



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

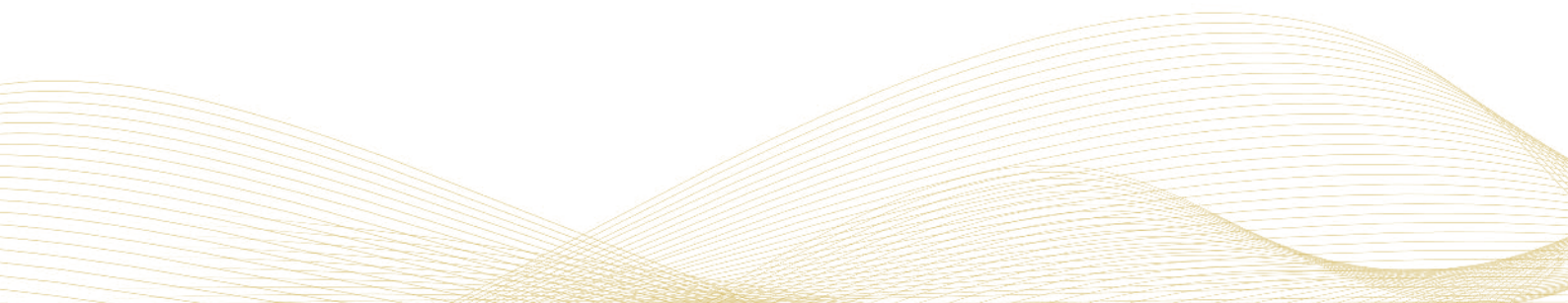
(Incorporated in Bermuda with limited liability)

Stock Code: 1013

**2021 ANNUAL REPORT**

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# Corporate Information

## EXECUTIVE DIRECTOR

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Wai Dune *(appointed on 11 November 2020)*  
Wang Wei *(appointed on 3 November 2020)*  
Chen Dairong *(appointed on 2 July 2020)*  
Ko Ming Tung, Edward  
*(resigned on 3 November 2020)*  
Chan Chun Wai, Tony  
*(resigned on 6 November 2020)*

## AUTHORISED REPRESENTATIVES

Lam Ching Kui  
Ng Chun Pang *(appointed on 5 May 2021 and resigned on 10 May 2021)*  
Chiu Chun Tak *(appointed on 10 August 2020 and resigned on 30 April 2021)*  
So Wing Fat *(appointed on 9 June 2020 and resigned on 10 August 2020)*

## COMPANY SECRETARY

Ng Chun Pang *(appointed on 5 May 2021 and resigned on 10 May 2021)*  
Chiu Chun Tak *(appointed on 10 August 2020 and resigned on 30 April 2021)*  
So Wing Fat *(appointed on 9 June 2020 and resigned on 10 August 2020)*

## AUDIT COMMITTEE

Chan Wai Dune *(Chairman)*  
*(appointed on 11 November 2020)*  
Wang Wei *(appointed on 3 November 2020)*  
Chen Dairong *(appointed on 2 July 2020)*  
Chan Chun Wai, Tony *(Chairman)*  
*(resigned on 6 November 2020)*  
Ko Ming Tung, Edward  
*(resigned on 3 November 2020)*

## REMUNERATION COMMITTEE

Wang Wei *(Chairman)*  
*(appointed on 3 November 2020)*  
Chan Wai Dune *(appointed on 11 November 2020)*  
Chen Dairong *(appointed on 2 July 2020)*  
Ko Ming Tung, Edward *(Chairman)*  
*(resigned on 3 November 2020)*  
Chan Chun Wai, Tony  
*(resigned on 6 November 2020)*

## NOMINATION COMMITTEE

Lam Ching Kui *(Chairman)*  
*(appointed on 2 July 2020)*  
Chan Wai Dune *(appointed on 11 November 2020)*  
Wang Wei *(appointed on 3 November 2020)*  
Chen Dairong *(appointed on 2 July 2020)*  
Ko Ming Tung, Edward  
*(resigned on 3 November 2020)*  
Chan Chun Wai, Tony  
*(resigned on 6 November 2020)*

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## AUDITOR

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



**SHARE REGISTRAR IN BERMUDA**

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

**REGISTRAR IN HONG KONG**

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

**PRINCIPAL BANKER**

Hang Seng Bank Limited

**STOCK CODE**

1013

**COMPANY WEBSITE**

[www.1013.hk](http://www.1013.hk)

# Chairman's Statement

On behalf of the board of directors (the "Board") of Wai Chun Group Holdings Limited (the "Company"). I would like to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### *Financial Performance*

For the year ended 31 March 2021, the Group recorded overall revenue of approximately HK\$159,834,000 (2020: approximately HK\$134,755,000) representing an increase of approximately 18.6% when compared to 2020. This is largely due to the revenue of general trading segment increased by 65.5% to approximately HK\$129,514,000 (2020: approximately HK\$78,276,000) because the Group has expended the general trading segment revenue by trading agricultural products of approximately HK\$58,743,000 during the year (2020: nil).

The gross profit of the Group for the year ended 31 March 2021 amounting to approximately HK\$3,341,000 representing a decrease of approximately HK\$2,364,000 or 41.4% as compared with the gross profit of approximately HK\$5,705,000 for last year. The gross profit margin for the year ended 31 March 2021 was approximately 2.1% as compared to 4.2% for 2020. The decrease in gross profit margin was mainly due to the gross profit margin on general trading segment decreased, despite the higher gross profit margin of the sales and integration services and services income business segments as compared with last year.

Administrative expenses during the year under review increased by 16.5% to approximately to HK\$26,898,000 (2020: approximately HK\$23,092,000). During the year ended 31 March 2021, the finance costs increased by 141.8% to approximately HK\$21,869,000 (2020: approximately HK\$9,043,000). The increase in finance costs was mainly due to the interest expenses for the convertible bonds incurred during the year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$17,932,000 for the year (2020: approximately HK\$28,094,000).

#### *Financial Resources and Position*

Total debts of the Group amounted to approximately HK\$127,815,000 (2020: approximately HK\$179,141,000), comprising convertible bond of approximately HK\$83,953,000 (2020: nil), loans from ultimate holding company of approximately HK\$7,498,000 (2020: approximately HK\$121,460,000), amount due to a director of approximately HK\$6,918,000 (2020: approximately HK\$672,000), borrowings of approximately HK\$18,984,000 (2020: approximately HK\$10,948,000), lease liabilities of approximately HK\$10,462,000 (2020: HK\$12,077,000) and amount due to a non-controlling interests of a subsidiary of nil (2020: approximately HK\$33,984,000). All the above mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except borrowings, all of these debts are interest bearing or carried in an interest rate implicit in the lease liabilities.

## Chairman's Statement

The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 68.9% (2020: approximately 189.0%), representing a decrease of approximately 120.1% as compared to 2020. Cash and cash equivalents amounted to approximately HK\$19,705,000 (2020: approximately HK\$12,008,000) as at 31 March 2021 which are mostly denominated in Hong Kong Dollars and Renminbi.

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

The Group had no assets pledged as at 31 March 2021 (2020: nil). At the end of the financial year, the current ratio of the Group is approximately 1.00 time (2020: approximately 0.50 times). On the basis of the undrawn loan facilities of approximately HK\$92,502,000, granted by its ultimate holding company, Wai Chun IF, the directors of the Company (the "Directors") believe that the Group has sufficient financial resources for its operations. The Directors will remain cautious in the Group's liquidity management.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2021 (2020: nil).

## BUSINESS REVIEW AND FUTURE PROSPECT

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

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

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

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

## **Chairman's Statement**

### **APPRECIATION**

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

#### **Lam Ching Kui**

*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2021

## EXECUTIVE DIRECTOR

**Mr. Lam Ching Kui (“Mr. Lam”)**, aged 62, has over 29 years of experience in project investments and securities investments. Mr. Lam has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong. He has made investments in listed securities and renewable energy. Mr. Lam is an indirect substantial shareholder of the Company and has been the Chairman and an executive Director of the Company since August 2008. Mr. Lam is responsible for the overall strategic planning of the Group. Mr. Lam is also the chairman and the executive Director of Wai Chun Bio-Technology Limited, a public listed company in Hong Kong.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Wai Dune (“Mr. Chan”)**, aged 68, has been appointed as the Independent Non-executive Director of the Company since 11 November 2020. Mr. Chan is currently the chairman and chief executive officer of Crowe (HK) CPA Limited. He has over 39 years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. Chan is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Taxation Institute of Hong Kong. He is also an associate chartered accountant of The Institute of Chartered Accountants in England and Wales. Mr. Chan is currently serving various public positions such as the executive vice chairman of the Hong Kong Federation of Guangzhou Associations and a member and a standing committee member of CPPCC of the Guangzhou Municipal Committee. Mr. Chan was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region.

Mr. Chan joined Tianjin Tianbao Energy Co., Ltd., a listed company in the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1671) on 17 January 2020 as an Independent Non-Executive Director and the Chairman of Audit Committee. Other than disclosed above, Mr. Chan did not hold any other directorships in any listed public companies in the past three years.



## Biographical Details of Directors

**Dr. Wang Wei (“Dr. Wang”)**, aged 59, has been appointed as the Independent Non-executive Director of the Company since 3 November 2020. Dr. Wang has worked in Bank of China International, Hong Kong since 2008 and is currently the Managing Director of the Debt Capital Market Origination Department of Bank of China International, Hong Kong. He also currently serves as the Executive Vice President of the Hong Kong Institution for International Finance. Dr. Wang also served as the executive director of the Credit Research Strategy Department of Citigroup (Hong Kong) and the Vice President of the Corporate Bond Strategy Research Department of Salomon Smith Barney (New York). Dr. Wang also served as a postdoctoral research scientist of at the Lamont-Doherty Earth Research Center of Columbia University, USA from 1995 to 1997.”

Dr. Wang holds a doctorate in physical oceanography from the University of North Carolina at Chapel Hill, USA; a master degree of physical oceanography from the Second National Institute of Oceanography of China, and a bachelor degree of Mechanical Engineering (high-speed aerodynamics) from the University of Science and Technology of China.

In addition, Dr. Wang is an adjunct professor/lecturer at the Chinese University of Hong Kong (Shenzhen), and an adjunct senior researcher and lecturer at Renmin University of China (Beijing). Dr. Wang did not hold any other directorships in any listed public companies in the past three years.

**Ms. Chen Dairong (“Ms. Chen”)**, aged 43, was appointed as an independent non-executive Director since 2 July 2020. Ms. Chen holds a Master of Business Administration degree and a Bachelor of Chinese Language degree, and has managerial experience in internet and creative media industries. She has worked in multiple media and internet companies as senior management, and has over 10 years of experience in expert brand marketing, offering content marketing strategies and services to many international industry giants. Ms. Chen is a professional investor in the cultural creativity and internet technology industries, in several media and entertainment corporations. Ms. Chen has also served as a director of an American non-governmental charitable foundation for ten consecutive years, and sponsored and supported early childhood education public charity projects. Ms. Chen did not hold any other directorships in any listed public companies in the past three years.

# Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding Company and the principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements. There were no significant changes in the nature of the Company's and of the Group's principal activities during the year.

Discussions and reviews of the Group's business and possible risks and uncertainties that the Group may be facing are contained in the Chairman's Statement as set out on pages 4 to 6 of this annual report. The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements of this annual report. These discussions form part of this Report of the Directors.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2021 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 51 to 113.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity set out on page 55 and in note 31 to the consolidated financial statements respectively.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 March 2021 is set out on page 114.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company did not have any reserves available for distribution to its shareholders (2020: Nil).

## Report of the Directors

### DIRECTORS

#### EXECUTIVE DIRECTOR

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

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Dune (*appointed on 11 November 2020*)

Dr. Wang Wei (*appointed on 3 November 2020*)

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

Mr. Ko Ming Tung, Edward (*resigned on 3 November 2020*)

Mr. Chan Chun Wai, Tony (*resigned on 6 November 2020*)

The biographical details of the Directors of the Company are set out on pages 7 and 8 of this annual report.

#### DIRECTORS' SERVICE CONTRACTS

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

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

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

#### DIRECTORS' REMUNERATION

Details of emoluments of the Directors are set out in note 13 to the consolidated financial statements.

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

### **PERMITTED INDEMNITY**

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

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed below in the section headed "Connected Transactions" and in notes 25 and 34 to the consolidated financial statements, there are no transactions, arrangements or contracts of significance to which the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **COMPETING BUSINESS**

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

### **INTERESTS OF CONTROLLING SHAREHOLDER IN CONTRACTS**

Save as disclosed below in the section headed "Connected Transactions" and in notes 25, 28 and 34 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the year.



## Report of the Directors

### DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, the interests and short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to be notified to the Company and the Stock Exchange, were as follows:

#### LONG POSITIONS

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding
Lam Ching Kui	Interests of controlled corporations	1,592,819,600 (Note)	74.46%

*Note:* Mr. Lam Ching Kui directly holds 38,481,000 shares and is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 1,554,338,600 shares of the Company held by Ka Chun Holdings Limited, a wholly-owned subsidiary of Wai Chun Investment Fund.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Lam Ching Kui	Interests of controlled corporations	1,592,819,600	74.46%
Ka Chun Holdings Limited	Beneficial owner	1,554,338,600	72.66%
Wai Chun Investment Fund	Interests of controlled corporations	1,554,338,600	72.66%

*Note:*

Ka Chun Holdings Limited, which is wholly owned by Wai Chun Investment Fund holds 1,554,338,600 shares of the Company. Mr. Lam Ching Kui, the chairman and Executive Director of the Company directly holds 38,481,000 shares and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Mr. Lam Ching Kui is the director of Ka Chun Holdings Limited and Wai Chun Investment Fund.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 March 2021, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

### SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

As at 31 March 2021, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares.

### OTHER PERSONS

As at 31 March 2021, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

## Report of the Directors

### **SUBSTANTIAL SHAREHOLDERS** (continued)

#### **SHARE OPTION SCHEME**

A share option scheme was adopted by the Company on 25 September 2015 and was lapsed during the year.

#### **MANAGEMENT CONTRACTS**

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

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2021.

### **CONNECTED TRANSACTIONS**

#### **TENANCY AGREEMENTS**

A tenancy agreement was entered into between Wai Chun Holdings Group Limited as landlord and Wai Chun Strategic Investment Limited, a wholly owned subsidiary of the Company, as tenant on 18 December 2019 in relation to the right portion of 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong (the “Premises”) and a car parking space, the Company’s principal place of business in Hong Kong for a term of two years commenced from 1 November 2019 to 31 October 2020, with a rental of HK\$374,800 per calendar month, exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges per calendar month. A new tenancy agreement (the “Tenancy Agreement A”) was entered into between Wai Chun Holdings Group as landlord and Wai Chun Group Holdings Limited as tenant on 30 December 2020 in respect of the leasing of the Premises and the car parking space. The term of the Tenancy Agreement A is two years commencing from 1 November 2020 to 31 October 2022, both days inclusive, with a rental of HK\$329,800 per calendar month, exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges.

Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam Ching Kui and as to the remaining 50% by Ms. Chan Oi Mo. Mr. Lam Ching Kui is a controlling shareholder of the Company and is interested in approximately 74.46% of the issued share capital of the Company and Ms. Chan Oi Mo is the spouse of Mr. Lam Ching Kui. Accordingly, Wai Chun Holdings Group Limited is regarded as a connected person of the Company under the Listing Rules.

### CONNECTED TRANSACTIONS (continued)

#### TENANCY AGREEMENTS (continued)

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

Ms. Chan is the spouse of Mr. Lam Ching Kui who is a Director and indirectly owns approximately 74.46% of the issued share capital of the Company. Accordingly, Ms. Chan is regarded as a connected person of the Company under the Listing Rules. During the year ended 31 March 2021, the Company incurred total rental charges of HK\$4,200,000 payable to Ms. Chan.

The Board classified the transactions under the Tenancy Agreement A and Tenancy Agreement B as connected transactions of the Company under the application of Hong Kong Financial Reporting Standards 16 (“HKFRS 16”).

Under HKFRS 16, which came into effect on leases entered into after 1 January 2019, the Group as lessee shall recognise a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased assets over the lease term and the lease liability represents its obligation to make lease payments.

The transactions under the Tenancy Agreement A and Tenancy Agreement B should be regarded as acquisition of assets under the definition of transaction set out in Rule 14.04(1)(a) and Rule 14A.24(1) of the Listing Rules. The unaudited value of the right-of-use asset recognised by the Company under the Tenancy Agreement A amounted to HK\$7,422,354 which is the present value of total consideration payable throughout the lease terms under the tenancy agreement in accordance with HKFRS 16, please refer to the announcement of the Company dated 6 January 2021.



## Report of the Directors

### COMPLIANCE WITH DISCLOSURE REQUIREMENTS

Saved as disclosed in page 15 of the Annual Report, the present value of total consideration of HK\$7,422,354 payable to Wai Chun Holdings Group Limited and the rental charges of HK\$4,200,000 payable to Ms. Chan, which constitute connected transactions of the Company under Chapter 14A of the Listing Rules, all other transactions as shown in note 34 are connected transactions exempted from announcement, reporting, annual review and independent shareholders' approval requirements under Rule 14A.76/14A.95/14A.90 of the Listing Rules. For the tenancy agreements as mentioned in the above section headed "Connected Transactions", the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

### PUBLIC FLOAT

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

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 95% of total turnover and sales to the largest customer accounted for approximately 46%. The five largest suppliers of the Group in aggregate accounted for about 96% of its total purchase costs for the year. Purchases from the largest supplier accounted for about 47% of its total purchase costs. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

### PRE-EMPTIVE RIGHTS

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

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

### TAX RELIEF AND EXEMPTION

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

### EMOLUMENT POLICY

As at 31 March 2021, the Group had a total of 19 employees, the majority of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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

### ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

### COMPLIANCE WITH LAWS AND REGULATIONS

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

### RELATIONSHIPS WITH STAKEHOLDERS

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

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

## Report of the Directors

### CORPORATE GOVERNANCE

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

### AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2021 have been audited by Messrs. ZHONGHUI ANDA CPA Limited (“ZHONGHUI ANDA”). HLM CPA Limited resigned as auditors of the Company with effect from 16 April 2021. ZHONGHUI ANDA CPA Limited was appointed as auditor of the Company with effect from 16 April 2021 to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of ZHONGHUI ANDA as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Lam Ching Kui**

*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2021

# Corporate Governance Report

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

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

## CORPORATE GOVERNANCE

During the year ended 31 March 2021, the Company complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules except code provisions A.2.1 and A.4.1.

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

Code provision A.4.1 provides that non-executive Directors should be appointed for a specific term and subject to re-election. The Company has not fixed the term of appointment of Mr. Ko Ming Tung, Edward ("Mr. Ko") as an independent non-executive Director, however, he is subject to retirement by rotation at least once every three years and re-election at the AGM of the Company pursuant to the Company's Bye-laws. During the year, Mr. Ko Ming Tung was resigned as independent non-executive Director of the Company. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

## BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD

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

### EXECUTIVE DIRECTOR

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



## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Dune (*appointed on 11 November 2020*)  
Dr. Wang Wei (*appointed on 3 November 2020*)  
Mr. Ko Ming Tung, Edward (*resigned on 3 November 2020*)  
Mr. Chan Chun Wai, Tony (*resigned on 6 November 2020*)  
Ms. Chen Dairong (*appointed on 2 July 2020*)

#### RESPONSIBILITIES

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

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

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

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

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

During the year ended 31 March 2021, references are made to the announcements of the Company dated 26 February 2020, the Company announced that Professor Ho Kin Chung, B.B.S., J.P, ("Professor Ho") has resigned as an Independent Non-executive Director ("INED"), and ceased to be the Chairman of the Company's Nomination Committee, a member of the Company's Audit Committee and a member of the Remuneration Committee of the Company on 26 February 2020. Following the resignation of Professor Ho, there is a vacancy in the position of the member of the Audit Committee of the Company and the Company only has two INEDs, thus the number of INEDs and number of the Audit Committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As required under Rules 3.11 and 3.23 of the Listing rules, the Company should appoint sufficient number of INEDs and make appropriate appointment to the Audit Committee within three months which is by 26 May 2020. The Company has rectified the situation by appointing Ms. Chen Dairong as an INED of the Company on 2 July, 2020. Other than above, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

### **BOARD OF DIRECTORS** (continued)

#### **RESPONSIBILITIES** (continued)

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

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

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

#### **APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS**

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

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

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### BOARD MEETINGS

During the year ended 31 March 2021, the Board held four regular board meetings. In addition, board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are usually attended by executive Directors only. The Directors attended the meetings in person or through electronic means of communication. The attendance of each Director is set out as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Lam Ching Kui	4/4
Mr. Chan Wai Dune ( <i>appointed on 11 November 2020</i> )	1/4
Dr. Wang Wei ( <i>appointed on 3 November 2020</i> )	1/4
Mr. Ko Ming Tung, Edward ( <i>resigned on 3 November 2020</i> )	3/4
Mr. Chan Chun Wai, Tony ( <i>resigned on 6 November 2020</i> )	3/4
Ms. Chen Dairong ( <i>appointed on 2 July 2020</i> )	2/4

#### GENERAL MEETINGS

During the year ended 31 March 2021, an annual general meeting of the Company was held on 18 August 2020. The attendance of each Director is set out as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Lam Ching Kui ( <i>Chairman</i> )	1/1
Mr. Chan Wai Dune ( <i>appointed on 11 November 2020</i> )	N/A
Dr. Wang Wei ( <i>appointed on 3 November 2020</i> )	N/A
Mr. Ko Ming Tung, Edward ( <i>resigned on 3 November 2020</i> )	1/1
Mr. Chan Chun Wai, Tony ( <i>resigned on 6 November 2020</i> )	1/1
Ms. Chen Dairong ( <i>appointed on 2 July 2020</i> )	1/1

### **BOARD OF DIRECTORS** (continued)

#### **BOARD PROCESS**

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

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

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

#### **BOARD DIVERSITY POLICY**

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

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

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

#### **DIRECTORS' TRAINING**

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

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a Director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 March 2021 to the Company.

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

#### BOARD COMMITTEES

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

#### REMUNERATION COMMITTEE

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

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



### BOARD OF DIRECTORS (continued)

### REMUNERATION COMMITTEE (continued)

During the year ended 31 March 2021, the Remuneration Committee held one meeting with attendance record as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Dr. Wang Wei ( <i>Chairman</i> ) ( <i>appointed on 3 November 2020</i> )	N/A
Mr. Ko Ming Tung, Edward ( <i>Chairman</i> ) ( <i>resigned on 3 November 2020</i> )	1/1
Mr. Chan Wai Dune ( <i>appointed on 11 November 2020</i> )	N/A
Mr. Chan Chun Wai, Tony ( <i>resigned on 6 November 2020</i> )	1/1
Ms. Chen Dairong ( <i>appointed on 2 July 2020</i> )	1/1

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

### AUDIT COMMITTEE

The Company has the Audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. A meeting of the Audit Committee was held to review the Group's audited consolidated financial statements for the year ended 31 March 2021, in conjunction with the Group's external auditor, ZHONGHUI ANDA CPA Limited.

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

During the year ended 31 March 2021, the Audit Committee held one meeting with attendance record as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Chan Wai Dune ( <i>Chairman</i> ) ( <i>appointed on 11 November 2020</i> )	N/A
Mr. Chan Chun Wai, Tony ( <i>Chairman</i> ) ( <i>resigned on 6 November 2020</i> )	1/1
Dr. Wang Wei ( <i>appointed on 3 November 2020</i> )	N/A
Mr. Ko Ming Tung, Edward ( <i>resigned on 3 November 2020</i> )	1/1
Ms. Chen Dairong ( <i>appointed on 2 July 2020</i> )	1/1

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### AUDIT COMMITTEE (continued)

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 March 2021 and the interim report for the six months ended 30 September 2020 respectively. The Audit Committee has also reviewed the Group accounting principles and practices, Listing Rules and statutory compliance and financial reporting matters. The Audit Committee is satisfied with their review of the independence of the auditor and their audit process for the year ended 31 March 2021.

The Group's results and consolidated financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee.

#### NOMINATION COMMITTEE

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

During the year ended 31 March 2021, the Nomination Committee held one meeting, with attendance record as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Lam Ching Kui ( <i>Chairman</i> ) ( <i>appointed on 2 July 2020</i> )	1/1
Mr. Chan Wai Dune ( <i>appointed on 11 November 2020</i> )	N/A
Dr. Wang Wei ( <i>appointed on 3 November 2020</i> )	N/A
Mr. Ko Ming Tung, Edward ( <i>resigned on 3 November 2020</i> )	1/1
Mr. Chan Chun Wai, Tony ( <i>resigned on 6 November 2020</i> )	1/1
Ms. Chen Dairong ( <i>appointed on 2 July 2020</i> )	1/1

### **BOARD OF DIRECTORS** (continued)

#### **CORPORATE GOVERNANCE FUNCTIONS**

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

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

During the year ended 31 March 2021, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

#### **COMPANY SECRETARY**

The Company Secretary, Mr. Chiu Chun Tak ("Mr. Chiu"), appointed on 10 August 2020, is to replace Mr. So Wing Fat, who resigned on 10 August 2020, and is responsible for supporting the Board, ensuring good information flow within the Board, and Board policies and procedures are followed, advising the Board on governance matters, facilitating induction and professional development of Directors. After year ended, the Company Secretary Mr. Chiu resigned on 30 April 2021, and Dr. Ng Chun Pang ("Dr. Ng") appointed as Company Secretary on 5 May 2021 and resigned on 10 May 2021. The Company is in the process of identifying a suitable candidate to fill the vacancy of Company Secretary caused by the resignation of Dr. Ng.

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

#### **DIRECTORS' SECURITIES TRANSACTIONS**

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

## Corporate Governance Report

### EXTERNAL AUDITOR AND ITS REMUNERATION

During the year, the Company re-appointed HLM CPA Limited, (“HLM”) as the Auditor in the Company’s general meeting held on 18 August 2020. On 16 April 2021, HLM has resigned as the Auditor while ZHONGHUI ANDA CPA Limited has been appointed as the Auditor to fill to casual vacancy following the resignation of HLM and to hold office until the conclusion of the forthcoming AGM.

The Auditors’ remuneration for the year ended 31 March 2021 was as follows:

<b>Nature of work</b>	<b>Fee</b> <i>HK’000</i>
Audit services	450
Non-audit services	100

### DIRECTORS’ RESPONSIBILITY IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the Auditors of the Company regarding their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor’s Report on pages 47 to 50 of this Annual Report.

### GOING CONCERN

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

### INTERNAL CONTROL

#### RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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



## **Corporate Governance Report**

### **INTERNAL CONTROL** (continued)

#### **RISK MANAGEMENT AND INTERNAL CONTROL** (continued)

##### ***Internal Audit***

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

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

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

### **SHAREHOLDERS' RIGHTS**

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

#### **SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING**

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

#### **PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD**

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

#### **CONSTITUTIONAL DOCUMENTS**

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

# Environmental, Social and Governance Report

Year ended 31 March 2021

## OVERVIEW

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

Issues and aspects which have a significant impact and are relevant to the Group’s ongoing operation and interests of stakeholders for the period from 1 April 2020 to 31 March 2021 (the “Reporting Period” or “2021”) are closely examined, reviewed and reported herein.

ESG performance along with the KPIs through comparing their results of the Reporting Period with 2020 of the Group has also been reviewed and reported herein. Areas of improvements or shortcomings are identified and where necessary, appropriate amendments are made with corresponding measures implemented. As a continuing exercise of the Group, ESG Key Performance Indicators (“KPIs”) are updated and where necessary new ones are introduced during this Reporting Period.

## ESG VISION

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

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

## ESG MANAGEMENT AND APPROACH

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

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

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

## Environmental, Social and Governance Report

Year ended 31 March 2021

### STAKEHOLDER ENGAGEMENT

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

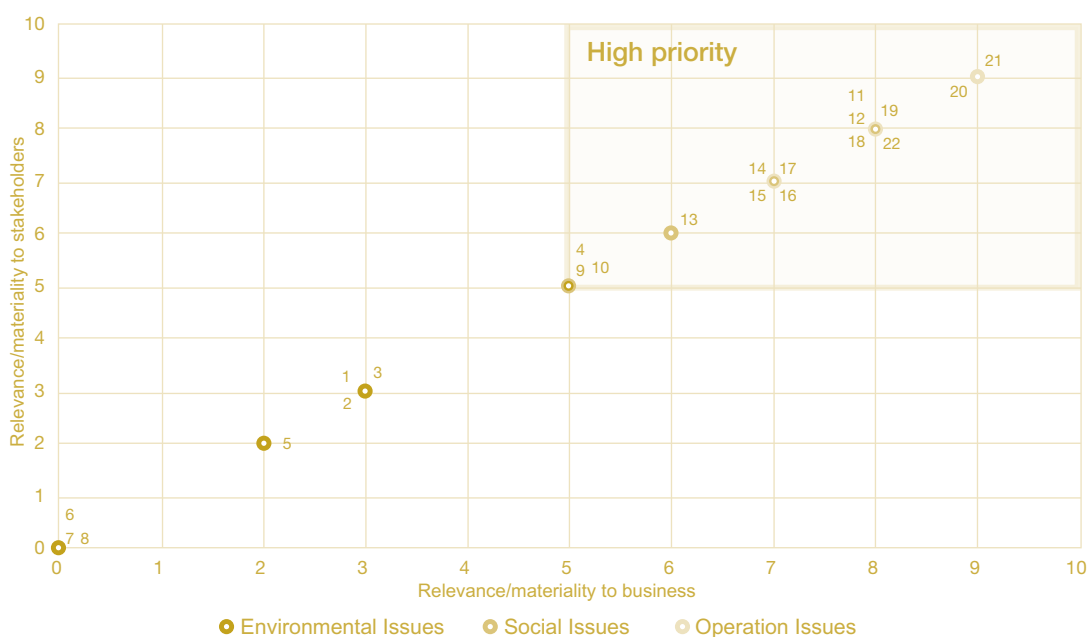
Stakeholders	Expectation	Communication and feedback
Employees	<ul style="list-style-type: none"><li>• Career development platform</li><li>• Salary and benefits and employee communication</li></ul>	<ul style="list-style-type: none"><li>• Annual performance appraisal system and Staff communication</li><li>• Training, seminars and briefing sessions</li></ul>
Customers	<ul style="list-style-type: none"><li>• Communication with customers</li></ul>	<ul style="list-style-type: none"><li>• Company website and customer service hotline</li></ul>
Shareholders	<ul style="list-style-type: none"><li>• Communication with shareholders</li><li>• Corporate transparency</li><li>• Financial performance</li></ul>	<ul style="list-style-type: none"><li>• Annual general meeting and other general meetings</li><li>• Investor and press conferences, briefings and company website</li><li>• Corporate communications including announcements, press releases, circulars, interim and annual reports</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Integrity cooperation</li></ul>	<ul style="list-style-type: none"><li>• Regular supplier communications and reviews</li></ul>
Regulators	<ul style="list-style-type: none"><li>• Response to inquiries from regulators</li><li>• Corporate governance</li><li>• Corporate compliance</li><li>• Compliance training</li></ul>	<ul style="list-style-type: none"><li>• Regular meetings and communications</li><li>• Corporate governance report</li><li>• Compliance reports</li><li>• Training, focus groups and other events</li></ul>
Community	<ul style="list-style-type: none"><li>• Community care</li></ul>	<ul style="list-style-type: none"><li>• Sponsorships and donations</li></ul>

## MATERIALITY ASSESSMENT

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

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

The Group’s ESG importance matrix for the reporting year is as follows:



### Environmental issues

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Environmental impact caused by business
6. Use of natural resources
7. Customer participation environmental issues
8. Use of chemicals

### Social issues

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

### Operation issues

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

# Environmental, Social and Governance Report

Year ended 31 March 2021

## A. ENVIRONMENTAL

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

### A1: EMISSIONS AND WASTES

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

For 2021, hazardous gases including Nitrogen oxide (NO<sub>x</sub>), Sulphur Oxide (SO<sub>x</sub>), and Particulate Matter (PM) were generated directly from the fuel used for our vehicles.

For 2021, air pollutant emissions are as flows:

Types of emissions	Units	2021	2020
Nitrogen oxide (NO <sub>x</sub> )	gram	1,953.61	3,073.00
Sulphur Oxide (SO <sub>x</sub> )	gram	29.65	60.48
Particulate Matter (PM)	gram	130.37	226.28

The Reporting Period's hazardous gases emissions was 1,246 gram or 37% less than that in 2020. This is due to the implementation of various energy-saving measures, including but not limited to the followings:

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

The main sources of the Group's greenhouse gas emissions are direct emissions from mobile combustion sources ("Scope 1"), indirect emissions from acquired electricity emissions ("Scope 2") and other indirect emissions ("Scope 3")



## A. ENVIRONMENTAL (continued)

### A1: EMISSIONS AND WASTES (continued)

For 2021, the greenhouse gas emissions are as follows:

Types of emissions	Units	2021	2020
Emission of greenhouse gases (Scope 1)	Tonnes CO <sub>2</sub> e	5.37	9.71
Emission of greenhouse gases (Scope 2)	Tonnes CO <sub>2</sub> e	14.57*	30.62
Emission of greenhouse gases (Scope 3)	Tonnes CO <sub>2</sub> e	3.36*	0.15
Total greenhouse gas emissions	Tonnes CO <sub>2</sub> e	23.30	40.48
No. of employee	No. of employee	19	15
Greenhouse gas intensity (Total emissions/no. of employee)	Tonnes CO <sub>2</sub> e/ No. of employee	1.23	2.70

Scope 1: It represents the petrol from consumption of motor vehicles;

Scope 2: It represents the electricity purchased from power suppliers; and

Scope 3: It represents the paper waste disposed at landfills and water used.

\* Based on the 2019 China North China regional grid emission factor as the calculation benchmark. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs".

The Group generates direct and indirect greenhouse gas emission in its daily business operation, greenhouse gas (GHG) were directly generated from the use of fuel by vehicles usage and indirectly from the use of electricity, and other emissions are generated from the consumption of waste paper and water, amounted to 5.37 tonnes, 14.57 tonnes and 3.36 tonnes respectively. Comparing with 2020, the greenhouse gas emissions decreased by 17.18 tonnes.

### Hazardous and Non-hazardous waste generated

	Units	2021	2020
Total hazardous waste	Kg	N/A	N/A
Density of hazardous waste	Kg/No. of employee	N/A	N/A
Total non-hazardous waste	Kilogram	200.75	182.50
Density of non-hazardous waste	Kg/No. of employee	10.57	12.17

# Environmental, Social and Governance Report

Year ended 31 March 2021

## A. ENVIRONMENTAL (continued)

### A1: EMISSIONS AND WASTES (continued)

#### *Mitigation measures and results*

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

Despite the innocuous nature of the business operations, the Group sets up a KPI of "Greenhouse gas ('GHG') – namely CO2 EMISSIONS". According to the latest data, the record shows that the Group has successfully reduced greenhouse gas emissions during the 2021 reporting period.

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

#### *Compliance with relevant laws and regulations that have a significant impact*

During the Reporting Period, same as 2020, its operations in Hong Kong and the PRC had not received any penalties or warnings related to air, water or waste pollution, emissions and discharges from any environmental departments or agencies.

### A2: USE OF RESOURCES

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

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

## A. ENVIRONMENTAL (continued)

### A2: USE OF RESOURCES (continued)

#### *Electricity and Fuel Consumption*

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

The aggregate of the Group amounted to 33,187kWh in 2021 which was 4,321kWh or 12% less than that in 2020.

For the 2021, the Group's resource consumption is as follows:

Resource	Units	2021	2020
Electricity consumption	kWh	33,187	37,508
Fuel consumption	kWh	19,549	39,872
Total energy consumption	kWh	52,736	77,380
Total energy consumption intensity	kWh/no. of employee	2,776	5,159
Water consumption	m <sup>3</sup>	232	208
Water consumption intensity	m <sup>3</sup> /no. of employee	13	14
Total packaging	Kg	N/A	N/A
Total packaging intensity	Kg/no. of employee	N/A	N/A

### A3: THE ENVIRONMENT AND NATURAL RESOURCES

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

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

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

# Environmental, Social and Governance Report

Year ended 31 March 2021

## B. SOCIAL

### EMPLOYMENT AND LABOUR PRACTICES

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

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

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

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

#### **B1: Employment**

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

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

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

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

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

**B. SOCIAL** (continued)

**EMPLOYMENT AND LABOUR PRACTICES** (continued)

**B1: Employment** (continued)

*Employment Locations*

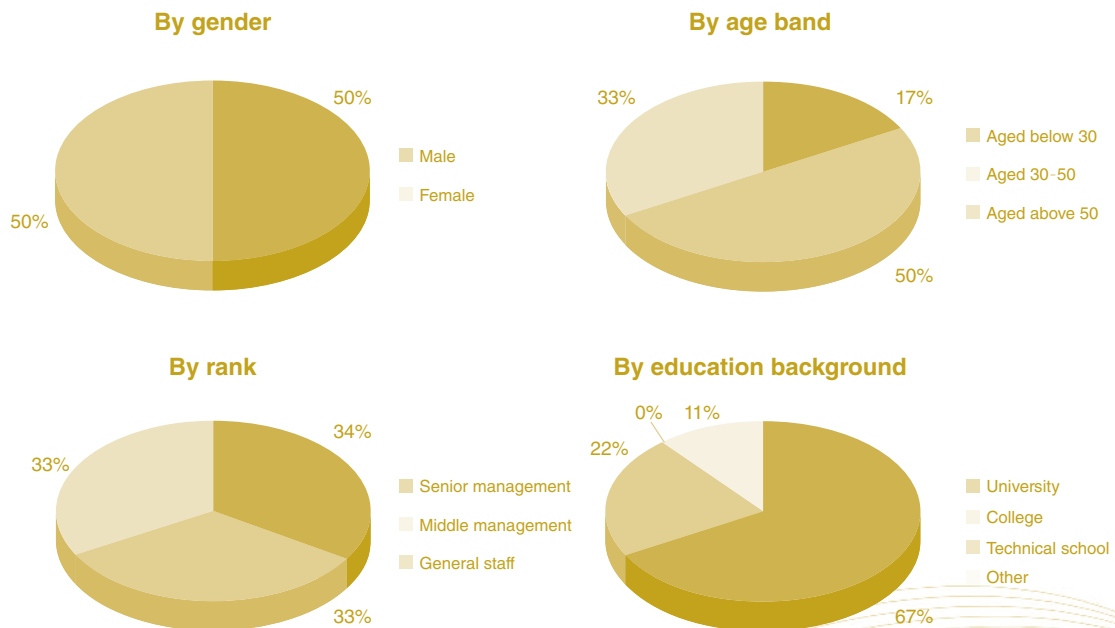
For 2021, the Group employed a total of 19 employees including 13 in the Hong Kong office and 6 in the Beijing office. The number of employees was 15 in 2020 (10 in the Hong Kong office and 5 in the Beijing office).

*Employee Compensation Package*

Employee remuneration packages are determined with reference to the prevailing market level and in line with their competency, qualifications and experience. Same as previous years, the Group has honored all of its obligations owed to its employees including the payment of salaries and wages, holidays and leave, compensation, insurance and health benefits.

*Compliance with relevant laws and regulations*

The Group is not aware of any serious violations of applicable laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and benefits in 2021 that have a significant impact on the Group. In addition, there were no reports of material fines or non-monetary sanctions due to violations of relevant laws and regulations in 2021.





## Environmental, Social and Governance Report

Year ended 31 March 2021

### B. SOCIAL (continued)

#### EMPLOYMENT AND LABOUR PRACTICES (continued)

##### **B2: Health and Safety**

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

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

During the 2019 novel coronavirus pneumonia outbreak, the Group strictly adopted a number of preventive policies, including: (i) maintaining air circulation in the office area during working hours; (ii) personal health management; (iii) frequent cleaning of the office area; (iv) employees must wear masks before entering the office area; and (v) Measure the body temperature of employees and customers when entering the office area.

##### *Compliance with relevant laws and regulations*

The “Employees’ Handbook”, “Labor Contract for Chinese Employees” and “Employment Contract for Hong Kong Employees” have detailed health and safety guidelines and measures. They comply with the Hong Kong Employment Ordinance and Chinese labor laws and regulations. The relevant regulations have been fully complied with. For the Reporting Period, the Group did not report any major work-related deaths or injuries. In addition, there were no significant fines or sanctions due to violations of relevant laws and regulations for 2021.

##### **B3: Development and Training**

The Group reckons the importance of staff training and development to staff themselves and the organisation. The Group supports and encourages all employees to continue learning and improve their knowledge and job skills.

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

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

## B. SOCIAL (continued)

### EMPLOYMENT AND LABOUR PRACTICES (continued)

#### **B4: Labour Standards**

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

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

#### *Compliance with relevant laws and regulations*

For 2021, the Group did not find any material violations of relevant laws and regulations that prohibit the Group from employing child labor or forced labor. The Group strictly abides by local laws and regulations related to labor standards, such as the "Hong Kong Employment Ordinance", the "Labor Law of the People's Republic of China", the "Minors Protection Law of the People's Republic of China" and the "Provisions on Prohibition of Child Labor." In addition, there were no material fines or sanctions for non-compliance with relevant laws and regulations for 2021.

#### **B5: Supply Chain Management**

The Group strives to manage risks in its supply chain through an established set of procedures and has appointed a Commercial Representative ("CR") to be responsible for a specific purchase transaction. The CR is delegated with the full responsibility of purchase contract negotiation, signatory and implementation of the entire purchase contract. Processes like order(s) placement, liaison with suppliers, products and services delivery and quality checking, payment, etc are duties of the CR. The Group conducts its sourcing and purchases in a transparent procedure which requires careful screening of the suppliers, previous performance record checking and monitoring etc.

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

During the Reporting Period, same as 2020, all procurements of the Group were conducted through local suppliers in Hong Kong or the PRC for the purposes of ensuring easy on supply especially on timing, and supporting the local economic development.

## Environmental, Social and Governance Report

Year ended 31 March 2021

### B. SOCIAL (continued)

#### EMPLOYMENT AND LABOUR PRACTICES (continued)

##### **B6: Product Responsibility**

###### *Product Quality*

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

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

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

During the Reporting Period, same as 2020, there were no complaints on defects in products, technology or services the Group provided and no complaint, or infringement of intellectual rights reported.

###### *Intellectual Property Rights*

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

For the purchase of services and hardwares, the Group relies on the procedures stated in its “Supply Chain Management” internal control system to prevent from purchasing poor quality products or services or counterfeit items from its suppliers. The Group had not received any intellectual property rights complaints during the Reporting Period, same as 2020.

### B. SOCIAL (continued)

#### EMPLOYMENT AND LABOUR PRACTICES (continued)

##### **B6: Product Responsibility** (continued)

###### *Privacy and Consumer Data Protection*

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

Data of our employees, customers and suppliers are kept under a secure and confidential system by our senior management, and use of this data is subject to strict rules and procedures. We have not experienced any privacy information leakage for Reporting Period and 2020.

###### *Compliance with relevant laws and regulations*

For 2021, no violations and regulations related to intellectual property issues were discovered or recorded, which resulted in material fines or sanctions.

## Environmental, Social and Governance Report

Year ended 31 March 2021

### B. SOCIAL (continued)

#### EMPLOYMENT AND LABOUR PRACTICES (continued)

##### **B7: Anti-corruption**

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

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

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

##### *Compliance with relevant laws and regulations*

For 2021, neither the Group nor its employees participated in any legal cases related to bribery, extortion, fraud or money laundering. The Group strictly abides by the “Anti-Unfair Competition Law of the People’s Republic of China”, the “Regulations on the Prevention of Bribery” and other local laws and regulations related to anti-corruption.

##### **B8: Community Investment**

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



### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Aspect	KPI	Description	Page number/ Remarks
<b>Environmental aspect</b>			
<b>A1 Emissions</b>	A1	General disclosure	Page 34
	A1.1	Types of air emissions and respective emission data	Page 34-35
	A1.2	Greenhouse gas emissions in total and intensity	Page 35
	A1.3	Total hazardous waste produced	N/A
	A1.4	Total non-hazardous waste produced	Page 35
	A1.5	Description of measures to mitigate emissions and results achieved	Page 36
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Page 36
<b>A2 Use of Resources</b>	A2	General Disclosure	Page 36
	A2.1	Energy consumption and density	Page 37
	A2.2	Water consumption and density	Page 37
	A2.3	Description of energy efficiency and results	Page 37
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	N/A
	A2.5	Total packaging material used	N/A
<b>A3 The Environment and Natural Resources</b>	A3	General Disclosure	Page 37

## Environmental, Social and Governance Report

Year ended 31 March 2021

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX (continued)

Aspect	KPI	Description	Page number/ Remarks
<b>Social</b>			
<b>B1 Employment</b>	B1	General Disclosure	Page 38-39
<b>B2 Health and Safety</b>	B2	General Disclosure	Page 40
<b>B3 Development and Training</b>	B3	General Disclosure	Page 40
<b>B4 Labor Standard</b>	B4	General Disclosure	Page 41
<b>B5 Supply Chain Management</b>	B5	General Disclosure	Page 41
<b>B6 Product Responsibility</b>	B6	General Disclosure	Page 42-43
<b>B7 Anti-corruption</b>	B7	General Disclosure	Page 44
<b>B8 Community Investment</b>	B8	General Disclosure	Page 44

# Independent Auditor's Report



## TO THE SHAREHOLDERS OF WAI CHUN GROUP HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of Wai Chun Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 51 to 113, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, 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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$17,932,000 for the year ended 31 March 2021 and as at 31 March 2021, the Group had net liabilities of approximately HK\$89,699,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Management’s arrangements to address the going concern issue are also described in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

## Independent Auditor's Report

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related To Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### IMPAIRMENT ASSESSMENTS OF TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

*Refer to Note 19 to the consolidated financial statements*

The Group tested the amount of trade and other receivables, prepayments and deposits for impairment. This impairment test is significant to our audit because the balance of trade and other receivables, prepayments and deposits of approximately HK\$122,917,000 as at 31 March 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with the customers and debtors;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing credit worthiness of the customers and debtors;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements; and
- Testing subsequent settlement of receivables after the end of the reporting period on a sample basis.

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

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

### RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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



## **Independent Auditor's Report**

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>. This description forms part of our auditor's report.

#### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Li Shun Fai**

*Audit Engagement Director*

*Practising Certificate Number P05498*

Hong Kong, 29 June 2021

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Revenue</b>	7	<b>159,834</b>	134,755
Cost of sales		<b>(156,493)</b>	(129,050)
<b>Gross profit</b>		<b>3,341</b>	5,705
Other income	8	<b>135</b>	123
Other gains/(losses), net	9	<b>47,844</b>	640
Administrative expenses		<b>(26,898)</b>	(23,092)
Finance costs	10	<b>(21,869)</b>	(9,043)
<b>Profit/(loss) before tax</b>	12	<b>2,553</b>	(25,667)
Income tax expenses	11	<b>-</b>	-
<b>Profit/(loss) for the year</b>		<b>2,553</b>	(25,667)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>(17,932)</b>	(28,094)
Non-controlling interests		<b>20,485</b>	2,427
		<b>2,553</b>	(25,667)
<b>Loss per share</b>	15	<b>HK cents</b>	<i>HK cents</i> (Restated)
– Basic and diluted		<b>(0.84)</b>	(1.31)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>Profit/(loss) for the year</b>	<b>2,553</b>	<b>(25,667)</b>
<b>Other comprehensive (expenses)/income, net of tax</b> <i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(555)</b>	3,067
Other comprehensive (expenses)/income for the year	<b>(555)</b>	3,067
<b>Total comprehensive income/(expenses) for the year</b>	<b>1,998</b>	<b>(22,600)</b>
<b>Total comprehensive income/(expenses) for the year attributable to:</b>		
Owners of the Company	<b>(17,482)</b>	(26,568)
Non-controlling interests	<b>19,480</b>	3,968
	<b>1,998</b>	<b>(22,600)</b>

# Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	1,865	2,673
Right-of-use assets	17	10,215	7,681
		<b>12,080</b>	10,354
<b>Current assets</b>			
Inventories	18	2,155	8,450
Trade and other receivables, prepayments and deposits	19	122,917	56,731
Fixed deposits	20	300	300
Bank balances and cash	21	19,405	12,576
		<b>144,777</b>	78,057
<b>Current liabilities</b>			
Trade and other payables	22	106,724	99,927
Contract liabilities	23	10,204	2,011
Borrowings	24	18,984	10,948
Amount due to a director	25	–	672
Amount due to a non-controlling interest of a subsidiary	26	–	33,984
Lease liabilities	27	8,165	8,016
		<b>144,077</b>	155,558
<b>Net current assets/(liabilities)</b>		<b>700</b>	(77,501)
<b>Total assets less current liabilities</b>		<b>12,780</b>	(67,147)
<b>Non-current liabilities</b>			
Trade and other payables	22	1,813	–
Loans from ultimate holding company	28	7,498	121,460
Amount due to a director	25	6,918	–
Lease liabilities	27	2,297	4,061
Convertible bonds	29	83,953	–
		<b>102,479</b>	125,521
<b>NET LIABILITIES</b>		<b>(89,699)</b>	(192,668)

## Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	30	213,912	213,912
Reserves	31	(320,882)	(404,371)
Capital deficiency attributable to owners of the Company		(106,970)	(190,459)
Non-controlling interests		17,271	(2,209)
<b>CAPITAL DEFICIENCY</b>		<b>(89,699)</b>	<b>(192,668)</b>

The consolidated financial statements on pages 51 to 113 were approved and authorised for issue by the Board of Directors on 29 June 2021 and are signed on its behalf by:

**Lam Ching Kui**  
Director

**Chan Wai Dune**  
Director



# Consolidated Statement of Changes In Equity

For the year ended 31 March 2021

	Attributable to owners of the Company								
	Share capital	Share premium	Share option reserves	Convertible bonds reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2019</b>	213,912	5,000	19,680	-	(4,541)	(397,942)	(163,891)	(6,177)	(170,068)
(Loss)/profit for the year	-	-	-	-	-	(28,094)	(28,094)	2,427	(25,667)
Other comprehensive income for the year:									
- Exchange differences on translation of foreign operations	-	-	-	-	1,526	-	1,526	1,541	3,067
Total comprehensive income/ (expenses) for the year	-	-	-	-	1,526	(28,094)	(26,568)	3,968	(22,600)
<b>At 31 March 2020</b>	<b>213,912</b>	<b>5,000</b>	<b>19,680</b>	<b>-</b>	<b>(3,015)</b>	<b>(426,036)</b>	<b>(190,459)</b>	<b>(2,209)</b>	<b>(192,668)</b>
<b>At 1 April 2020</b>	213,912	5,000	19,680	-	(3,015)	(426,036)	(190,459)	(2,209)	(192,668)
(Loss)/profit for the year	-	-	-	-	-	(17,932)	(17,932)	20,485	2,553
Other comprehensive income/ (expenses) for the year:									
- Exchange differences on translation of foreign operations	-	-	-	-	450	-	450	(1,005)	(555)
Total comprehensive income/ (expenses) for the year	-	-	-	-	450	(17,932)	(17,482)	19,480	1,998
Effect of lapsed of share options granted	-	-	(19,680)	-	-	19,680	-	-	-
Issuance of convertible bonds	-	-	-	100,971	-	-	100,971	-	100,971
<b>At 31 March 2021</b>	<b>213,912</b>	<b>5,000</b>	<b>-</b>	<b>100,971</b>	<b>(2,565)</b>	<b>(424,288)</b>	<b>(106,970)</b>	<b>17,271</b>	<b>(89,699)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	2,553	(25,667)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment and right-of-use assets	6,607	4,745
Interest expenses	21,869	9,043
Bank interest income	(13)	(5)
Reversal of impairment losses on trade receivables	(9,939)	(2,258)
Gain on issuance of convertible bonds	(2,365)	–
Gain from settlement of litigation cases	(35,547)	–
Reversal of impairment losses on contract assets	–	(282)
Impairment losses on other receivables	–	1,271
Gain on disposal of property, plant and equipment	–	(17)
<b>Operating cash flows before working capital changes</b>	<b>(16,835)</b>	<b>(13,170)</b>
Change in inventories	6,576	(3,604)
Change in trade and other receivables, prepayment and deposits	(60,941)	5,315
Change in contract assets	–	5,790
Change in trade and other payables	53,412	5,530
Change in contract liabilities	8,025	(1,730)
Change in amount due to a director	328	135
<b>Net cash used in operating activities</b>	<b>(9,435)</b>	<b>(1,734)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	13	5
Purchase of property, plant and equipment	(37)	(810)
Proceeds from disposal of property, plant and equipment	–	17
Change in restricted bank deposits	868	2
<b>Net cash generated from/(used in) investing activities</b>	<b>844</b>	<b>(786)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans from ultimate holding company	15,545	9,876
Proceeds of borrowings	35,500	16,835
Repayment of loans from ultimate holding company	(7,845)	(8,216)
Repayment borrowings	(28,629)	(36,455)
<b>Net cash generated from/(used in) financing activities</b>	<b>14,571</b>	<b>(17,960)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Effect of change in foreign exchange rate	1,717	466
Cash and cash equivalents at beginning of year	12,008	32,022
Cash and cash equivalents at end of year	<b>19,705</b>	<b>12,008</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Fixed deposits	300	300
Bank balances and cash	19,405	12,576
Less: Restricted bank deposits	-	(868)
	<b>19,705</b>	<b>12,008</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

Wai Chun Group Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors of the Company, the ultimate holding company of the Company is Wai Chun Investment Fund (“Wai Chun IF”), which is a private limited company incorporated in the Cayman Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“Mr. Lam”), who is the chairman of the board of directors and an executive director of the Company. The address of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

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

## 2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$17,932,000 for the year ended 31 March 2021 and as at 31 March 2021, the Group had net liabilities of approximately HK\$89,699,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have prepared the consolidated financial statements based on going concern on the assumptions and measures that:

- (a) As at 31 March 2021, the Company has drawn down loan of approximately HK\$7,498,000 and undrawn loan facilities of approximately HK\$92,502,000 granted by Wai Chun IF, its ultimate holding company. Wai Chun IF will not demand the Company for repayment of such loans nor cancel the undrawn loan facilities until all other liabilities of the Group have been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements;
- (b) In addition to the loan facilities granted by Wai Chun IF as stated above, Mr. Lam has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statements. Also, Mr. Lam agreed not to request the Group, whenever necessary, to settle the balance due to him recorded in amount due to a director amounting to approximately HK\$6,918,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements;

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 2. GOING CONCERN BASIS (continued)

- (c) Wai Chun Holdings Group Limited, a related company controlled by Mr. Lam and his spouse, has also agreed not to request the Group, whenever necessary, to settle the balance due recorded in trade and other payables amounting to approximately HK\$1,813,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements;
- (d) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (e) The directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

#### 3.1 NEW AND REVISED HKFRSs ADOPTED DURING THE FINANCIAL YEAR

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The following new and revised HKFRSs that are effective for annual periods beginning on or after 1 April 2020:

<b>New/Revised HKFRSs</b>		<b>Effective Date</b>
Amendments to HKFRS 3	<i>Definition of a Business</i>	1 January 2020
Amendments to HKAS 1 and 8	<i>Definition of Material</i>	1 January 2020
Amendments to HKFRS 7 and 9, and HKAS 39	<i>Interest Rate Benchmark Reform</i>	1 January 2020

The adoption of the above new and revised HKFRSs did not result in significant changes and material effect on the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

#### 3.2 NEW AND REVISED HKFRSs THAT HAVE BEEN ISSUED, BUT ONLY EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 APRIL 2021

<b>New/Revised HKFRSs</b>		<b>Effective Date</b>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to HKFRS 4, 7, 9 and 16, and HKAS 39	<i>Interest Rate Benchmark Reform</i>	1 January 2021
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>	1 April 2021
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37	<i>Onerous Contracts—Cost of Fulfilling a Contract</i>	1 January 2022
HKFRS 17	<i>Insurance Contracts</i>	1 January 2023
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to HKAS 1	<i>Disclosure of Accounting Policies</i>	1 January 2023

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

#### 3.2 NEW AND REVISED HKFRSs THAT HAVE BEEN ISSUED, BUT ONLY EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 APRIL 2021 (continued)

New/Revised HKFRSs		Effective Date
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to HK-Int 5	<i>Amendments to HKAS 1</i>	1 January 2023
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Annual Improvements to HKFRs Standards 2018–2020 Cycle		Effective Date
HKFRS 1	<i>Subsidiary as a first-time adopter</i>	1 January 2022
HKFRS 9	<i>Fees in the '10 per cent' test for derecognition of financial liabilities</i>	1 January 2022
HKFRS 16	<i>Lease incentives</i>	1 January 2022
HKAS 41	<i>Taxation in fair value measurements</i>	1 January 2022

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the board of directors of the Group (the “Directors”) to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are further disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

#### CONSOLIDATION

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### CONSOLIDATION (continued)

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

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

#### FOREIGN CURRENCY TRANSLATION

##### *a) Functional and presentation currency*

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

##### *b) Transactions and balances in each entity's financial statements*

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### FOREIGN CURRENCY TRANSLATION (continued)

##### *c) Translation on consolidation*

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

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

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

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

#### PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

#### LEASES

##### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	2–3 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in consolidated profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### INVENTORIES

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

#### RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

#### FINANCIAL ASSETS

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

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

##### *Financial assets at amortised cost*

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### LOSS ALLOWANCES FOR EXPECTED CREDIT LOSSES

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

#### CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

#### FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### CONVERTIBLE BONDS

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

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

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

#### BORROWING

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

#### OTHER FINANCIAL LIABILITIES

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

#### EQUITY INSTRUMENTS

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### REVENUE FROM CONTRACT WITH CUSTOMERS

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

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

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

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

#### OTHER REVENUE

Interest income is recognised using the effective interest method.

#### EMPLOYEE BENEFITS

##### a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### EMPLOYEE BENEFITS (continued)

##### *b) Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

##### *c) Termination benefits*

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

#### BORROWING COSTS

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

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

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

#### TAXATION

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### TAXATION (continued)

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### RELATED PARTIES

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### SEGMENT REPORTING

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

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

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### PROVISIONS AND CONTINGENT LIABILITIES

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

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

#### EVENTS AFTER THE REPORTING PERIOD

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

### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

#### CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

##### *Going concern basis*

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate controlling party and ultimate holding company at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

#### KEY SOURCES OF ESTIMATION UNCERTAINTY

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

##### **a) Impairment loss for bad and doubtful debts**

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

##### **b) Revenue recognition in respect of mobiles and electronic components, plastic resins, chemicals, and agricultural products trading business**

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### A) FOREIGN CURRENCY RISK

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities (HK\$ and Renminbi ("RMB")). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

#### B) CREDIT RISK

The carrying amounts of the fixed deposits, bank balances and cash, and trade, other receivables and deposits included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on fixed deposits and bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk. The percentage of trade receivables was 78% (2020: 100%) and 100% (2020: 100%) due from the Group's largest customer and the five largest customers respectively as at 31 March 2021. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2020: 100% in the PRC) of the trade receivables as at 31 March 2021. They have good historical repayment records and no default in payment.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT (continued)

#### B) CREDIT RISK (continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 365 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT (continued)

#### C) LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Weighted average effective interest rate	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2021</b>						
Trade payables		93,149	-	-	93,149	93,149
Other payables and accruals		9,676	-	-	9,676	9,676
Other payables and accruals	6.25%	-	2,040	-	2,040	1,813
Borrowings		18,984	-	-	18,984	18,984
Amount due to a director	6.25%	-	7,783	-	7,783	6,918
Loans from ultimate holding company	6.25%	-	8,435	-	8,435	7,498
Convertible bonds	42.95%	7,019	7,019	178,659	192,697	83,953
		<u>128,828</u>	<u>25,277</u>	<u>178,659</u>	<u>332,764</u>	<u>221,991</u>
	Weighted average effective interest rate	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2020</b>						
Trade payables		45,396	-	-	45,396	45,396
Other payables and accruals		50,683	-	-	50,683	50,683
Borrowings		10,948	-	-	10,948	10,948
Amount due to a director		672	-	-	672	672
Amount due to the non- controlling interest of a subsidiary	4.75%	35,598	-	-	35,598	33,984
Loans from ultimate holding company	6.25%	-	129,052	-	129,052	121,460
		<u>143,297</u>	<u>129,052</u>	<u>-</u>	<u>272,349</u>	<u>263,143</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT (continued)

#### D) INTEREST RATE RISK

The Group's exposure to fair value interest rate risk arises from fixed deposits, loans from the ultimate holding company, amount due to a director and convertible bonds. The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposure to cash flow interest rate risk arises from its bank balances. These bank balances bear interests at variable rates varied with the then prevailing market condition.

#### E) CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 MARCH

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	<b>134,299</b>	66,782
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>221,991</b>	263,143

#### F) FAIR VALUE

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

### 7. REVENUE AND SEGMENT INFORMATION

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



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT

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

Sales and integration services: Income from sales and services provision of integration services of computer and communication systems

Services income: Income from design, consultation and production of information system software and management training services

General trading: Revenue from trading of mobiles and electronic components, plastic resins, chemicals, and agricultural products

#### (a) Segment revenue and results

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

For the year ended 31 March 2021

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Total HK\$'000
Recognised at a point in time	2,491	-	129,514	132,005
Recognised over time	-	27,829	-	27,829
Reportable segment revenue from external customers	2,491	27,829	129,514	159,834
SEGMENT RESULTS	4,766	1,381	(909)	5,238
Unallocated corporate income				38,047
Unallocated corporate expenses				(18,863)
Finance costs				(21,869)
Profit before tax				2,553
Taxation				-
Profit for the year				2,553

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (a) Segment revenue and results (continued)

For the year ended 31 March 2020

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Total HK\$'000
Recognised at a point in time	44,778	–	78,276	123,054
Recognised over time	–	11,701	–	11,701
Reportable segment revenue from external customers	44,778	11,701	78,276	134,755
SEGMENT RESULTS	4,632	1,606	(1,875)	4,363
Unallocated corporate income				123
Unallocated corporate expenses				(21,110)
Finance costs				(9,043)
Loss before tax				(25,667)
Taxation				–
Loss for the year				(25,667)

Revenue reported above represents revenue generated from external customers. There was no inter-segment sales for the years ended 31 March 2021 and 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (b) Segment assets and liabilities

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

At 31 March 2021

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	4,143	46,292	91,074	141,509
Unallocated assets				15,348
Consolidated assets				156,857
Segment liabilities	3,898	43,544	82,269	129,711
Unallocated liabilities				116,845
Consolidated liabilities				246,556

At 31 March 2020

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (c) Other information

For the year ended 31 March 2021

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to property, plant and equipment	-	-	-	37	37
Depreciation on property, plant and equipment	-	-	-	847	847
Depreciation on right-of- use assets	-	-	357	5,403	5,760
Reversal of impairment losses on trade receivables	(5,258)	(4,681)	-	-	(9,939)

For the year ended 31 March 2020

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (d) Geographical segments

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

	Revenue from external customers		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	4,369	11,264	11,606	10,320
The PRC, excluding Hong Kong	155,465	123,491	474	34
	<b>159,834</b>	<b>134,755</b>	<b>12,080</b>	<b>10,354</b>

##### (e) Information on major customers

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

	2021		2020	
	Revenue HK\$'000	Percentage of revenue	Revenue HK\$'000	Percentage of revenue
Customer A (note i)	-	-	40,117	30%
Customer B (note ii)	-	-	36,508	27%
Customer C (note ii)	-	-	18,355	14%
Customer D (note ii)	73,219	46%	-	-
Customer E (note ii)	51,984	33%	-	-
Customer F (note iii)	21,391	13%	-	-

note i: Revenue from sales and integration services and service income.

note ii: Revenue from general trading.

note iii: Revenue from services income.

No other single customer contributed 10% or more to the Group's revenue for the years ended 31 March 2021 and 2020.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 8. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	13	5
Other interest income	–	118
Sundry income	122	–
	<b>135</b>	<b>123</b>

### 9. OTHER GAINS/(LOSSES), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	–	17
Net foreign exchange loss	(7)	(646)
Gain on issuance of convertible bonds	2,365	–
Gain from settlement of litigation cases ( <i>note</i> )	35,547	–
Reversal of impairment loss on trade receivables	9,939	2,258
Reversal of impairment loss on contract assets	–	282
Impairment loss on other receivables	–	(1,271)
	<b>47,844</b>	<b>640</b>

*Note:* The subsidiaries and a then non-controlling interest of Beijing HollyBridge System Integration Company Limited (the “Beijing HollyBridge”) have come to an out-of-court settlement to settle the litigation cases between them. The then non-controlling interest agreed to waive the Beijing HollyBridge for the repayment of the advancement of RMB24,000,000 (approximately HK\$27,484,000) and the accrued interest and litigation fee of approximately RMB7,041,000 (approximately HK\$8,063,000) made to Beijing HollyBridge.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 10. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	595	555
Imputed interest on convertible bonds	15,649	–
Interest expenses on:		
– Amount due to ultimate holding company	1,068	7,208
– Funds on convertible bonds before issuance	3,756	–
– Amount due to a director	755	–
– Other payables to related parties	46	–
– Amount due to a non-controlling interest of a subsidiary	–	1,280
	<b>21,869</b>	<b>9,043</b>

### 11. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made since the Group did not generate any assessable profits for the years ended 31 March 2021 and 2020. PRC subsidiaries are subject to PRC Corporate Income Tax at 25%. No provision for PRC Corporate Income Tax has been made since the Group did not generate any assessable profits for the years ended 31 March 2021 and 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) before tax	2,553	(25,667)
Tax at the applicable income tax rate of 16.5% (2020: 16.5%)	421	(4,235)
Tax effect of		
– non-deductible expenses	6,222	4,810
– non-taxable income	–	(10)
– temporary differences not recognised	100	(41)
– utilisation of previously unrecognised tax losses	(10,453)	(1,241)
– tax losses not recognised	233	455
– tax concession	–	(5)
– tax effect of difference tax rates of subsidiaries operating in other jurisdiction	3,477	267
	<b>–</b>	<b>–</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 11. INCOME TAX EXPENSES (continued)

As at 31 March 2021, tax losses of approximately HK\$86,094,000 (2020: approximately HK\$118,446,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose.

### 12. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories recognised as an expense	<b>131,623</b>	127,968
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	<b>6,257</b>	7,056
– Retirements benefits scheme contributions	<b>322</b>	507
	<b>6,579</b>	7,563
Depreciation of property, plant and equipment and right-of-use assets	<b>6,607</b>	4,745
Auditors' remuneration		
– Audit services	<b>450</b>	500
– Non-audit services	<b>100</b>	128
Expenses related to short-term leases	<b>2,686</b>	4,394

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

#### (A) DIRECTORS' EMOLUMENTS

The remuneration of each Director is as follows:

	Year ended 31 March 2021			
	Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking			
	Directors' fees HK\$'000	Salaries, allowance and bonus HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive Director</b>				
Lam Ching Kui (Chief Executive Officer)	–	2,600	18	2,618
<b>Independent non-executive Directors</b>				
Chan Wai Dune (note (a))	50	–	–	50
Chan Chun Wai, Tony (note (b))	70	–	–	70
Chen Dairong (note (c))	90	–	–	90
Ko Ming Tung, Edward (note (d))	140	–	–	140
Wang Wei (note (e))	50	–	–	50
	400	–	–	400
Total	400	2,600	18	3,018

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (continued)

#### (A) DIRECTORS' EMOLUMENTS (continued)

	Year ended 31 March 2020			
	Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking			
	Directors' fees <i>HK\$'000</i>	Salaries, allowance and bonus <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive Director</b>				
Lam Ching Kui ( <i>Chief Executive Officer</i> )	–	2,600	18	2,618
<b>Non-executive Director</b>				
Lew Mon Hung ( <i>note (f)</i> )	–	–	–	–
<b>Independent non-executive Directors</b>				
Ko Ming Tung, Edward ( <i>note (d)</i> )	240	–	–	240
To Yan Ming Edmond ( <i>note (g)</i> )	50	–	–	50
Ho Kin Chung ( <i>note (h)</i> )	214	–	–	214
Chan Chun Wai, Tony ( <i>note (b)</i> )	25	–	–	25
	529	–	–	529
<b>Total</b>	<b>529</b>	<b>2,600</b>	<b>18</b>	<b>3,147</b>

*Notes:*

- (a) Mr. Chan Wai Dune was appointed on 11 November 2020.
- (b) Mr. Chan Chun Wai, Tony was appointed on 17 December 2019 and resigned on 6 November 2020.
- (c) Ms. Chen Dairong was appointed on 2 July 2020.
- (d) Mr. Ko Ming Tung, Edward was resigned on 3 November 2020.
- (e) Dr. Wang Wei was appointed on 3 November 2020.
- (f) Dr. Lew Mon Hung was appointed on 22 November 2019 and resigned on 17 February 2020.
- (g) Mr. To Yan Ming Edmond was passed away on 28 August 2019.
- (h) Prof. Ho Kin Chung was resigned on 26 February 2020.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (continued)

#### (A) DIRECTORS' EMOLUMENTS (continued)

No director waived any emoluments in the years ended 31 March 2021 and 2020. No incentive payment for joining the Group was paid or payable to any directors during the years ended 31 March 2021 and 2020.

The executive director's emoluments shown above was mainly for his services in connection with the management of the affairs of the Company and the Group during the years ended 31 March 2021 and 2020.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company during the years ended 31 March 2021 and 2020.

None of the directors received or will receive any retirement benefits during the years ended 31 March 2021 and 2020.

None of the directors received or will receive any termination benefits during the years ended 31 March 2021 and 2020.

During the years ended 31 March 2021 and 2020, the Company did not pay consideration to any third parties for making available directors' services.

During the years ended 31 March 2021 and 2020, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.

Except for note 34 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 March 2021 and 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (continued)

#### (B) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included one (2020: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2020: three) individual are set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries and other emoluments	1,467	1,320
Retirement scheme contributions	68	36
	<b>1,535</b>	<b>1,356</b>

The emoluments fell within the following band:

	Number of individuals	
	2021	2020
HK\$Nil – HK\$1,000,000	4	3

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 14. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the years ended 31 March 2021 and 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 15. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year for the purpose of calculating basic and diluted loss per share	<b>(17,932)</b>	(28,094)
	<i>'000</i>	<i>'000</i> (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>2,139,116</b>	2,139,116

Basic and diluted loss per share for the years ended 31 March 2021 and 2020 were the same because all potential dilutive ordinary shares would decrease the loss per share, therefore, is anti-dilutive.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 April 2019	13,575	2,570	5,121	21,266
Additions	–	–	810	810
Disposals	–	–	(790)	(790)
Currency translation differences	–	(87)	–	(87)
At 31 March 2020 and 1 April 2021	13,575	2,483	5,141	21,199
Additions	–	37	–	37
Currency translation differences	–	107	–	107
At 31 March 2021	13,575	2,627	5,141	21,343
<b>Accumulated depreciation and impairment losses</b>				
At 1 April 2019	13,575	2,465	2,457	18,497
Charge for the year	–	62	842	904
Disposals	–	–	(790)	(790)
Currency translation differences	–	(85)	–	(85)
At 31 March 2020 and 1 April 2021	13,575	2,442	2,509	18,526
Charge for the year	–	5	842	847
Currency translation differences	–	105	–	105
At 31 March 2021	13,575	2,552	3,351	19,478
<b>Carrying amount</b>				
<b>At 31 March 2021</b>	<b>–</b>	<b>75</b>	<b>1,790</b>	<b>1,865</b>
At 31 March 2020	–	41	2,632	2,673

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 17. LEASES AND RIGHT-OF-USE ASSETS

#### Disclosures of lease-related items:

	2021 HK\$'000	2020 HK\$'000
<b>At 31 March:</b>		
Right-of-use assets		
– Land and buildings	<b>10,215</b>	7,681
Lease commitments of short-term leases	–	2,624
The maturity analysis based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	<b>8,585</b>	8,400
– Between 1 and 2 years	<b>2,344</b>	4,200
	<b>10,929</b>	12,600

	2021 HK\$'000	2020 HK\$'000
<b>Year ended 31 March:</b>		
Depreciation charge of right-of-use assets		
– Land and buildings	<b>5,760</b>	3,841
Lease interests	<b>595</b>	555
Expenses related to short-term leases	<b>2,686</b>	4,394
Total cash outflow for leases	<b>2,686</b>	4,394
Additions to right-of-use assets	<b>8,278</b>	–

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 18. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Work in progress	–	6,115
Other consumables	<b>2,155</b>	2,335
	<b>2,155</b>	8,450

### 19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<b>117,733</b>	73,362
Less: impairment allowances	<b>(39,599)</b>	(46,041)
	<b>78,134</b>	27,321
Other receivables	<b>35,591</b>	26,552
Prepayments	<b>8,323</b>	1,957
Deposits	<b>869</b>	901
	<b>44,783</b>	29,410
Total	<b>122,917</b>	56,731

Subsequent to 31 March 2021, approximately RMB61,760,000 (approximately HK\$73,279,000) of trade receivables have been settled.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-90 days	61,647	–
91-180 days	10,225	27,321
Over 180 days	6,262	–
	<b>78,134</b>	<b>27,321</b>

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

Movements in the impairment allowance on trade receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	46,041	51,598
Reversal of expected credit loss (the "ECL") allowance	(9,939)	(2,258)
Currency translation differences	3,497	(3,299)
At 31 March	<b>39,599</b>	<b>46,041</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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

	Current	Up to 3 months past due	3 to 6 months past due	Over 6 months past due	Total
<b>At 31 March 2021</b>					
Weighted average expected loss rate	–	–	–	91%	
Receivable amount (HK\$'000)	61,648	10,225	2,429	43,431	117,733
Loss allowance (HK\$'000)	–	–	–	39,599	39,599
<b>At 31 March 2020</b>					
Weighted average expected loss rate	–	–	–	100%	
Receivable amount (HK\$'000)	–	–	27,321	46,041	73,362
Loss allowance (HK\$'000)	–	–	–	46,041	46,041

As at 31 March 2021, trade receivables of HK\$16,486,000 (2020: HK\$27,321,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and a substantial portion of the carrying amount is subsequently settled. The Group does not hold any collateral as security over these debtors.

### 20. FIXED DEPOSITS

Fixed deposits with banks of HK\$300,000 carry interest at market rates of 0.05% (2020: 0.05%) per annum.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 21. BANK BALANCES AND CASH

	2021 HK\$'000	2020 HK\$'000
Fixed deposits (note 20)	300	300
Cash at banks and on hand (note)	19,405	12,576
Less: Restricted bank deposit	–	(868)
Cash and cash equivalents in the consolidated statement of cash flow	<b>19,705</b>	<b>12,008</b>

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2020: 0.01% to 0.35%) per annum.

The Group's bank balances and cash denominated in RMB amounting to approximately RMB16,324,000 (approximately HK\$19,369,000) (2020: approximately RMB11,407,000 (approximately HK\$12,489,000)) were deposited with banks in the PRC. The conversion of the RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.

### 22. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables (note a)	93,149	45,396
Accruals and other payables		
Convertible bonds coupon payable	3,840	–
Other payables/accrued rental expenses payables to related parties	1,813	33,429
Accrued salaries due to Mr. Lam and related parties	–	8,409
Other accrued salaries in Hong Kong and the PRC	280	2,095
Other tax payables in PRC	3,899	3,848
Others	5,556	6,750
	<b>15,388</b>	<b>54,531</b>
	<b>108,537</b>	<b>99,927</b>
Analysis of:		
Current liabilities	106,724	99,927
Non-current liabilities (note b)	1,813	–
	<b>108,537</b>	<b>99,927</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 22. TRADE AND OTHER PAYABLES (continued)

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

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Within 30 days	<b>61,516</b>	982
Over 30 days and within 180 days	<b>9,933</b>	26,658
Over 180 days	<b>21,700</b>	17,756
	<b>93,149</b>	45,396

*Note a:* At 31 March 2021, trade payables of approximately RMB6,563,000 (approximately HK\$7,787,000) (2020: approximately RMB8,132,000 (approximately HK\$8,903,000)) involved lawsuit filed against a major subsidiary of the Company, Beijing HollyBridge.

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

*Note b:* The amount due is unsecured, interest bearing at 6.25% and not repayable within one year. The related party has confirmed that will not demand the Group for repayment until all the other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements.

### 23. CONTRACT LIABILITIES

	<b>As at</b> <b>31 March</b> <b>2021</b> <b>HK\$'000</b>	As at 31 March 2020 <i>HK\$'000</i>	As at 1 April 2019 <i>HK\$'000</i>
Total contract liabilities	<b>10,204</b>	2,011	3,402



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 23. CONTRACT LIABILITIES (continued)

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

2021	N/A	2,011
2022	10,204	–

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	–	1,194

	2021	2020
	HK\$'000	HK\$'000
Increase due to operations in the year	8,025	–
Transfer of contract liabilities to revenue	–	1,194

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

### 24. BORROWINGS

	2021	2020
	HK\$'000	HK\$'000
Interest-free borrowings	18,984	10,948

The amount was guaranteed by a subsidiary and a director of a subsidiary and repayable within one month and non-interest bearing. Subsequent to 31 March 2021, RMB16,000,000 (approximately HK\$18,984,000) of the borrowing was fully settled.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 25. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, and interest bearing at 6.25% for the year ended 31 March 2021 (2020: interest free) and not repayable within one year. The director has confirmed that will not demand the Group for repayment until all the other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements.

### 26. AMOUNT DUE TO A NON-CONTROLLING INTEREST OF A SUBSIDIARY

The amount due to the non-controlling interests of a subsidiary is unsecured, repayable on demand and bearing interest at prevailing interest rate from 1 April 2014. No interest was charged prior to 1 April 2014. The amount was written back to other income during the year ended 31 March 2021.

### 27. LEASE LIABILITIES

	Lease payments 2021 HK\$'000	Present value of lease payments 2021 HK\$'000	Lease payments 2020 HK\$'000	Present value of lease payments 2020 HK\$'000
Within one year	8,585	8,165	8,400	8,016
In the second to fifth years, inclusive	2,344	2,297	4,200	4,061
	<b>10,929</b>	<b>10,462</b>	12,600	12,077
Less: Future finance charges	(467)		(523)	
Present value of lease liabilities	<b>10,462</b>		<b>12,077</b>	
Less: Amount due for settlement within 12 months (shown under current liabilities)		<b>(8,165)</b>		(8,016)
Amount due for settlement after 12 months		<b>2,297</b>		<b>4,061</b>

At 31 March 2021, the effective interest rate was 6.25% (2020: 6.25%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 28. LOANS FROM ULTIMATE HOLDING COMPANY

The loans were subordinated in nature which were unsecured, interest bearing at 6.25% for the years ended 31 March 2021 and 2020 and not repayable within one year. Wai Chun IF has confirmed that it will not demand the Group for repayment of such loans until all the other third parties liabilities of the Group had been satisfied.

### 29. CONVERTIBLE BONDS

#### CONVERTIBLE BOND OF HK\$152,000,000 (THE “CB1”)

On 31 August 2020 (“Issue Date of CB1”), the Company issued an unlisted, unguaranteed and unsecured convertible bond with principal amount of HK\$152,000,000, to two independent third parties.

The CB1 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.01 each of the Company on or after 31 August 2020 up to and including 30 August 2023 at an initial conversion price of HK\$0.018 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 8,444,444,444 shares per principal amount of the CB1 of HK\$152,000,000, which also subject to adjustments upon occurrence of certain events.

Should the CB1 has not been converted, it will be redeemed at par on 30 August 2023 (“Maturity Date of CB1”).

The CB1 has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days’ notice to the bondholder, propose to the bondholder to redeem the outstanding CB1 (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB1 at any time after the Issue Date of CB1 up to and including the date falling fourteen days immediately before the Maturity Date of CB1.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 29. CONVERTIBLE BONDS (continued)

#### CONVERTIBLE BOND OF HK\$152,000,000 (THE “CB1”) (continued)

The net proceeds received from the issue of the CB1 have been split between the liability element and equity component, as follows:

	2021 HK\$'000
Nominal value of CB1 issued	152,000
Equity component	<u>(94,738)</u>
	57,262
Interest charged	14,614
Coupon payable	<u>(3,528)</u>
	68,348
Liability component at 31 March 2021	<u>68,348</u>

The interest charged for the year is calculated by applying an effective interest rate of 47.65% to the liability component for the 36 month period since the CB1 was issued.

The directors estimate the fair value of the liability component of the CB1 at 31 March 2021 to be approximately HK\$68,348,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

#### CONVERTIBLE BOND OF HK\$23,480,000 (THE “CB2”)

On 30 November 2020 (“Issue Date of CB2”), the Company issued an unlisted, unguaranteed and unsecured convertible bond with principal amount of HK\$23,480,000, to another two independent third parties.

The CB2 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.1 each of the Company on or after 30 November 2020 up to and including 29 November 2023 at an initial conversion price of HK\$0.18 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 130,444,444 shares per principal amount of the CB2 of HK\$23,480,000, which also subject to adjustments upon occurrence of certain events.

Should the CB2 has not been converted, it will be redeemed at par on 29 November 2023 (“Maturity Date of CB2”).

The CB2 has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

## Notes to the Consolidated Financial Statements

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### 29. CONVERTIBLE BONDS (continued)

#### CONVERTIBLE BOND OF HK\$23,480,000 (THE "CB2") (continued)

The Company shall be entitled at its sole discretion, by giving not less than fourteen days' notice to the bondholder, propose to the bondholder to redeem the outstanding CB2 (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB2 at any time after the Issue Date of CB2 up to and including the date falling fourteen days immediately before the Maturity Date of CB2.

The net proceeds received from the issue of the CB2 have been split between the liability element and equity component, as follows:

	<b>2021</b> <b>HK\$'000</b>
Nominal value of CB2 issued	<b>23,480</b>
Equity component	<b>(6,233)</b>
	<b>17,247</b>
Interest charged	<b>1,035</b>
Coupon payable	<b>(312)</b>
Gain on issuance of convertible bonds	<b>(2,365)</b>
	<b>15,605</b>
Liability component at 31 March 2021	<b>15,605</b>

The interest charged for the year is calculated by applying an effective interest rate of 22.34% to the liability component for the 36 month period since the CB2 was issued.

The directors estimate the fair value of the liability component of the CB2 at 31 March 2021 to be approximately HK\$15,605,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The considerations of CB1 and CB2 are settled by debt assignments of which a director and the ultimate holding company assign their debts owed by the Group to the CB1 and CB2 holders.



## Notes to the Consolidated Financial Statements

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### 30. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Authorised</b>		
Ordinary shares of HK\$0.1 (2020: HK\$0.01) each		
At 1 April 2019, 31 March 2020 and 1 April 2020	89,000,000	890,000
Share consolidation ( <i>Note a</i> )	(80,100,000)	N/A
At 31 March 2021	<b>8,900,000</b>	<b>890,000</b>
Convertible preference shares of HK\$0.1 (2020: HK\$0.01) each		
At 1 April 2019, 31 March 2020 and 1 April 2020	11,000,000	110,000
Share consolidation ( <i>Note b</i> )	(9,900,000)	N/A
At 31 March 2021	<b>1,100,000</b>	<b>110,000</b>
<b>Issued and fully paid</b>		
Ordinary shares of HK\$0.1 (2020: HK\$0.01) each		
At 1 April 2019, 31 March 2020 and 1 April 2020	21,391,163	213,912
Share consolidation ( <i>Note a</i> )	(19,252,047)	N/A
At 31 March 2021	<b>2,139,116</b>	<b>213,912</b>

*Note (a)*

At the special general meeting of the Company held on 25 November 2020, an ordinary resolution was duly passed under which every 10 existing issued and unissued shares of par value of HK\$0.01 each in the share capital of the Company was consolidated into 1 share of par value of HK\$0.1 each (the "Share Consolidation") and the Share Consolidation has become effective on 27 November 2020.

The authorised share capital of ordinary shares of the Company was HK\$890,000,000 divided into 89,000,000,000 existing ordinary shares with a par value of HK\$0.01 each before the Share Consolidation. After the Share Consolidation, the authorised share capital of ordinary shares of the Company became HK\$890,000,000 divided into 8,900,000,000 consolidated ordinary shares with a par value of HK\$0.1 each. There was no change on the amount of authorised and issued share capital of ordinary shares.

The total number of authorised ordinary shares of the Company decreased from 89,000,000,000 ordinary shares to 8,900,000,000 ordinary shares and the total number of issued ordinary shares decreased from 21,391,162,483 ordinary shares to 2,139,116,248 ordinary shares, after the Share Consolidation.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 30. SHARE CAPITAL (continued)

*Note (b)*

As mentioned in note (a) about the Share Consolidation, the authorised share capital of preference shares of the Company was HK\$110,000,000 divided into 11,000,000,000 existing preference shares with a par value of HK\$0.01 each before the Share Consolidation. After the Share Consolidation, the authorised share capital of preference shares of the Company became HK\$110,000,000 divided into 1,100,000,000 consolidated preference shares with a par value of HK\$0.1 each. There was no change on the amount of authorised and issued share capital of preference shares.

The total number of authorised preference shares of the Company decreased from 11,000,000,000 preference shares to 1,100,000,000 preference shares after the Share Consolidation.

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

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

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

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

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

The net indebtedness to total assets ratio at 31 March 2021 and 2020 was as follows:

	2021 HK\$'000	2020 HK\$'000
Indebtedness ( <i>note</i> )	127,815	179,141
Less: Bank balances and cash	<u>(19,705)</u>	<u>(12,008)</u>
Total net indebtedness	<u>108,110</u>	<u>167,133</u>
Total assets	<u>156,857</u>	<u>88,411</u>
Net indebtedness to total assets ratio	<u>68.9%</u>	<u>189.0%</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 30. SHARE CAPITAL (continued)

*Note:* Indebtedness comprise lease liabilities of approximately HK\$10,462,000 (2020: HK\$12,077,000), loans from ultimate holding company of approximately HK\$7,498,000 (2020: HK\$121,460,000), borrowings of approximately HK\$18,984,000 (2020: HK\$10,948,000), amount due to a director of approximately HK\$6,918,000 (2020: HK\$672,000), amount due to the non-controlling interests of a subsidiary of approximately HK\$nil (2020: HK\$33,984,000) and convertible bonds of approximately HK\$83,953,000 (2020: HK\$nil).

### 31. RESERVES

#### (A) GROUP

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity.

#### (B) COMPANY

The amounts of the Company's reserves and movements therein are presented in the note 32 to the consolidated financial statements.

#### (C) NATURE AND PURPOSES OF RESERVE

##### (i) *Share premium account*

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. The application of the share premium account is governed by the Company Act 1981 of Bermuda.

##### (ii) *Share option reserve*

The share option reserve comprises the fair value of share options granted which are yet to be exercised as at 31 March 2020. The amount transferred to accumulated losses during the year ended 31 March 2021 upon the share options expired.

##### (iii) *Convertible bond reserve*

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policies adopted for convertible bonds in note 4 to the consolidated financial statements.

##### (iv) *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 policies set out in note 4 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

#### (A) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Right-of-use assets	9,778	7,681
Interests in subsidiaries	1	1
	<u>9,779</u>	<u>7,682</u>
<b>Current assets</b>		
Inventories	2,155	2,335
Prepayment, deposit and other receivables	861	263
Bank balances and cash	3	3
	<u>3,019</u>	<u>2,601</u>
<b>Current liabilities</b>		
Accrual and other payables	5,060	17,628
Amounts due to subsidiaries	12,737	9,632
Lease liabilities due to related parties	7,751	8,016
Amount due to a director	1,610	–
	<u>27,158</u>	<u>35,276</u>
<b>Net current liabilities</b>	<u>(24,139)</u>	<u>(32,675)</u>
<b>Total assets less current liabilities</b>	<u>(14,360)</u>	<u>(24,993)</u>
<b>Non-current liabilities</b>		
Loan from ultimate holding company	7,498	121,460
Amount due to a related party	1,813	–
Lease liabilities due to related parties	2,261	4,061
Convertible bonds	83,953	–
	<u>95,525</u>	<u>125,521</u>
<b>NET LIABILITIES</b>	<u>(109,885)</u>	<u>(150,514)</u>
<b>Capital and reserves</b>		
Share capital	213,912	213,912
Reserves	(323,797)	(364,426)
<b>CAPITAL DEFICIENCY</b>	<u>(109,885)</u>	<u>(150,514)</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

#### (B) RESERVE MOVEMENT OF THE COMPANY

	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Convertible bond equity reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	5,000	19,680	-	(373,225)	(348,545)
Loss for the year	-	-	-	(15,881)	(15,881)
At 31 March 2020 and 1 April 2020	5,000	19,680	-	(389,106)	(364,426)
Loss for the year	-	-	-	(60,342)	(60,342)
Effect of lapsed of share options granted	-	(19,680)	-	19,680	-
Issuance of convertible bonds	-	-	100,971	-	100,971
At 31 March 2021	<b>5,000</b>	<b>-</b>	<b>100,971</b>	<b>(429,768)</b>	<b>(323,797)</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Convertible bonds	Lease liabilities due to a related party	Borrowings	Amount due to the non- controlling interest of a subsidiary	Loans from ultimate holding company	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019	-	11,522	32,142	34,971	112,592	191,227
Changes in cash flows	-	-	(19,620)	-	1,660	(17,960)
Non-cash changes						
- interest accrued	-	555	-	1,280	7,208	9,043
- currency translation differences	-	-	(1,574)	(2,267)	-	(3,841)
At 31 March 2020 and 1 April 2020	-	12,077	10,948	33,984	121,460	178,469
Changes in cash flows	-	-	6,871	-	7,700	14,571
Non-cash changes						
- interest accrued	15,649	595	-	-	1,068	17,312
- issuance of convertible bonds	74,509	-	-	-	(122,730)	(48,221)
- coupon payable	(3,840)	-	-	-	-	(3,840)
- gain on issuance of convertible bonds	(2,365)	-	-	-	-	(2,365)
- additions to lease liabilities	-	8,201	-	-	-	8,201
- amount due to a director	-	(10,427)	-	-	-	(10,427)
- gain from settlement of litigation cases	-	-	-	(35,547)	-	(35,547)
- currency translation differences	-	16	1,165	1,563	-	2,744
At 31 March 2021	<b>83,953</b>	<b>10,462</b>	<b>18,984</b>	<b>-</b>	<b>7,498</b>	<b>120,897</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the years ended 31 March 2021 and 2020:

#### (A) TRANSACTIONS WITH RELATED PARTIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease interest expenses payable to related parties	562	555
Rental expenses payable to a related party	2,686	3,950
Salaries expenses payable to a related party	625	360

#### (B) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel including amounts paid to the Company's Directors and all of the highest paid employees as disclosed in note 13, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors' fee	400	529
Basic salaries, other allowance and benefit in kind	4,067	3,920
Retirement benefits scheme contributions	86	54
	<b>4,553</b>	<b>4,503</b>

Total remuneration is included in "staff costs".

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 35. PARTICULARS OF SUBSIDIARIES

- (A) The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The Company has interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 March 2021 are set out below:

Name of subsidiary	Notes	Place of incorporation/ business	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
				Direct	Indirect	
Beijing HollyBridge System Integration Company Limited	(ii)	PRC	RMB82,000,000	-	51%	Provide solutions software and service
Plus Trading Limited (formerly known as "Plus Financial Management Services Limited")	(i), (ii)	PRC	US\$900,000	-	100%	Consultancy service and trading of chemicals raw materials and agricultural products
Wai Chun Strategic Investment Limited		Hong Kong	HK\$1,000	100%	-	Investment holding
Wai Chun Ming Hing Trading Limited		Hong Kong	HK\$1	-	100%	Trading of plastic resins

(i) The company is established in the PRC as wholly foreign-owned enterprise.

(ii) The company name in English is not the official name but a translation for reference only

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

### 35. PARTICULARS OF SUBSIDIARIES (continued)

#### (B) DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (“NCI”)

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name Principal place of business/country of incorporation	Beijing HollyBridge PRC	
	2021	2020
% of ownership interest/voting rights held by NCI	49.00%	49.00%
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As 31 March:</b>		
Non-current assets	37	34
Current assets	50,398	32,523
Non-current liabilities	–	–
Current liabilities	(53,155)	(75,041)
Net liabilities	(2,720)	(42,484)
Carrying amount of NCI	(1,333)	(20,817)
<b>Year ended 31 March:</b>		
Revenue	30,320	56,479
Profit for the year	41,812	4,962
Total comprehensive income for the year	39,763	8,106
Profit allocated to NCI	20,488	2,431
Net cash flows used in operating activities	(2,155)	(2,046)
Net cash flows generated from investing activities	880	65
Net cash flows generated from financing activities	–	–
Net decrease in cash and cash equivalents	(1,275)	(1,981)

### 36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 29 June 2021.

# Five Years Financial Summary

For the year ended 31 March 2021

## RESULTS

	Year ended 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	<b>159,834</b>	134,755	204,875	106,153	117,171
Profit/(loss) before tax	<b>2,553</b>	(25,667)	(31,275)	(39,979)	(61,004)
Income tax expenses		–	61	(61)	–
Profit/(loss) for the year	<b>2,553</b>	(25,667)	(31,214)	(40,040)	(61,004)
(Profit)/loss for the year attributable to non-controlling interests	<b>(20,485)</b>	(2,427)	2,443	6,535	12,151
Loss for the year attributable to owners of the Company	<b>(17,932)</b>	(28,094)	(28,771)	(33,505)	(48,853)

## ASSETS AND LIABILITIES

	As at 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	<b>156,857</b>	88,411	110,884	132,677	17,717
Total liabilities	<b>(246,556)</b>	(281,079)	(280,952)	(275,597)	(270,942)
	<b>(89,699)</b>	(192,668)	(170,068)	(142,920)	(253,225)
Non-controlling interests	<b>(17,271)</b>	2,209	6,177	5,287	(2,911)
Capital deficiency attributable to owners of the Company	<b>(106,970)</b>	(190,459)	(163,891)	(137,633)	(256,136)