporting date, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(b) On 17 April 2020, the Group entered into a sale and purchase agreement to acquire 100% of the issued share capital in Wellington Financial Limited. Wellington Financial Limited is principally engaged in securities trading and brokerage services in Hong Kong and is the holder of the licenses for Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance. The consideration in the sum of HK$2.5 million plus the net asset value amount shall be paid in cash by the Group in the following manner:

(i) HK$1.25 million, as the deposit, is payable on the date of the sale and purchase agreement; and

(ii) The remaining balance of the total consideration shall be payable on the completion date.

According to the sale and purchase agreement, the total consideration shall not exceed HK$16 million.

(c) On 5 June 2020, the Group entered into a sale and purchase agreement to acquire 20% of the issued share capital in Iogo Workshop Investment Limited, which is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. The consideration in the sum of HK$56,000,000 shall be paid in cash by the Group by way of two instalments, with the first instalment of 10% of the consideration in the amount of HK$5,600,000 to be paid on the date of execution of the sale and purchase agreement, and the second instalment of 90% of the consideration in the amount of HK$50,400,000 to be paid on the completion date.

44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		–	–
Current assets			
Other receivables		53,814	57,859
Prepayments		384	62
Amounts due from subsidiaries		76,412	78,671
Cash and cash equivalents		31,895	3,951
		162,505	140,543
Current liabilities			
Other payables		3,095	3,259
Amount due to a director		–	1
Other borrowing		100	–
Amounts due to subsidiaries		–	699
		3,195	3,959
Net assets		159,310	136,584
EQUITY	33		
Share capital		258,091	215,091
Reserves		(98,781)	(78,507)
Total equity		159,310	136,584

Approved and authorised for issue by the board of directors on 26 June 2020.

Han Weining
Director

Wang Chen
Director

FIVE YEARS SUMMARY

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For continuing and discontinued operations					
Revenue	**73,243**	81,005	93,763	144,677	106,376
Cost of sales	**(46,162)**	(54,224)	(78,743)	(116,594)	(117,504)
Gross profit/(loss)	**27,081**	26,781	15,020	28,083	(11,128)
(Loss)/profit before taxation	**(40,603)**	203,198	(570,739)	(209,350)	(470,555)
Income tax	**2,113**	2,986	21,287	7,934	1,646
(Loss)/profit for the year	**(38,490)**	206,184	(549,452)	(201,416)	(468,909)
Attributable to:					
Owners of the Company	**(38,677)**	208,667	(545,125)	(196,693)	(469,702)
Non-controlling interests	**187**	(2,483)	(4,327)	(4,723)	793
(Loss)/profit for the year	**(38,490)**	206,184	(549,452)	(201,416)	(468,909)

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	**198,275**	183,833	341,349	336,501	328,368
Non-current assets	**98,013**	121,669	217,741	621,307	791,071
Total assets	**296,288**	305,502	559,090	957,808	1,119,439
Current liabilities	**121,170**	162,421	464,339	381,449	303,144
Non-current liabilities	**1,913**	3,770	249,120	295,483	391,997
Total liabilities	**123,083**	166,191	713,459	676,932	695,141
Net assets/(liabilities)	**173,205**	139,311	(154,369)	280,876	424,298
Share capital	**258,091**	215,091	167,440	167,440	83,720
Reserves	**(92,523)**	(83,696)	(333,530)	98,876	281,216
Equity attributable to owners of the Company	**165,568**	131,395	(166,090)	266,316	364,936
Non-controlling interests	**7,637**	7,916	11,721	14,560	59,362
Total equity	**173,205**	139,311	(154,369)	280,876	424,298