UNITY GROUP
知行集團

2022/23
Annual Report 年報

Unity Group Holdings International Limited
知行集團控股國際有限公司
(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1539

CONTENTS

FINANCIAL SUMMARY

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**46,550**	80,434	53,784	129,288	246,536
Continuing operations	**46,550**	80,434	53,784	126,547	245,381
Leasing services of energy saving systems and products	**20,453**	6,603	9,826	11,161	15,344
Trading of energy saving products	**18,538**	64,646	24,873	96,121	208,249
Consultancy service	**4,863**	9,185	19,085	19,265	21,788
Renewable energy service	**2,696**	–	–	–	–
Discontinued operations	**–**	–	–	2,741	1,155
Gross profit	**27,713**	32,563	26,376	67,486	105,698
Continuing operations	**27,713**	32,563	26,376	70,108	106,563
Discontinued operations	**–**	–	–	(2,622)	(865)
EBITDA (note 1)	**(8,617)**	(341,351)	(246,211)	(84,507)	79,007
EBIT (note 1)	**(11,395)**	(346,541)	(251,237)	(95,722)	68,425
(Loss)/profit attributable to the owners of Unity Group Holdings International Limited (the "Company")	**(25,084)**	(382,145)	(279,797)	(109,762)	44,554
Basic (loss)/earnings per share (HK cents)	**(1.1)**	(22.8)	(20.0)	(20.0)	8.1
Diluted (loss)/earnings per share (HK cents)	**(1.1)**	(22.8)	(20.0)	(20.0)	8.1
Adjusted (loss)/profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses (note 2)	**(26,808)**	(30,997)	(38,496)	16,061	60,287
Adjusted basic (loss)/earnings per share (HK cents) (note 2)	**(1.1)**	(1.8)	(2.8)	2.9	11.0
Adjusted diluted (loss)/earnings per share (HK cents) (note 2)	**(1.1)**	(1.8)	(2.8)	2.9	11.0
Total assets	**373,638**	417,811	404,890	650,588	777,569
Total liabilities	**246,986**	272,170	350,341	335,506	346,672
Net assets	**126,652**	145,641	54,549	315,082	430,897

FINANCIAL SUMMARY

Note 1: EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBIT is defined as earnings before interest expenses and other finance costs and tax.

Note 2: Amounts are calculated based on adjusted (loss)/profit after excluding some major extraordinary or non-operating income and expenses as defined by the Group's management. Details of which can be referred to page 11 of this report.

- The Group's revenue decreased by 42.1% from approximately HK$80.4 million for the year ended 31 March 2022 to approximately HK$46.6 million for the year ended 31 March 2023.

- The Group's gross profit decreased by 14.9% from approximately HK$32.6 million for the year ended 31 March 2022 to approximately HK$27.7 million for the year ended 31 March 2023.

- The Group's loss attributable to owners of the Company amounted to approximately HK$382.1 million for the year ended 31 March 2022 while the Group's loss attributable to owners of the Company amounted to approximately HK$25.1 million for the year ended 31 March 2023.

- The Group's adjusted loss attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses decreased by 13.6% from approximately HK$31.0 million loss for the year ended 31 March 2022 to approximately HK$26.8 million loss for the year ended 31 March 2023.

- Basic or diluted loss per share was approximately HK22.8 cents for the year ended 31 March 2022 while basic or diluted loss per share was approximately HK1.1 cents for the year ended 31 March 2023. Adjusted basic or diluted loss per share calculated with reference to the adjusted loss decreased by 38.9% from approximately HK1.8 cents for the year ended 31 March 2022 to approximately HK1.1 cents for the year ended 31 March 2023.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the audited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2023 (the "**Year**").

The Year was a year of meaningful and historical change for the Group. We changed our name to Unity, stating the notion of "unity of knowledge and action", which comes from I Ching, the famous divination text in ancient China. We have substantially completed restructuring of the Group and seized growth opportunities driven by accelerated trends globally in environment, social and governance ("**ESG**") and carbon neutrality. For example, during the year, we started collaborating with the Malaysia government in its green initiatives to install our proprietary LED lights to achieve energy saving and contributed to the country's carbon neutrality target.

After over a decade of efforts promoting and executing ESG and sustainability, we successfully established and positioned ourselves to capitalize on global sustainability opportunities as they arise. Going forward, we will reinforce our success with our knowledge and capabilities, and take action to bring impact to the world, the community, and stakeholders globally. I am confident that we will achieve outstanding performance in the upcoming years.

Wong Man Fai Mansfield
Chairman, Chief Executive Officer and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

The total revenue of the Group was approximately HK$46.6 million for the year ended 31 March 2023, representing a decrease of approximately 42.1% as compared to approximately HK$80.4 million for the year ended 31 March 2022.

An analysis of revenue is presented as follows:

	Note	**2023 HK$'000**	2022 HK$'000
Leasing service of energy saving systems and products			
Malaysia Project	(a)	**14,447**	–
Others		**6,006**	6,603
Trading of energy saving products	(b)	**18,538**	64,646
Consultancy service income	(c)	**4,863**	9,185
Renewable energy service income	(d)	**2,696**	–
		46,550	80,434

Notes:

(a) This refers to the "Light Source in the Darkness" project in Malaysia (the "**Malaysia Project**"), which helps local condominiums to solve their lighting problems and achieve energy efficiency at the same time. The Malaysia Project is receiving a lot of compliments by customers and government support locally. The Malaysia Project starts out in Selangor state of Malaysia which has a total of 8,320 condominiums and targets to install 6 million LED lights by 2025. During the year ended 31 March 2023, installation of approximately 52,000 LED lights has been completed under the Malaysia Project, which led to an increase of revenue from nil for the year ended 31 March 2022 to approximately HK$14.4 million for the year ended 31 March 2023.

(b) The decrease was the result of decrease in demand from the Group's trading customers as certain of them have substantially finished their deployment in their previous lighting works and as such temporarily reduced their purchase of lighting products from the Group in the first half of the year ended 31 March 2023.

(c) The decrease was due to the decrease in the number of consultancy projects.

(d) This refers to revenue from solar photovoltaic systems installed by the Group and delivered to customers, there was no such project during the year ended 31 March 2022, hence the increase in revenue in the current year.

The Group's gross profit margin improved from approximately 40.5% for the year ended 31 March 2022 to approximately 59.5% for the year ended 31 March 2023 mainly due to the fact that revenue from the Malaysia Project has a relatively higher gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

The Group's other income and gains for the year ended 31 March 2023 of approximately HK$1.0 million mainly comprised (i) interest income of approximately HK$0.6 million; (ii) written off of borrowings of approximately HK$0.3 million; and (iii) government grants of approximately HK$0.1 million. The other income and gains for the year ended 31 March 2022 was approximately HK$9.6 million, which mainly included (i) the fair value gain on equity investment at FVTPL of HK$1.1 million; (ii) interest income of approximately of HK$0.4 million; (iii) reversal on warranty provision of approximately HK$0.4 million; and (iv) reversal of over booked expense of approximately HK$0.4 million; and (v) gain on modification of financial liabilities of approximately HK$7.2 million.

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 March 2023 were approximately HK$6.1 million, representing an increase of approximately 126.7% from approximately HK$2.7 million for the year ended 31 March 2022. The increase was mainly due to the increase of (i) advertising and promotion expenses from approximately HK$0.1 million for the year ended 31 March 2022 to approximately HK$1.9 million for the year ended 31 March 2023; (ii) salaries expenses and other employees benefits from approximately HK$2.6 million for the year ended 31 March 2022 to approximately HK$4.1 million for the year ended 31 March 2023; (iii) travelling expenses from nil for the year ended 31 March 2022 to approximately HK$0.1 million for the year ended 31 March 2023. All of the above increases were due to the Group's increased cost for the Malaysia Project.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2023 were approximately HK$36.4 million, representing an increase of approximately 25.4% from approximately HK$29.0 million for the year ended 31 March 2022. The increase was the mixed effect of the (i) increase in currency exchange loss from approximately HK$0.1 million for the year ended 31 March 2022 to approximately HK$3.3 million for the year ended 31 March 2023; (ii) increase in equity-settled share option expense from approximately HK$0.1 million to approximately HK$5.3 million for the year ended 31 March 2023; which is partially off-set by the decrease of donation expense from approximately HK$1.0 million for the year ended 31 March 2022 to nil for the year ended 31 March 2023.

Finance costs

The Group's finance costs decreased from approximately HK$49.4 million for the year ended 31 March 2022 to approximately HK$23.3 million for the year ended 31 March 2023. The decrease was mainly due to (i) the reduction of interest-bearing debts by proceeds from shares subscription in January 2022; and (ii) the sanction of the scheme of arrangement (the "**Scheme**") by the High Court which became effective on 21 February 2023, where debts owed to the relevant scheme creditors have accrued interest at 2.5% per annum since such effective date, which is much lower than the interest rate before.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

The Group's other expenses decreased from approximately HK$60.9 million for the year ended 31 March 2022 to approximately HK$50.7 million for the year ended 31 March 2023. The decrease was the mixed effect of the (i) decrease of provision for impairment loss of financial assets from approximately HK$51.1 million for the year ended 31 March 2022 to approximately HK$46.0 million for the year ended 31 March 2023; (ii) decrease in impairment of property, plant and equipment from approximately HK$9.2 million for the year ended 31 March 2022 to nil for the year ended 31 March 2023; which is partially off-set by the increase of fair value loss on equity investment from nil for the year ended 31 March 2022 to approximately HK$3.3 million for the year ended 31 March 2023.

Gain/(loss) on extinguishment of financial liabilities

The Group recognised a gain on extinguishment of financial liabilities amounted to approximately HK$51.6 million during the year ended 31 March 2023 on contrary to a loss of approximately HK$303.5 million for the year ended 31 March 2022. The gain was recognised from the waiver of all the loan interests and default interests of approximately HK$51.6 million upon the Scheme becoming effective on 21 February 2023, whereas the loss for the year ended 31 March 2022 was recognised in accordance with the requirement of HK(IFRIC) Interpretation 19 as a result of the issuance of certain shares on 20 January 2022 at a discount to market price.

Provision for expected credit losses on financial assets

The Group has elected to measure loss allowances for trade receivables and finance lease receivables using HKFRS 9 simplified approach and has calculated expected credit losses ("**ECLs**") based on lifetime ECLs. The ECL on these assets are assessed individually for debtors which are assessed to be credit-impaired and collectively for other debtors using a provision matrix that is based on historical observed default rates, adjusted for forward looking factors specific to the debtors and the economic environment. To measure the ECLs using provision rates, trade receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due or repayment schedule.

Under HKFRS 9, the losses allowances are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The expected credit losses were assessed taking into account the probability of default, exposure at default and loss given default.

MANAGEMENT DISCUSSION AND ANALYSIS

Probability of default is the risk that the borrower will be unable or unwilling to repay its debt in full or on time. The risk of default is derived by analysing the obligor's capacity to repay the debt in accordance with contractual terms. It is generally associated with financial characteristics such as inadequate cash flow to service debt, declining revenues or operating margins, high leverage, declining or marginal liquidity, and the inability to successfully implement a business plan. The assessment of the default probabilities were referenced to Bloomberg, and the average cumulative issuer-weighted global default rates stated in "Annual Default Study: Corporate default rate will rise in 2023 and peak in early 2024" published by Moody's. Forward-looking information has been considered in adjusting the historical default rates to reflect forecasts of future economic conditions when calculating the expected credit losses, with reference to the default rate forecasts projected by Moody's. According to Moody's, the macroeconomic and credit factors in formulating the default rate forecasts include performance of the economy, unemployment, high-yield spread, the availability of coronavirus vaccines, development and management of the pandemic, fiscal and monetary policies, trade tensions and geopolitical instability which demonstrated the potential for market swings and affected the pace of the global economic recovery.

Exposure at default is the amount of money that is invested in certain financial instrument that is exposed to credit risk. It represents the gross exposure under a facility upon default of an obligor, or a loss that a lender would suffer if the borrower (counterparty) fully defaults on his debt (e.g. cannot repay the loan received). The exposure at default was referenced to the amount of outstanding balances of the trade and finance lease receivables as at 31 March 2023.

Loss given default is the share of a financial asset that the lender shall lose if a borrower defaults and is calculated as "1 – recovery rate", in which the recovery rate is the remaining share of a financial asset that is expected to recover when a borrower defaults. The recovery rates for the trade and finance lease receivables were referenced to the average senior unsecured bond recovery rates before default stated in Annual Default Study and the actual historical recovery rate.

Provision for ECLs on financial assets during the year decreased from approximately HK$51.1 million during the year ended 31 March 2022 to HK$46.0 million during the year ended 31 March 2023. The provision for ECLs made for the year ended 31 March 2023 is the mixed result of (i) general decrease in overall default risk and credit risk of the debtors as recoverability improves; (ii) longer ageing of certain trade receivables during the year due to the previous effect of the epidemic on certain debtors; and (iii) full impairment of certain other receivables that management assessed necessary.

Settlement of trade receivables have improved generally while some customers still struggle with temporary cash flows difficulties. Management believed that the recoverability of trade receivables will continue to improve over time.

In respect of the determination of the ECLs of trade and finance lease receivables of the Group as at 31 March 2023 for financial reporting purpose, the Group has engaged an independent valuer (the "**Valuer**"), to assist in the relevant calculation of the ECLs. The Valuer is a professional surveyors firm in Hong Kong with appropriate qualification and experience to perform similar type of valuation.

MANAGEMENT DISCUSSION AND ANALYSIS

The tables below set out the comparison in key inputs used in the valuation of the expected credit loss of trade and finance lease receivables excluding trade and finance lease receivable under individual assessment as at 31 March 2023 and 31 March 2022:

Expected loss rate of trade receivables by past due status	Valuation as at 31 March 2023	Valuation as at 31 March 2022
Neither past due nor impaired	**1.21%**	1.90%
1 to 30 days past due	**5.67%**	7.28%
31 to 90 days past due	**10.79%**	13.61%
91 to 180 days past due	**19.18%**	25.31%
181 to 365 days past due	**27.34%**	40.35%
Over 365 days past due	**87.01%**	71.25%

Expected loss rate of finance lease receivables by years	Valuation as at 31 March 2023	Valuation as at 31 March 2022
Within 1 year	**5.53%**	25.36%
Within 1 – 2 years	**25.00%**	34.90%
Within 2 – 3 years	**26.06%**	41.50%
Within 3 – 4 years	**N/A**	46.47%

Expected loss rates are based on historical observed default rates. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The decrease in expected loss rates was mainly due to the decrease in the historical observed default rates and the forward-looking adjustment that may impact the customer's ability to repay the outstanding balances.

MANAGEMENT DISCUSSION AND ANALYSIS

With reference to valuation prepared by the Valuer and the internally assessed parameters and assumptions adopted in the calculation of expected credit loss of trade and finance lease receivables, the Directors and the audit committee of the Board (the "**Audit Committee**") considered the relevant calculations of the ECLs for the year ended 31 March 2023 are fair and reasonable and the relevant calculations reflected a realistic forecast by taking into account the macro-economic factors, the historical credit loss and forward-looking information as mentioned above.

Given the objective assessment by the Valuer, and taking into consideration of the status of the receivables as discussed above, the management acknowledged that adopting a set of lower expected loss rates (except for long overdue balances) as compared to 31 March 2022 was in a reasonable range in arriving at the provision for ECLs regarding trade receivables and finance lease receivables amounted to approximately HK$45.0 million during the year ended 31 March 2023.

For other receivables, the management assessed that an amount of HK$1.0 million (2022: Nil) is credit impaired and impairment loss is fully provided and recognised in profit or loss.

Income tax credit

The Group recognised income tax credit amount to approximately HK$10.6 million for the year ended 31 March 2023 (2022: approximately HK$9.0 million), approximately HK$8.1 million were deferred tax credit and approximately HK$2.5 million were current tax credit.

Share of results of associates

The Group's share of results of associates for the year ended 31 March 2023 was approximately HK$1.5 million, decreasing from approximately HK$7.4 million for the year ended 31 March 2022. The decrease was mainly due to the decrease in the amount of sharing of results of an associate and its subsidiaries, namely KSL Group (as defined below), as the business for installation of the customised LED products in the retail outlets of a major retailer in South Africa had entered into its final stage, resulting in the decrease in trading revenue of customised LED products.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA decreased from a loss of approximately HK$341.4 million for the year ended 31 March 2022 to a loss of approximately HK$8.6 million for the year ended 31 March 2023. The Group's EBIT decreased from a loss of approximately HK$346.5 million for the year ended 31 March 2022 to a loss of approximately HK$11.4 million for the year ended 31 March 2023.

Loss for the year attributable to the owners of the Company

As a result of the foregoing, our loss attributable to the owners of the Company decreased by approximately 93.4% from a loss of approximately HK$382.1 million for the year ended 31 March 2022 to a loss of approximately HK$25.1 million for the year ended 31 March 2023. Excluding some major extraordinary or non-operating income and expenses, the adjusted loss attributable to the owners of the Company decreased by approximately 13.5% from approximately HK$31.0 million for the year ended 31 March 2022 to a loss of approximately HK$26.8 million for the year ended 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table reconciles the adjusted loss attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses as defined by the Group's management for the years presented to the audited loss attributable to the owners of the Company for the years indicated:

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Loss for the year attributable to the owners of the Company	**(25,084)**	(382,145)
Add back/(less) major extraordinary or non-operating expenses/(income):		
Impairment loss of property, plant and equipment	**–**	9,173
Fair value loss/(gain) on equity investment at FVTPL	**3,262**	(1,140)
(Gain)/loss on extinguishment of financial liabilities	**(51,591)**	303,485
Provision for expected credit loss on financial assets, net of deferred tax	**37,933**	42,032
Gain on modification of financial liabilities	**–**	(7,243)
Finance cost on modification of financial liabilities	**–**	4,631
Share-based payment expenses in respect of share options	**5,347**	148
Net foreign exchange loss	**3,325**	62
Adjusted loss attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses	**(26,808)**	(30,997)

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 31 March 2023, currents assets of the Group amounted to approximately HK$201.6 million, representing a decrease of 20.5% from approximately HK$253.6 million as at 31 March 2022. The current assets mainly comprised cash and bank balances of approximately HK$18.1 million (2022: approximately HK$26.3 million), trade receivables of approximately HK$155.4 million (2022: approximately HK$186.6 million), amount due from an associate of approximately HK$12.0 million (2022: approximately HK$19.0 million), and deposits, prepayments and other receivables of approximately HK$11.9 million (2022: approximately HK$12.5 million). As at 31 March 2023, the Group's current liabilities mainly comprised borrowings of approximately HK$9.0 million (2022: approximately of HK$33.0 million), amounts due to the scheme creditors of approximately HK$133.8 million (2022: nil), trade payables of approximately HK$8.7 million (2022: approximately HK$31.6 million) and accruals, other payables and deposits received of approximately HK$43.0 million (2022: approximately HK$122.7 million). The Group's current ratio decreased from approximately 1.2 times as at 31 March 2022 to approximately 1.0 times as at 31 March 2023.

The Group underwent the Scheme to restructure its financial liabilities during the year ended 31 March 2023 and changes in the debt structure of the Group is summarized as follows:

	2023 HK$'million	2022 HK$'million
Bank borrowings	**9.0**	2.8
Other borrowings	**–**	33.0
Settlement payables	**–**	47.1
Note payables	**–**	55.0
Due to scheme creditors to be settled by cash payments	**69.7**	–
Due to scheme creditors settled subsequently by issue of shares of the Company	**104.4**	–
	183.1	137.9

The overall increase in the debts is mainly due to the fact that certain trade payables and other payables are also admitted to the Scheme and become part of the debts.

MANAGEMENT DISCUSSION AND ANALYSIS

Out of the total amounts due to the scheme creditors of HK$174.1 million, HK$104.4 million has been settled on 28 June 2023 through the completion of issue of shares of the Company pursuant to the terms of the Scheme. The remaining HK$69.7 million due to the scheme creditors will be settled by cash payments over a period of two and a half years at a fixed interest rate of 2.5% per annum. For further details, please refer to the Company's announcement dated 3 August 2022, 14 October 2022, 11 November 2022, 17 February 2023, 14 April 2023 and 15 June 2023.

On the other hand, the bank borrowings of HK$9 million in the current year has a maturity of 10 years and incurs interest at floating interest rate.

As at 31 March 2023, the Group's total equity was approximately HK$126.7 million, representing a decrease of approximately 13.0% from approximately HK$145.6 million as at 31 March 2022. As at 31 March 2023, the Group has no charges on its assets.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2023.

GUARANTEES

The Group had no material guarantees as at 31 March 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY OR ASSOCIATED COMPANY

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 March 2023.

SIGNIFICANT INVESTMENTS

As at 31 March 2023, the Group held two investments with a value above 5% of the total assets of the Group. The two investments are (a) the interests in associates in Kedah Synergy Limited ("**KSL**"), together with its subsidiaries (the "**KSL Group**"), which accounted for approximately 18.0% of the Group's total assets as at 31 March 2023 (the "**Investment in Associates**"); and (b) the equity investment at fair value through profit or loss in InVinity Energy Group Limited, which accounted for approximately 6.9% of the Group's total assets as at 31 March 2023 (the "**Equity Investment**").

Investment in Associates

The Investment in Associates represents the Group's investment in the KSL Group. The KSL Group includes associated companies of the Group which were owned as to 47.5% by the Group as at 31 March 2023. The KSL Group is principally engaged in trading of energy saving products and provision of cost-saving energy management solutions. The total initial investment cost in the KSL Group was approximately HK$27.7 million. As at 31 March 2023, the Investment in Associates was approximately HK$67.3 million.

The Investment in Associates is accounted for by equity method in which 47.5% share of the results of the KSL Group is reflected in the carrying amount of the investment. During the year ended 31 March 2023, share of profits from the KSL Group amounted to approximately HK$1.5 million (2022: approximately HK$7.4 million) was recognised in the consolidated statement of comprehensive income of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in share of profits was due to the decrease in the net profit attributable to the shareholders of the KSL Group from approximately HK$15.6 million for the year ended 31 March 2022 to approximately HK$3.1 million for the year ended 31 March 2023, as the trading revenue of customised LED product decreased.

No dividend income from KSL was recognised during the year ended 31 March 2023. The Group will continue to hold the investment in the KSL Group as long-term investment as the management believes the investment will continue to generate profit for the Group and the business of the KSL Group is in line with the Group's core business.

Equity Investment

The Equity Investment represents the Group's approximately 23.6% equity interest in InVinity Energy Group Limited ("**InVinity**", together with its subsidiaries, the "**InVinity Group**"). The InVinity Group is principally engaged in investing in mining activities in relation to vanadium. The total initial investment cost in InVinity was US$3.2 million, or approximately HK$24.8 million. As at 31 March 2023, the carrying amount of Equity Investment was approximately HK$25.9 million (2022: approximately HK$29.1 million).

The Group will continue to hold the investment in InVinity as long-term investment as the management believes the investment is in line with the Group's business strategy and development in the global energy market.

Saved as disclosed above, there were no other significant investments held, and other plans for material investments or capital assets during the year ended 31 March 2023.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2023, the Group had 57 full-time employees. The Group offers a competitive remuneration package commensurate with industry practice and provides benefits to its employees, including bonuses, medical coverage and provident fund contributions.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("**MPF Scheme**"). Under the MPF Scheme, each of the Group companies (i.e. the employer) and its employees make monthly contributions to the scheme at 5% of the employees' monthly earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The Group also operates a number of defined contribution retirement schemes outside Hong Kong in accordance with local statutory requirements. The assets of these schemes are generally held in separate administered funds and are generally funded by payments from employees and by the relevant Group companies.

GRANT OF SHARE OPTIONS

On 12 December 2022, the Company granted a total of 90,068,000 share options to subscribe for an aggregate of 90,068,000 ordinary shares of HK$0.01 each in the share capital of the Company, comprising (i) 1,000,000 share options to four Directors; and (ii) 89,068,000 share options to certain qualified participants, being employees of the Group, under the share option scheme adopted by the Company on 5 March 2015 (as amended on 26 October 2016) (the "**Share Option Scheme**"). Details of the grant are set out in the Company's announcement dated 12 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

On 20 March 2023, the Company granted a total of 28,356,680 share options to subscribe for an aggregate of 28,356,680 ordinary shares of HK$0.01 each in the share capital of the Company, comprising (i) 23,856,680 share options to an executive Director; and (ii) 4,500,000 share options to a qualified participant, being an employee of the Group, under the Share Option Scheme. Details of the grant are set out in the Company's announcements dated 20 March 2023 and 15 June 2023, and the Company's circular dated 23 May 2023.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme. Under the Share Option Scheme, the Board may in its absolute discretion grant options to directors or employees (whether full time or part time) of our company and its subsidiaries and associated companies (the "**Qualified Participants**") subscribe for its shares. The purpose of the Share Option Scheme is to enable the Company to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of our Company and its shares for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group.

FOREIGN CURRENCY EXPOSURE

The Group's revenue and expenses are mainly in Hong Kong dollar which is the functional currency of most of the entities making up the Group. As it is expected that there will be a continuously increase in revenue from overseas markets, the Directors believe that the Group will be exposed to foreign exchange risk due to exchange rate fluctuations. After considering the current and future exchange rate level and the foreign currency market, the Group does not adopt any foreign currency hedging measure as at the date of this announcement. However, the Group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

GEARING RATIO

As at 31 March 2023, the gearing ratio of the Group, which is calculated on the basis of the amount of total debts divided by the total equity, was 144.6%, which has increased from 98.3% as at 31 March 2022.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2023.

The Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

FUTURE OUTLOOK

Financial Status

The Group's financial status has vastly improved after a series of restructuring actions made by the Group. In particular, the Scheme became effective during the year and the Group successfully obtained all required approvals for issue of shares of the Company on 15 June 2023, which effectively reduced the relevant financial liabilities from approximately HK$178 million to approximately HK$69 million and also reduced relevant interest payment liabilities of around HK$51.6 million.

Furthermore, the Group successfully secured new sources of financing including new bank loans, receivable financing by ORIX Finance Services Hong Kong Limited ("**ORIX Finance**") and a convertible bond amount to US$15 million from an Abu Dhabi investor (subject to fulfilment of certain conditions).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to build new banking relationships, explore other means of financings such as bonds and equity issuance, so as to continue refining the capital structure of the Group.

Business

Malaysia

The Group's "Light Source in the Darkness" project in Malaysia, (the "**Malaysia Project**"), which helps local condominiums to solve their lighting problems and achieve energy efficiency at the same time, is receiving a lot of compliments by customers and government support locally. The Malaysia Project starts out in Selangor state of Malaysia which has a total of 8,320 condominiums and targets to install 6 million LED lights by 2025.

In particular, the local government announced a collaboration with the Group on 19 March 2023, setting a performance indicator with a government policy to install LED lights at no less than 832 condominiums by 31 December 2023.

To cope with the capital funding need for the Malaysia Project, the Group partnered with ORIX Finance who provides receivable-based financing for the Malaysia Project, and has successfully drawn down approximately HK$10 million based on receivables of completed 24 completed contracts.

With the support from ORIX Finance and the local government, the Group expects to exceed the Malaysia Project's minimum target and thereby greatly improves the Group's cash flow.

Mainland China

The Group is collaborating with affiliated entities of Power Construction Corporation of China ("**Power China**") to co-develop renewable energy projects in Mainland China throughout Greater Bay Area, Yunan and Hainan which targeted renewable energy systems project pipeline of total capacity of approximately 2.6 GW, and total estimated monetary amount of approximately RMB5.7 billion for survey and design, equipment procurement and construction services. The Group has assigned appropriate personnel to oversee and execute the project.

The Group is also in discussion of various energy saving solution projects in the PRC. The Group believes there will be many more similar opportunities in the future given the "double carbon" objectives in the Mainland China.

Middle East

The Group has built new business connections in the United Arab Emirates ("**U.A.E.**") which has strong demand in energy saving solutions and renewable energy given U.A.E.'s carbon net zero target by 2050. We have also secured a convertible bond investment from an Abu Dhabi investor (subject to fulfilment of certain conditions).

The Group is currently in discussion with a major conglomerate in U.A.E. on collaboration in energy savings and renewable solutions. The Group will continue to explore opportunities in U.A.E and the rest of Middle East.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL BUSINESSES

The principal business of the Company is investment holding and the principal businesses of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal businesses during the year ended 31 March 2023.

ANNUAL RESULTS AND DISTRIBUTIONS

The annual results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of comprehensive income on page 63. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2023.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 2. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2023 are set out in Note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 33 to the consolidated financial statements. As at 31 March 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounting to approximately HK$93.7 million, which may be distributable to the shareholders of the Company subject to the provisions of the Company's memorandum and articles of association ("**Articles of Association**") and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

BANK AND OTHER BORROWINGS

The total borrowings of the Group as at 31 March 2023 amounted to HK$9.0 million. Particulars of borrowings are set out in Note 27 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 March 2023 are set out in Note 14 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 March 2023 and as at the date of this report are as follows:

Executive Director

Mr. WONG Man Fai Mansfield
(Chairman and Chief Executive Officer)

Non-executive Directors

Mr. LAM Arthur (resigned on 31 August 2022)
Mr. TSANG Sze Wai Claudius
(appointed on 16 December 2022)

Independent non-executive Directors

Mr. CHUNG Koon Yan
Mr. CHEUNG Yick Hung Jackie
Dr. WONG Chi Ying Anthony
Mr. TANG Warren Louis (appointed on 26 April 2022)

In accordance with the Articles of Association, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

In accordance with the Articles 84(1) and (2) of the Articles of Association, Mr. WONG Man Fai Mansfield and Dr. WONG Chi Ying Anthony shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Pursuant to Article 83(3) of the Articles of Association, Mr. TSANG Sze Wai Claudius who was appointed by the Board on 16 December 2022 as an addition to the existing Board shall hold office until the next following annual general meeting of the company and shall be eligible for re-election. For details, please refer to the announcement of the Company dated 16 December 2022.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with any member of the Group which in order to entitle the Company to terminate the service contract, expressly requires the Company to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's remuneration, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 54 to 57 of this Annual Report.

DIRECTORS' REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

During the year ended 31 March 2023 and to the date of this annual report, the Board at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the Independent non-executive Directors a written annual confirmation of his independence in relation to their services for the year ended 31 March 2023 pursuant to Rule 3.13 of the Listing Rules and the Company considers all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 10(a) to the consolidated financial statements. Details of emolument policy are set out in the section headed "Remuneration Committee" to Corporate Governance Report in this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2023, the interests of the Directors and chief executives of our Company in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules required to be notified to our Company and the Stock Exchange, were as follows:

DIRECTORS' REPORT

Interests of Directors and Chief Executives in the shares and underlying shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of issued share capital (Note 4)
WONG Man Fai Mansfield (Note 2)	Interest in controlled corporation	1,250,627,360(L)	52.42%
	Beneficial owner	38,834,524(L) (Note 3)	1.63%
TSANG Sze Wai Claudius	Beneficial owner	18,000,000(L)	0.76%
CHEUNG Yick Hung Jackie	Beneficial owner	375,000(L) (Note 5)	0.02%
CHUNG Koon Yan	Beneficial owner	275,000(L) (Note 6)	0.01%
WONG Chi Ying Anthony	Beneficial owner	275,000(L) (Note 7)	0.01%
TANG Warren Louis	Beneficial owner	250,000(L) (Note 8)	0.01%

Notes:

1. The letter "L" denotes the person's long position in such shares respectively.

2. Abundance Development Limited and Mpplication Group Limited are wholly-owned by Mr. WONG Man Fai Mansfield. Under the SFO, Mr. WONG Man Fai Mansfield is deemed to be interested in all the shares of the Company owned by Abundance Development Limited and Mpplication Group Limited.

3. These shares included 23,856,680 underlying shares under the conditional options granted to Mr. WONG Man Fai Mansfield by the Company on 20 March 2023 pursuant to the share option scheme, subject to independent shareholder's approval at an extraordinary general meeting. For details, please refer to the Company's announcements dated 20 March 2023 and 15 June 2023, and the circular of the Company dated 23 May 2023.

4. The total number of issued shares of the Company as at 31 March 2023 was 2,385,668,000.

5. These shares represented 7,000 and 250,000 underlying shares under the options granted by the Company on 2 April 2020 and 12 December 2022 pursuant to the Share Option Scheme, respectively, and 118,000 shares beneficially owned by Mr. CHEUNG Yick Hung Jackie.

6. These shares represented 7,000 and 250,000 underlying shares under the options granted by the Company on 2 April 2020 and 12 December 2022 pursuant to the Share Option Scheme, respectively, and 18,000 shares beneficially owned by Mr. CHUNG Koon Yan.

7. These shares represented 7,000 and 250,000 underlying shares under the options granted by the Company on 2 April 2020 and 12 December 2022 pursuant to the Share Option Scheme, respectively, and 18,000 shares beneficially owned by Dr. WONG Chi Ying Anthony.

8. These shares represented 250,000 underlying shares under the options granted to Mr. TANG Warren Louis by the Company on 12 December 2022.

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executives of our Company had any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as our Directors are aware, as at 31 March 2023, the persons/entities (other than the Directors or chief executives of our Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of our Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group were as follows:

Interests in the shares and underlying shares of the Company

Name of substantial shareholder	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of issued share capital (Note 6)
Abundance Development Limited (Note 2)	Beneficial owner	1,240,547,360(L)	52.00%
Mpplication Group Limited (Note 3)	Beneficial owner	10,080,000(L)	0.42%
CAI Linda Xin Xin (Note 4)	Interest of spouse	1,289,461,884(L)	53.05%
Ancient Wisdom Limited (Note 5)	Person having a security interest in shares	1,240,547,360(L)	52.00%
WU Shang Tun Mason (Note 5)	Interest of controlled corporation	1,240,547,360(L)	52.00%
Beyond Ever Limited	Beneficial owner	138,366,000(L)	5.80%

Notes:

1. The letter "L" denotes the person's long position in such shares respectively.

2. Abundance Development Limited is wholly-owned by Mr. WONG Man Fai Mansfield.

3. Mpplication Group Limited is wholly-owned by Mr. WONG Man Fai Mansfield.

4. Ms. CAI Linda Xin Xin is the spouse of Mr. WONG Man Fai Mansfield. Under the SFO, Mr. WONG Man Fai Mansfield is deemed to be interested in all the shares of the Company owned by Abundance Development Limited and Mpplication Group Limited, and Ms. CAI Linda Xin Xin is deemed to be interested in all the shares of the Company in which Mr. WONG Man Fai Mansfield is interested.

5. Ancient Wisdom Limited is wholly-owned by Mr. WU Shang Tun Mason. Under the SFO, Mr. WU Shang Tun Mason is deemed to be interested in all the shares of the Company owned by Ancient Wisdom Limited.

6. The total number of issued shares of the Company as at 31 March 2023 was 2,385,668,000.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any persons/entities who had any interest or short position in the securities in the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 5 March 2015 (which was amended on 26 October 2016). The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) The purpose of the Share Option Scheme

The Share Option Scheme seeks to provide an incentive for the Qualified Participants (as hereinafter defined) to work with commitment towards enhancing the value of our Company and the shares ("**Shares**") for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group.

(b) Who may join

The Board may at its discretion grant options to any director or employee (whether full time or part time) of our Company and its subsidiaries and associated companies (as defined under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) (collectively, "**Qualified Participants**").

(c) Grant of Option

An offer of the grant of an option shall be made to the Qualified Participants by letter in such form as the Board may from time to time determine, requiring the Qualified Participants to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules). The offer shall remain open for acceptance for a period of twenty business days from the date on which it is made. Subject to the terms of the offer letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options. An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Qualified Participant.

(d) Subscription Price

The subscription price ("**Subscription Price**") shall be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("**Offer Date**"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

DIRECTORS' REPORT

(e) Maximum number of shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of shares in issue as at 31 August 2022 (i.e. the date of annual general meeting passing of an ordinary resolution by the shareholders to approve the refreshment of the scheme mandate limit), i.e. 238,566,800 shares. For the purpose of calculating the scheme mandate ("**Scheme Mandate**"), options which have been lapsed in accordance with the terms of the relevant scheme will not be regarded as utilised.

(f) Maximum entitlement of shares of each Qualified Participant

Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any option-holder if the acceptance of those options would result in the total number of Shares issued and to be issued to that Qualified Participant on exercise of his options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total Shares then in issue.

(g) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme ("**Option Period**") shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date. The vesting period of options granted under the scheme is determined by the Board in its absolute discretion.

(h) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing from 5 March 2015, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Share Option Scheme. As at the date of this report, the Share Option Scheme has remaining life of approximately two years.

DIRECTORS' REPORT

The following table discloses movements in the Company's share options during the year ended 31 March 2023:

							Number of share options					
Grantees	Date of grant	Vesting period	Exercise period	Exercise price per share (HK$)	Closing price per share immediately before the date of grant (HK$)	Performance target or clawback mechanism	Outstanding as at 1 April 2022	Granted during the year	Exercised during the period	Lapsed/ forfeited during the year	Cancelled during the year	Outstanding as at 31 March 2023
Directors												
WONG Man Fai Mansfield	20 March 2023	20 March 2023 to 19 March 2024	20 March 2024 to 19 March 2026	0.139	0.133	Nil	-	23,856,680	-	-	-	**23,856,680**
CHUNG Koon Yan	2 April 2020	2 April 2020 to 1 January 2022	2 January 2022 to 1 April 2023	0.290	0.290	N/A	750	-	-	-	-	**750**
		2 April 2020 to 1 April 2022	2 April 2022 to 1 April 2023	0.290	0.290	N/A	6,250	-	-	-	-	**6,250**
	12 December 2022	-	12 December 2022 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
		12 December 2022 to 11 December 2023	12 December 2023 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
CHEUNG Yick Hung Jackie	2 April 2020	2 April 2020 to 1 January 2022	2 January 2022 to 1 April 2023	0.290	0.290	N/A	750	-	-	-	-	**750**
		2 April 2020 to 1 April 2022	2 April 2022 to 1 April 2023	0.290	0.290	N/A	6,250	-	-	-	-	**6,250**
	12 December 2022	-	12 December 2022 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
		12 December 2022 to 11 December 2023	12 December 2023 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
WONG Chi Ying Anthony	2 April 2020	2 April 2020 to 1 January 2022	2 January 2022 to 1 April 2023	0.290	0.290	N/A	750	-	-	-	-	**750**
		2 April 2020 to 1 April 2022	2 April 2022 to 1 April 2023	0.290	0.290	N/A	6,250	-	-	-	-	**6,250**
	12 December 2022	-	12 December 2022 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
		12 December 2022 to 11 December 2023	12 December 2023 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
TANG Warren Louis	12 December 2022	-	12 December 2022 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
		12 December 2022 to 11 December 2023	12 December 2023 to 11 December 2024	0.172	0.162	N/A	-	125,000	-	-	-	**125,000**
Employees												
Employees in aggregate	2 April 2020	2 April 2020 to 1 January 2022	2 January 2022 to 1 April 2023	0.290	0.290	N/A	5,500	-	-	-	-	**5,500**
		2 April 2020 to 1 April 2022	2 April 2022 to 1 April 2023	0.290	0.290	N/A	862,500	-	-	-	-	**862,500**
	12 December 2022	-	12 December 2022 to 11 December 2024	0.172	0.162	N/A	-	80,318,000	-	-	-	**80,318,000**
		12 December 2022 to 11 December 2023	12 December 2023 to 11 December 2024	0.172	0.162	N/A	-	8,750,000	-	-	-	**8,750,000**
	20 March 2023	20 March 2023 to 19 March 2024	20 March 2024 to 19 March 2026	0.139	0.133	Nil	-	4,500,000	-	-	-	**4,500,000**
							889,000	118,424,680	-	-	-	**119,313,680**

DIRECTORS' REPORT

Notes:

1. For the grant of share options on 12 December 2022, 80,818,000 share options granted vested on the date of grant and are exercisable in two years from the date of grant; 9,250,000 share options granted will vest in one year from the date of grant and are exercisable in two years from the date of grant.

2. For the grant of share options on 20 March 2023, 28,356,680 share options granted will vest in one year from the date of grant and are exercisable in three years from the date of grant. Out of the 28,356,680 share options granted, the grant of 23,856,680 share options to Mr. Mansfield WONG (an executive Director, chief executive officer and substantial shareholder of the Company), was approved by the shareholders at an extraordinary general meeting held on 15 June 2023.

As at 1 April 2022 and 31 March 2023, the total number of share options available for grant under the Share Option Scheme was 24,383,000 shares and 120,142,120 shares, respectively.

As at the date of this Annual Report, the total number of share options available for issue under the Share Option Scheme was 182,279,800 shares, representing approximately 5.75% of the total issued shares of the Company as at the date of this Annual Report (i.e. 3,172,016,232 shares).

The number of shares that may be issued in respect of all the share options granted under the Share Option Scheme during the financial year ended 31 March 2023, being 118,424,680 ordinary shares, represented approximately 4.96% of the weighted average number of ordinary shares in issue of the Company for the financial year ended 31 March 2023 (i.e. 2,385,668,000 ordinary shares).

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2023.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2023.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 March 2023, none of the Directors, the substantial shareholders or their respective close associates (as defined under the Listing Rules) had held any position or had any interest in any businesses or companies that were or might be materially, either directly or indirectly, competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the year ended 31 March 2023.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2023, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 100% of the total purchases of the Group and the largest supplier included therein amounted to approximately 92.0%.

For the year ended 31 March 2023, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 54.1% of the total sales of the Group and the largest customer included therein amounted to approximately 17.7%.

At no time during the year have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the Group's related party transaction are set out in Note 37 to the consolidated financial statements. Save for transactions disclosed under Note 37(a)(ii) which are continuing connected transactions that are exempt from annual reporting requirements under Chapter 14A of the Listing Rules, such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under the Listing Rules.

Saved as disclosed above, there were no other transactions which are required to be disclosed as continuing connected transactions in accordance with the requirements of the Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

CORPORATE GOVERNANCE

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 March 2023.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 30 to 51 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee of the Board was established with its written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision D.3.3 of the Corporate Governance Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. CHUNG Koon Yan (Chairman of the Audit Committee), Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the financial statements for the year ended 31 March 2023.

BUSINESS REVIEW

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the fiscal year, an indication of likely future development in the Group's business, an analysis of the Group's financial performance and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the "Management Discussion and Analysis" on pages 5 to 16 of this Annual Report. These discussions form part of this Directors' Report.

DIRECTORS' REPORT

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the "Management Discussion and Analysis" section in this Annual Report.

In addition, various financial risks have been disclosed in the notes to the consolidated financial statements of this Annual Report.

An analysis using financial key performance indicators

The relevant financial key performance indicators relating to the business of the Group are set out in the "Financial Review" section in the "Management Discussion and Analysis" and the consolidated financial statements in this Annual Report.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

The Company will publish its standalone Environmental, Social and Governance Report for the year ended 31 March 2023 on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.unitygroup.eco) in due course. Further discussion on the Group's environmental policies and performance and key relationships with employees, customers, suppliers and others are also set out in the Environmental, Social and Government Report.

Relationships with employees, customers, suppliers and other stakeholders

The Group ensures all staff is reasonably remunerated and regularly reviews the employment policies on remuneration and other benefits.

The Group maintains a good relationship with its customers and suppliers. The Group maintains close contacts with the customers and has regular review of requirements of customers and complaints. The Group will conduct appraisal of the performance of suppliers on regular basis.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has in an on-going fashion reviewed the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

DIRECTORS' REPORT

Permitted indemnity provision

Pursuant to the Articles of Association, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

Charitable donations

The Group did not make any charitable donation for the year ended 31 March 2023.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding in the Shares.

Independent Auditor

The consolidated financial statements for the year ended 31 March 2023 have been audited by BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming 2023 AGM (as defined in section headed "Corporate Governance Report"). A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the 2023 AGM.

There has been no change in auditors of the Company in the three years ended 31 March 2023.

On behalf of the Board
Unity Group Holdings International Limited
Wong Man Fai Mansfield
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 June 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the Company's Annual Report for the year ended 31 March 2023.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and maintaining high standards of corporate governance. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value, transparency and accountability, and to formulate its business strategies and policies.

The Company has applied the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, together with compliance with the relevant code provisions.

The Board is of the view that, throughout the year ended 31 March 2023, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the Corporate Governance Code, except for the deviation from code provision C.2.1 as explained under the paragraphs "Chairman and Chief Executive Officer" below.

CULTURES AND VALUES

The Company's vision is to protect the environment for a sustainable future. Fast becoming the most preferred, most trustworthy partner in the industry, we deliver the most professional, best-in-class energy solutions to our clients. Our mission is to give back to the community. By using cutting-edge technology to revolutionize green technology projects, we support our customers and society to achieve peak carbon dioxide emissions and carbon neutrality earlier than planned.

COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

The Company has adopted its own code of conduct for dealing in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company (the "**Securities Dealing Code**") on terms no less exacting than the standard as set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees of the Group, all Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code throughout the year ended 31 March 2023 and up to the date of this report.

BOARD COMPOSITION

The Board currently consists of six Directors, comprising one executive Director, one non-executive Director and four independent non-executive Directors, who together, bring the skills, experience and diversity the Company needs to meet our long-term objectives. The Directors of the Company during the year and as at the date of this Annual Report are listed below:

Executive Director:

Mr. WONG Man Fai Mansfield
(Chairman and Chief Executive Officer)

Non-executive Directors:

Mr. LAM Arthur
(resigned on 31 August 2022)

Mr. TSANG Sze Wai Claudius
(appointed on 16 December 2022)

Independent non-executive Directors:

Mr. CHUNG Koon Yan

Mr. CHEUNG Yick Hung Jackie

Dr. WONG Chi Ying Anthony

Mr. TANG Warren Louis
(appointed on 26 April 2022)

CORPORATE GOVERNANCE REPORT

There is no personal relationship (including financial, business, family, or other material/relevant relationship(s)) among the members of the Board. Biographical details of the Directors and the senior management are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 54 to 57 of this Annual Report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

RESPONSIBILITIES OF AND DELEGATION BY THE BOARD

The Board is principally responsible for overall leadership and control of the Company and oversees the Group's businesses, overall strategic decisions and performance, approving the financial statements and annual budgets, and is collectively responsible for promoting the long-term success of the Company by directing and supervising its affairs. The Board ensures that it is managed in the best interests of the shareholders of the Company as a whole while taking into account the interest of other stakeholders.

Our Company's day-to-day management and operational decisions are made by the executive Director and the Group's senior management, who are experienced in managing the Group's businesses. The non-executive Directors, including the four independent non-executive Directors, bring independent judgment to the decision-making process of the Board.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Board is also responsible for the corporate governance functions under code provision A.2.1 of the Corporate Governance Code. The Board has reviewed and discussed the corporate governance policies of the Group and is satisfied with the effectiveness of the corporate governance policies.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman of the Board and Chief Executive Officer of the Company have been performed by Mr. WONG Man Fai Mansfield. Although under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual, the combination of the roles of chairman and chief executive officer by Mr. WONG was considered to be in the best interests of the Company and its shareholders as a whole. Mr. WONG has been leading the Group as the Chief Executive Officer and one of our subsidiaries since 2009, thus, the Board believes that the combined roles of Mr. WONG promotes better leadership for both the Board and management and enables more focused development of business strategies and implementation of objectives and policies. The balance between power and authority is maintained by the openness and cooperative spirit of the senior management and the Board, which comprise experienced and high-calibre individuals. The Board currently comprises four independent non-executive Directors and has a fairly strong independence element in its composition. The structure is supported by the Company's well established corporate governance structure and internal control system. Therefore, the Board considers that the deviation from code provision C.2.1 is appropriate in the circumstances. The Board will review the management structure regularly and consider separating the roles of chairman and chief executive, if and when appropriate.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the year ended 31 March 2023, the Board at all times complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Board has adopted the board independence evaluation mechanism (the "**Mechanism**") which sets out the principles and guidelines for the Company to ensure independent view and input to be available to the Board in accordance with code provision B.1.4 of the Corporate Governance Code, and the implementation and effectiveness of such Mechanism is reviewed by the Board on an annual basis.

CORPORATE GOVERNANCE REPORT

To ensure that independent views and opinion are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors including the following:

- required character, integrity, expertise, experience and stability to fulfil their roles;
- time commitment and attention to the Company's affairs;
- commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the independent non-executive Directors regularly without the presence of the executive Director(s).

The Company has received the written confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The executive Director has entered into a supplemental service agreement with the Company for a fixed renewed term of three years commencing from 30 June 2023, his appointment may be terminated by either the Company or the Director by at least three months' written notice or payment in lieu to the other party.

The non-executive Director has entered into an appointment letter with the Company for an initial term of three years commencing from 16 December 2022, his appointment may be terminated by either the Company or the Director on not less than three months' written notice.

Each independent non-executive Director has entered into a renewed appointment letter/appointment letter with the Company for a term of three years commencing from 23 March 2021 and 26 April 2022, respectively, their appointments may be terminated by either the Company or the Director on not less than one month's written notice.

According to the Company's Articles of Association, Directors who are appointed to fill casual vacancies or as an addition to the Board shall hold office and be eligible for re-election at the first annual general meeting of the Company after his or her appointment. In addition, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

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

Directors should participate in appropriate 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 are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2023, all the Directors (namely, Mr. WONG Man Fai Mansfield, Mr. TSANG Sze Wai Claudius, Mr. CHUNG Koon Yan, Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Yung Anthony, together with the former Director, Mr. LAM Arthur, who resigned in August 2022) had participated in continuous professional development programmes, including trainings conducted by qualified professionals. The trainings that the Directors received during the year covered a wide range of areas relevant to the Company's operations, development, industry, and directors' duties and responsibilities, to ensure that the Directors understand the business and operations of the Group and their duties and obligations. A record of the training received by the respective Directors are kept and updated by the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORDS

Pursuant to code provision C.5.1 of the Corporate Governance Code, the Board is scheduled to meet four times during a financial year as a minimum and, during the year ended 31 March 2023, it met four times. Details of the attendance of each Director at the meetings of the Board and its respective committees and the annual general meeting during the year ended 31 March 2023 are as follows:

	Attendance/No. of Meeting(s)				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. WONG Man Fai Mansfield	4/4	-/-	-/-	-/-	1/1
Mr. LAM Arthur (Note 1)	2/2	-/-	-/-	-/-	-/-
Mr. TSANG Sze Wai Claudius (Note 2)	1/1	-/-	-/-	-/-	-/-
Mr. CHUNG Koon Yan	4/4	2/2	2/2	2/2	1/1
Mr. CHEUNG Yick Hung Jackie	4/4	2/2	2/2	2/2	1/1
Dr. WONG Chi Ying Anthony	4/4	2/2	2/2	2/2	1/1
Mr. TANG Warren Louis (Note 3)	3/3	-/-	-/-	1/1	0/1

Notes:

1. Resigned as a non-executive Director on 31 August 2022. Two Board meetings were held before 31 August 2022.

2. Appointed as a non-executive Director on 16 December 2022. One Board meeting was held after 16 December 2022.

3. Appointed as an independent non-executive Director and Co-Chairman of Nomination Committee on 26 April 2022. Three Board meetings and one Nomination Committee meeting were held after 26 April 2022.

Apart from the regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of any executive Director during the year ended 31 March 2023.

The principal works performed by the Board during the year ended 31 March 2023 are summarized as follows:

- approval of the 2021/2022 Annual Report and annual results announcement

- approval of the 2022/2023 Interim Report and interim results announcement

- review of the Company's compliance with the Corporate Governance Code

- review of the effectiveness of the internal control system

CORPORATE GOVERNANCE REPORT

- recommendation to the shareholders regarding the proposal on the re-appointment of BDO Limited as auditor

- recommendation to the shareholders regarding the proposals on the change of company name and adoption of the amended and restated Memorandum and Articles of Association and refreshment of scheme mandate limit under the Share Option Scheme

- received and considered recommendations from each Board Committee on a regular basis throughout the year at each Board meeting which followed a Committee meeting

- re-designation of executive Director as non-executive Director, appointment of non-executive and independent non-executive Directors, and change of composition of Nomination Committee

- granting of share options to certain qualified participants under the Share Option Scheme

- renewal of service agreement of the executive Director

The Company generally gives written notice and draft agenda of regular Board meetings to each Director at least 14 days prior to the meetings. For other Board and committees meetings, written notice is generally given pursuant to the Articles of Association and the respective terms of reference of the Board committees.

Agendas for each meeting are prepared by the Company Secretary in consultation with the Chairman and Chief Executive Officer and based on a forward calendar that helps ensure that all relevant matters for the year ahead are considered by the Board in a timely manner. All Directors are encouraged to contribute to the agenda setting process. Agendas and accompanying meeting papers are sent to all Directors at least three days before each Board meeting or committee meeting for their review and to keep the Directors apprised of the latest developments and financial position of the Company so as to enable them to make informed decisions.

In addition to board papers, information relevant to the Company's financial position and latest developments is made available to Directors to keep them up to date. Structured monthly updates on the Company's performance, position and prospects are provided to Directors. The Directors also have access to the Company Secretary and senior management where necessary.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and a Director or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board/committee meetings of the Company in respect of such transactions and shall not be counted as a quorum of such meetings.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs on its behalf, and report back to the Board. The Chairman of each Committee reports back to the Board following each meeting, to ensure the Board is fully briefed on all activities and retains responsibility for approving any actions where a committee role is advisory.

The roles and functions of the Board committees are set out in their respective terms of reference. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the three Board committees are of no less exacting terms than those set out in the Listing Rules and/or Corporate Governance Code and are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All committees are provided with sufficient resources and support to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Audit Committee was established on 5 March 2015 with its defined written terms of reference (which was revised in November 2018) in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision D.3.3 of the Corporate Governance Code. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. CHUNG Koon Yan (Chairman of the Audit Committee), Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony, with Mr. CHUNG possessing the appropriate professional qualifications and accounting and related financial management expertise.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and play a key oversight role on the financial reporting system, and risk management and internal control systems of our Company and review its efficiency and effectiveness.

The Audit Committee shall meet at least two times per year, or more frequently as circumstances require. The Audit Committee held two meetings during the year ended 31 March 2023. Individual attendance records of each Audit Committee member are set out in the table on page 35 of this Annual Report.

The Audit Committee's main work during the year ended 31 March 2023 included:

- reviewing 2021/2022 Annual Report and annual results announcement

- reviewing 2022/2023 Interim Report and interim results announcement

CORPORATE GOVERNANCE REPORT

- in relation to the external auditor, reviewing its audit plans, reports and letter of representation, fees, involvement in non-audit services, and its terms of engagement and its re-appointment
- reviewing the effectiveness of the Company's financial reporting system and risk management and internal control systems
- reviewing the continuing connected transactions (fully exempt from all requirements under the Listing Rules)

The Group's annual results for the year ended 31 March 2023, including the accounting principles and practices adopted by the Group, were reviewed by our Audit Committee, which was of the opinion that the preparation of such audited consolidated annual results of the Group complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

The Audit Committee has also reviewed the relationship the Company has with BDO Limited, the Company's external auditor. The Audit Committee is satisfied with the effectiveness of the external audit process and the independence of BDO Limited and has recommended to the Board (which in turn endorsed the view) that, subject to shareholders' approval at the forthcoming annual general meeting, BDO Limited be re-appointed as the external auditor for the year 2023/2024. A resolution to this effect will be included in the notice of annual general meeting for the year 2023.

NOMINATION COMMITTEE

The Nomination Committee was established on 5 March 2015 with its defined written terms of reference. As at the date of this report, the Nomination Committee comprises four independent non-executive Directors, namely Dr. WONG Chi Ying Anthony (Co-Chairman of the Nomination Committee), Mr. TANG Warren Louis (Co-Chairman of the Nomination Committee), Mr. CHUNG Koon Yan and Mr. CHEUNG Yick Hung Jackie.

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and diversity of the Board at least annually, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee shall meet at least annually or more or less frequently as circumstances require. The Nomination Committee held two meetings during the year ended 31 March 2023. Individual attendance records of each Nomination Committee member are set out in the table on page 35 of this Annual Report.

During the year ended 31 March 2023, the Nomination Committee conducted an annual review of the structure, size, composition and diversity of the Board and assessed the independence of the independent non-executive Directors pursuant to code provision B.3.1 of the Corporate Governance Code and made recommendations to the Board on the re-election of retiring Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and no material matter was identified under review.

CORPORATE GOVERNANCE REPORT

The Nomination Committee also conducted a review of its terms of reference during the year. It remained satisfied that its terms of reference remained appropriate.

BOARD DIVERSITY POLICY

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Group also recognises and embraces the benefits of having a diverse Board to enhance the quality of the Company's performance.

In assessing the structure, size, composition and diversity of the Board, the Nomination Committee takes into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, professional and industry experience and time commitments. The Nomination Committee agrees on measurable objectives for achieving diversity on the Board as set out in the Board Diversity Policy, where necessary, and recommends them to the Board for adoption.

In identifying and selecting suitably qualified candidates for directorships, the Nomination Committee shall consider the candidates on merit and against the objective criteria, with due regard for the benefits of diversity of the Board. A range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge and time commitments, will be considered on selection of individuals to become members of the Board. The Nomination Committee also takes into account the Company's own business model and specific needs from time to time. All Board appointments will be based on merit and contribution that the selected candidates will bring to the Board. External recruitment professionals might be engaged to assist with the selection process when necessary.

NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**"), which aims to set out the relevant selection criteria and nomination procedures to assist the Nomination Committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses. A summary of the Nomination Policy is disclosed as below.

CORPORATE GOVERNANCE REPORT

1. Criteria

The Nomination Committee and the Board shall consider the following criteria in evaluating and selecting candidates for directorships:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.
- Commitment of available time and ability to devote adequate time and attention to the affairs of the Company and to discharge duties as a Board member and other directorships and significant commitments.
- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee or the Board for achieving diversity on the Board.
- Such other perspectives appropriate to the Company's business.

2. Nomination Process

2.1 Appointment of New Director

2.1.1 The Nomination Committee or the Board shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in section 1 above to determine whether such candidate is qualified for directorship.

2.1.2 If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

2.1.3 The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.

2.1.4 For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and the Board shall evaluate such candidate based on the criteria as set out in section 1 above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

CORPORATE GOVERNANCE REPORT

2.2 Re-election of Director at General Meeting

2.2.1 The Nomination Committee and the Board shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

2.2.2 The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in section 1 above.

2.2.3 The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

GENDER DIVERSITY ON BOARD, SENIOR MANAGEMENT AND OTHER WORKFORCE

In respect of the gender diversity of the Board, as at the date of this report, all Directors are male which consist of a single gender board for the time being. The Company is well-aware of the requirements under the Corporate Governance Code where diversity on the Board needs to be achieved and is more than willing to fulfil the requirements by appointing a director of a different gender no later than 31 December 2024.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. It is expected that to appoint a director of a different gender. As at 31 March 2023, the Group had 57 employees in total comprising of 19 females and 38 males (that is, the gender ratio in the general workforce of 1:1.79 and the gender ratio in respect of senior management is 0:4).

The Company has already achieved gender diversity in its general workforce and will continue focusing on the area because workforce gender diversity is associated with resources that can provide a sustained competitive advantage to the Company, which include market insight, creativity and innovation, and improved problem-solving. Further, a mix of cognitive abilities in a gender diverse team may enhance the team's overall creativity and innovation. Moreover, a gender diverse team produces high quality decisions. The Company will continue to monitor its workforce gender diversity to maintain its current strength as well as to further improve its competitivity in the future.

The Directors are of the opinion that gender diversity has been achieved on general workforce level with reference to the current circumstances of the Company, and plans will be formulated to achieve gender diversity on senior management level in due course. The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time, such that there is a pipeline of female senior management and potential successors to the Board in the future.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established on 5 March 2015 with its defined written terms of reference (which was revised in December 2022). As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. CHEUNG Yick Hung Jackie (Chairman of the Remuneration Committee), Mr. CHUNG Koon Yan and Dr. WONG Chi Ying Anthony.

The primary duties of the Remuneration Committee are mainly to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

The emoluments of executive Directors are determined based on skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions.

The remuneration policy of non-executive Directors (including independent non-executive Directors) is to ensure that the non-executive and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of non-executive Directors (including independent non-executive Directors) are determined with reference to their skills, experience, knowledge, duties and market trends.

The Remuneration Committee shall meet at least annually or more or less frequently as circumstances require. The Remuneration Committee held one meeting during the year ended 31 March 2023. Individual attendance records of each Remuneration Committee member are set out in the table on page 35 of this Annual Report.

During the year ended 31 March 2023, the Remuneration Committee reviewed and recommended to the Board on the proposed remuneration packages of the individual executive Director, non-executive Director, independent non-executive Directors and senior management for the year ending 31 March 2024, and the proposed granting of share options to Mr. Mansfield WONG, the substantial shareholder, Chairman of the Board, an executive Director and the Chief Executive Officer of the Company on 20 March 2023.

In conducting its work in relation to the remuneration of Directors and senior management, the Remuneration Committee ensured that no Director or any of his associates was involved in determining his own remuneration. It also ensured that remuneration levels should be sufficient to attract and retain Directors to run the Company successfully without paying more than necessary.

CORPORATE GOVERNANCE REPORT

In proposing the grant of share options to Mr. WONG on 20 March 2023 (subject to independent shareholders' approval at an extraordinary general meeting), the Remuneration Committee and the Board took into account various factors, including (i) Mr. WONG's time commitment and responsibilities as Chairman of the Board, an Executive Director and the Chief Executive Officer of the Group; (ii) his significant contribution to the Group; (iii) given Mr. WONG's leading role, and his extensive industrial experience and management skill, his continued contribution to the Group is of critical importance to the further development of the Group; (iv) the dilution effect of the grant of share options is insignificant; and (v) the proposed grant of share options would be satisfied by the issue and allotment of new shares, and thus, would not impose additional pressure on the Group's cash flow. The Remuneration Committee and the Board are of the view that the proposed grant of share options is appropriate for recognition of Mr. WONG's past performance and is able to incentivise him for his continued significant contributions to the Group in the future, and the grant of share options aligns his long-term interest with that of the Shareholders.

The vesting of the share options granted on 20 March 2023 is not subject to any clawback mechanism with no performance target attached thereto. The Remuneration Committee was of the view that performance targets are not necessary for the following reasons: (i) the value of the share options is linked to future price of the shares, which in turn depends upon the performance of the Company; and (ii) the minimum vesting period would ensure that the grantees' and the Company's long term interests are aligned and the grantees would be motivated to contribute towards the Company's development. Meanwhile, clawback mechanism is not necessary for the following reasons: (i) if the price of the shares during the exercise period of the share options granted is lower than the exercise price therefor, the share options granted would be of no value; and (ii) the Share Option Scheme provides for the lapse and cancellation of share options under various scenarios and therefore adequately protect the Company's interests.

Please refer to Note 39 to the consolidated financial statements for the year ended 31 March 2023 contained in this Annual Report for the fair values of the share options granted under the Share Option Scheme, which were measured based on the binomial option-pricing model.

The Remuneration Committee also conducted a review of its terms of reference during the year. It remained satisfied that its terms of reference remained appropriate.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2023.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval.

The Directors are aware of the Group's incurred loss of approximately HK$24,014,000 and had net cash used in operating activities of HK$9,094,000 for the year ended 31 March 2023 and as of that date, the Group's current liabilities of HK$204,271,000 included amount due to the scheme creditors of HK$133,779,000 in relation to the debt restructuring as disclosed in note 30. While as at 31 March 2023, the Group had cash and cash equivalents of HK$18,068,000. These conditions may cast significant doubt on the Group's ability to continue as a going concern. Further discussion on these issues has been set out in note 3(c) to the Consolidated Financial Statements in this Annual Report.

The Directors prepared a cash flow forecast which takes into account of plans and measures as set out in note 3(c) to the Consolidated Financial Statements. Based on the Directors' assessment, the Group would have sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis. In this connection, the Directors are of the opinion that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 58 to 62 of this Annual Report.

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision E.1.5 of the Corporate Governance Code, the remuneration of members of the senior management by band for the year ended 31 March 2023 is set out below:

	Number of members of senior management
Nil to HK$1,000,000	1
HK$2,000,001 to HK$2,500,000	2
HK$1,500,001 to HK$2,000,000	1
Total	4

Details of the remuneration of each Director for the year ended 31 March 2023 are set out in note 10 to the consolidated financial statements for the year ended 31 March 2023.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 March 2023, the remuneration paid to the Company's external auditor, BDO Limited, is set out below:

	Amount of Fees Payable/Paid HK$
Audit Services	1,450,000
Non-audit Services	–
Total	1,450,000

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

All activities conducted and all decisions made by the Company may involve risks to a certain extent. The Board plays a critical role of monitoring the risk exposures of the Company. The Board considers the risks in an active manner in setting of strategies.

The Board acknowledges its overall responsibility for the risk management and internal control systems and reviewing their effectiveness on a yearly basis so as to safeguard the shareholders' investments and the Company's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company conducted internal control assessment regularly to identify risks that potentially impact the businesses of the Group and various aspects including key operational and financial processes and regulatory compliance. The Company effectively communicated its anti-fraud policy and procedures to all levels of employees and monitored the effectiveness of its controls related to mitigating fraud risk and remedied any deficiencies identified internally and by the external auditor in a timely manner.

The management, in coordination with department heads, assessed the likelihood of risk occurrence and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2023.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2023, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For internal audit function, the Company has an internal audit personnel and has engaged an external professional advisory firm to conduct an independent in-depth review of the effectiveness of the risk management and internal control systems during the year ended 31 March 2023. The internal audit function covers the key issues in relation to the accounting practices and all material controls and has provided its findings and recommendations for improvement with written reports to the Audit Committee.

The Board, as supported by the Audit Committee as well as the written reports with the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources. The Board will upgrade the existing systems of the Company with reference to the recommendations for improvements given by the abovementioned external professional advisory firm accordingly.

Handling and Dissemination of Inside Information

The Company has written procedures in place for handling of inside information in accordance with the Listing Rules. It has developed a disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling and dissemination of inside information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. All inside information is disclosed to the public pursuant to the requirements under the SFO and the Listing Rules and is kept strictly confidential before disclosure.

DIRECTORS' NON-COMPETITION UNDERTAKING

Each of Mr. Mansfield WONG (executive Director) and Mr. LAM Arthur (the former non-executive Director) entered into a non-competition undertaking with the Company with effect from 24 March 2015 (the "**Directors' Non-competition Undertaking**"). Please refer to our Prospectus dated 13 March 2015 for additional information on the Directors' Non-competition Undertaking.

Each of Mr. Mansfield WONG and Mr. LAM Arthur had confirmed compliance with the terms of the Directors' Non-competition Undertaking during the year ended 31 March 2023. All the Independent Non-executive Directors are of the view that the above-mentioned Directors have been in compliance with the Directors' Non-competition Undertaking in favour of the Company.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and inside information. The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Articles of Association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance practices so as to bring the best long-term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times.

The Company Secretary plays an important role in advising the Board on all corporate governance-related matters. During the year ended 31 March 2023, Mr. WONG Ho Kwan, the Company Secretary of the Company, has complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enable the shareholders and investors to make the best investment decisions. The Board endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings, to communicate with them/answer their enquiries, and encourage their participation.

To promote effective communication, the Company maintains a website (https://www.unitygroup.eco), where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are available for public access.

To facilitate maintaining of an on-going dialogue with shareholders and to encourage shareholder engagement and participation, the Company has adopted a Shareholder Communication Policy. Under this policy, the Company commits to provide shareholders with ready, equal and timely access to balanced and understandable information about the Company's performance, position, strategic goals and plans and prospects. Information is made available to the shareholders through a number of means, including formal announcements of information required under the Listing Rules and through the constructive use of general meetings.

CORPORATE GOVERNANCE REPORT

The general meetings of the Company provide a forum for communication between the Board and shareholders. The Chairman of the Board, as well as the chairmen and/or other members of the Board's three committees will, in the absence of unforeseen circumstances, attend to answer questions raised at these meetings. The external auditor is also invited to attend the annual general meetings to answer questions about relevant matters including the conduct of the audit, the auditor's report and auditor's independence.

Shareholders may raise questions or make a request through designated channels for the Company's information to the extent such information is publicly available. Please refer to the Corporate Information section of this Annual Report for the address of the Company's Hong Kong Branch Share Registrar and contact details of the Company. Shareholders can contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, for questions about their shareholdings. For putting forward enquiries to the Board, please refer to the section headed "Procedures For Shareholders To Put Forward Enquiries To The Board" below.

To safeguard shareholders' interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and poll results will be published on the websites of the Company and the Stock Exchange after each general meeting.

During the year ended 31 March 2023, the Board reviewed the implementation and effectiveness of Shareholders' Communication Policy, and concluded that with the above measures in place, the policy is effective and well-implemented for its provision of different channels for Shareholders to communicate their views on matters affecting the Company. The Board shall continue to review the implementation and effectiveness of the Shareholders' Communication Policy on an annual basis and amend its terms as and when necessary.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles of Association, any one or more shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) himself/herself (themselves), may convene the general meeting in the same manner, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Note: Any such written requisition from the shareholders should be marked "Shareholders' Communication" on the envelope.

CORPORATE GOVERNANCE REPORT

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

Shareholders may propose a person for election as Director, the procedures of which are available on the Company's website at https://www.unitygroup.eco.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Within 10 days of the date on which a notice (the "**Notice**") is deemed to be received by shareholders in respect of any general meeting of the Company (the "**Relevant General Meeting**"), any one or more shareholders holding at least one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may together, by written notice to the Company at 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong for the attention of the Board or the Company Secretary, propose a resolution to be proposed and considered at the Relevant General Meeting in addition to the resolutions set out in the Notice. Such written notice shall be accompanied by a statement in no more than 1,000 words explaining the matters referred to, and the reasons for, any such proposed resolution. Following the receipt of such written notice and accompanying statement by the Company, the Company may, in the Company's absolute discretion (taking into account, without limitation, legal, regulatory and practical considerations relating to the issue of any supplemental notice to all shareholders in relation to the Relevant General Meeting), include the proposed resolution in the business of (i) the Relevant General Meeting or (ii) in a general meeting of the Company that is subsequent to the Relevant General Meeting.

The Company will circulate a revised Notice including any proposed resolution and the accompanying statement to all shareholders in accordance with the Articles of Association provided that if, in the Company's sole opinion (without have to give reasons therefor), the above process is being abused in any way whatsoever, the Company has absolute discretion to not include such proposed resolution in the business of the Relevant General Meeting or a subsequent general meeting of the Company.

Note: Any such written notice from the shareholders should be marked "Shareholders' Communication" on the envelope.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available and appropriate to provide) from the Board and management by writing to:

Address: 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong

Attention: Mr. Mansfield WONG *(Chairman of the Board)*

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. The Company will not normally deal with verbal or anonymous enquiries. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

On 30 June 2022, the Board proposed to amend and restate the then Memorandum and Articles of Association of the Company (the "**Proposed Amendments**") in order to, among other things, (a) conform with the Core Shareholders Protection Standards as set out in the amended Appendix 3 to the Listing Rules, (b) reflect certain changes pursuant to the Companies Act of the Cayman Islands and the Listing Rules, and (c) introduce corresponding and house-keeping changes, and to adopt a set of amended and restated Memorandum and Articles of Association incorporating the Proposed Amendments. As approved by the Shareholders at the annual general meeting held on 31 August 2022 by way of a special resolution, the amended and restated Memorandum and Articles of Association has been adopted in substitution for and to the exclusion of the then Memorandum and Articles of Association. For further details, please refer to the circular of the Company dated 29 July 2022 and the announcements of the Company dated 30 June 2022 and 31 August 2022.

Save as disclosed above, there was no other significant amendment to the Memorandum and Articles of Association of the Company during the year ended 31 March 2023. The Company's latest Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of our Directors and depends on, inter alia, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on The Hong Kong Financial Reporting Standards, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors, that our Directors deem relevant. Accordingly, shareholders should note that any dividend payments in the past should not be regarded as an indication of future dividend policy.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall not constitute a legally binding commitment by the Company that dividend(s) will be paid in any particular amount for any given period.

ANNUAL GENERAL MEETING ("AGM") FOR THE YEAR 2023

The forthcoming AGM of the Company is scheduled to be held on Thursday, 28 September 2023. A circular containing, among other matters, further information relating to the AGM together with the notice convening the AGM and other relevant documents will be published and despatched to the shareholders of the Company in due course.

CORPORATE GOVERNANCE REPORT

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be held on Thursday, 28 September 2023) be closed from Thursday, 21 September 2023 to Thursday, 28 September 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 20 September 2023.

COMPLIANCE DISCLOSURES AND OTHER MATTERS

The Listing Rules require certain corporate governance disclosures to be made. This section of the report details certain disclosures that have not been covered above.

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

Renewal of Service Agreement

The service agreement of Mr. Mansfield WONG as an executive Director was renewed for a term of three years commencing from 30 June 2023.

CORPORATE INFORMATION

(As at 21 July 2023)

DIRECTORS

Executive Director

Mr. Wong Man Fai Mansfield
(Chairman and Chief Executive Officer)

Non-executive Director

Mr. Tsang Sze Wai Claudius

Independent non-executive Directors

Mr. Chung Koon Yan
Mr. Cheung Yick Hung Jackie
Dr. Wong Chi Ying Anthony
Mr. Tang Warren Louis

BOARD COMMITTEES

Audit Committee

Mr. Chung Koon Yan *(Chairman)*
Mr. Cheung Yick Hung Jackie
Dr. Wong Chi Ying Anthony

Remuneration Committee

Mr. Cheung Yick Hung Jackie *(Chairman)*
Mr. Chung Koon Yan
Dr. Wong Chi Ying Anthony

Nomination Committee

Dr. Wong Chi Ying Anthony *(Co-Chairman)*
Mr. Tang Warren Louis *(Co-Chairman)*
Mr. Chung Koon Yan
Mr. Cheung Yick Hung Jackie

COMPANY SECRETARY

Mr. Wong Ho Kwan

AUTHORISED REPRESENTATIVES

Mr. Wong Man Fai Mansfield
Mr. Wong Ho Kwan

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor
Chinachem Century Tower
178 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

CORPORATE INFORMATION

(As at 21 July 2023)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITOR

BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Central
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Central
Hong Kong

STOCK CODE

1539 (Listed on the Main Board of the Hong Kong Stock Exchange ("**Stock Exchange**"))

COMPANY WEBSITE

unitygroup.eco

INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

INVESTOR ENQUIRY EMAIL ADDRESS

info@unitygroup.eco

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Wong Man Fai Mansfield, aged 49, is the Chief Executive Officer, Chairman of the Board and an executive Director of the Company. He is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and a director of various subsidiaries of the Company, and was appointed as the Chief Executive Officer of Synergy Lighting Limited on 1 July 2009. He was appointed as a Director of our Company on 30 December 2011. He is primarily responsible for the overall corporate strategies, development management and operation of our Group. Mr. Wong graduated from the University of Arizona, Arizona, the United States with a Bachelor's degree in Electrical Engineering in May 1996. He also obtained a Master of Engineering (Electrical) from Cornell University, New York, United States in May 1997. He has over 16 years of management experience. Mr. Wong is the sole director and sole shareholder of Mpplication Group Limited, which provides information technology management services to our Group. Mr. Wong is the sole director and sole shareholder of Abundance Development Limited and our controlling shareholder.

NON-EXECUTIVE DIRECTOR

Mr. Tsang Sze Wai Claudius, aged 46, has been a non-executive Director of the Company since December 2022. He has over 20 years of experience in capital markets, with a strong track record of success in Special Purpose Acquisition Company ("**SPAC**"), private equity, M&A transactions and PIPE investments. Since 2021, Mr. Tsang has served as the chief executive officer and Chairman of Model Performance Acquisition Corp (Nasdaq: MPAC) and A SPAC I Acquisition Corp (Nasdaq: ASCA). He also successfully listed A SPAC II Acquisition Corp (Nasdaq: ASCB) as chief executive officer. From 2008 to 2020, Mr. Tsang worked at Templeton Asset Management Ltd. He was co-head of private equity, North Asia and a partner of Templeton Private Equity Partners, a leading global emerging markets private equity firm that is part of Franklin Templeton Investments. During his career at Templeton, Mr. Tsang served in various positions, including partner, senior executive director and vice president and was responsible for the overall investment, management and operation activities of Templeton Private Equity Partners in North Asia. His role encompassed overseeing the analysis and evaluation of opportunities for strategic equity investment in Asia, including China, Hong Kong and Taiwan. During his tenure, Mr. Tsang managed US$1 billion in private equity funds, with approximately 50 portfolio companies. He was involved in the management of a US$3 billion fund, which was the largest Central Eastern European listed closed-end fund at the time of IPO in London. From 2007 to 2008, Mr. Tsang also worked at Lehman Brothers, where he managed private equity projects in Hong Kong, China, Taiwan and the United States. At Lehman Brothers, Mr. Tsang managed US$500 million proprietary funds.

Mr. Tsang obtained his MBA from The University of Chicago Booth School of Business in 2017, the second Bachelor degree of Law from Tsinghua University in 2005, and a Bachelor degree of Engineering from the Chinese University of Hong Kong in 1998. He is a charter holder of Chartered Financial Analyst from the CFA Institute. He obtained Postgraduate Certificate in Sustainable Business, University of Cambridge Institute of Sustainability Leadership in June 2023.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Koon Yan, aged 59, is an independent non-executive Director, the Chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of the Company since 5 March 2015. He is a practicing and fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting in November 2000. Mr. Chung obtained the fellow membership of The Association of Chartered Certified Accountants in October 2003 and became a member of The Hong Kong Institute of Certified Public Accountants in October 1998, and was also admitted as an associate of The Institute of Chartered Accountants in England and Wales in October 2004. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and Dickson Wong C.P.A. Company Limited, and has more than 26 years' experience in accounting, auditing and taxation. Mr. Chung has been an independent non-executive director of Great World Company Holdings Limited (stock code: 8003), the shares of which are listed on the GEM operated by the Stock Exchange since May 2008, and an independent non-executive director of Winson Holdings Hong Kong Limited (stock code: 6812), the shares of which are listed on the Main Board of the Stock Exchange (transfer of listing of its shares from GEM to Main Board on 11 June 2020) since February 2017. From November 2013 to June 2021, Mr. Chung served as an independent non-executive director of Asian Citrus Holdings Limited (stock code: 73), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Cheung Yick Hung Jackie, aged 55, is an independent non-executive Director, the Chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company since 5 March 2015. Mr. Cheung has been a representative of KGI Asia Limited and KGI Futures (Hong Kong) Limited which carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO respectively from 29 March 2011 to 31 July 2020. He currently serves as a Consultant Solicitor of Messrs. Cheung, Yeung and Lee, Solicitors (張國鈞楊煒凱李潁彰律師事務所). Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in November 1995 and as a solicitor of the Supreme Court of England and Wales in May 1997. He graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a degree of Bachelor of Laws and obtained the Postgraduate Certificate in Laws in November 1992 and November 1993 respectively. Mr. Cheung served as a District Councillor of the Central and Western District Council for the period from 1 January 2008 to 31 December 2015.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Dr. Wong Chi Ying Anthony, aged 67, is an independent non-executive Director, member of the Audit Committee and member of the Remuneration Committee of the Company since 5 March 2015. From 5 March 2015 to 26 April 2022, he was the Chairman of the Nomination Committee of the Company and serves as the Co-Chairman of the Nomination Committee since 26 April 2022. Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong from 1997 to 2006. He obtained a B.Tech (Hons) degree and a Ph.D degree in Chemical Engineering from The University of Bradford, United Kingdom, in December 1980 and in December 1983 respectively. Dr. Wong was a Corporate Member of The Institution of Chemical Engineers (MIChemE) from November 1999 to January 2022 and a Chartered Engineer (C.Eng) of the Engineering Council of the United Kingdom from December 1999 to January 2022. During the period from 1 June 2004 to 29 January 2022, he was a Chartered Scientist (CSci) of The Institution of Chemical Engineers and The Science Council of the United Kingdom. He was also admitted as a member of The Hong Kong Institution of Engineers during the period from 16 March 2000 to April 2022. From April 2003 to November 2018, he served as the vice chairman and an executive director of Ngai Hing Hong Company Limited (stock code: 1047), a company listed on the Stock Exchange, and was in charge of its research and development centre and responsible for its business development and remained in such company as a consultant subsequent to his cessation from the positions mentioned above until 31 March 2019.

Mr. Tang Warren Louis, aged 47, has been our independent non-executive Director and Co-Chairman of the Nomination Committee of the Company since 26 April 2022. Mr. Tang was graduated from the University of Toronto in June 1998 with a bachelor of applied science major in computer engineering. He obtained the postgraduate diploma in English and Hong Kong law from Manchester Metropolitan University in July 2000 and the postgraduate certificate in laws from The University of Hong Kong in June 2001. Mr. Tang was called to the Bar of Hong Kong in the High Court of Hong Kong in December 2001 and since then has been a practising barrister and a member of the Hong Kong Bar Association. Mr. Tang was appointed as an independent non-executive director of Global International Credit Group Limited (stock code: 1669) with effect from 22 November 2014. He was also an independent non-executive director of Elegance Optical International Holdings Limited (stock code: 907), from 15 July 2019 to 31 December 2019. Mr. Tang has been a fellow member of the Hong Kong Institute of Arbitrators since 2019 and an arbitrator of the Guangzhou Arbitration Commission since 2020. In 2019 and August 2022, Mr. Tang was appointed as a deputy magistrate in Hong Kong at the West Kowloon Magistrates' Courts. In 2020, Mr. Tang was appointed as a deputy magistrate in Hong Kong at the Kowloon City Magistrates' Courts.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Cheng Chi Kuen, aged 50, is our Chief Operation Officer since June 2011. He is responsible for overseeing our business operations, sales and marketing, office administration and human resources management. He has over 15 years of management experience. He was the co-founder and a director of Synergy Green Technology Limited. Synergy Green Technology Limited is one of the shareholders of Synergy Cooling Management Limited (indirectly non-wholly owned subsidiary of the Company), which holds approximately 33.7% interest of the entire issued share capital of Synergy Cooling Management Limited. Mr. Cheng was previously employed by Zymmetry Limited (formerly known as Mission System Consultant Limited), a global sourcing and manufacturing solutions provider for the apparel industry. During his time at Zymmetry Limited, Mr. Cheng had held various positions and subsequently as senior marketing manager of Asia Pacific region at the time when he left Zymmetry Limited. He has obtained a Master's degree in Business Administration from the University of Bradford, United Kingdom, in July 2013.

Mr. David K. S. Lu, aged 52, has been appointed as our Chief Investment Officer since 8 February 2022. He is primarily responsible for managing the current investment portfolio of the Group, formulating investment strategy and advising the Group on potential investment projects. He has more than twenty years of experience in global capital markets, equity investment and fund management. Mr. Lu has extensive experience in fund management and equity trading across Asia, where he has setup fund and trading capacities in Taiwan, Korea, Hong Kong, Japan and South East Asia. Mr. Lu held a proven track record with his investment portfolio and unique strategies which has generated substantial return. Prior to this appointment, Mr. Lu served as a director of Churchill Investment Limited. Mr. Lu received a Bachelor of Science Degree in Operations Research & Industrial Engineering from Cornell University.

Mr. Wong Ho Kwan, aged 37, has been appointed as the Chief Financial Officer and Company Secretary of the Company on 25 October 2021 and 19 November 2021, respectively. He is an accountant by profession and has over 15 years' experience in investment banking and accounting. Mr. Wong works in the field of corporate finance and investment since 2016 and has been active in private equity and M&A projects with a private equity investment company and then a Chinese investment bank. Before that he was an assurance manager at PricewaterhouseCoopers. Mr. Wong is knowledgeable with business and accounting practice across numerous industries in Hong Kong and the People's Republic of China, including new energy, retail, manufacturing, property development, engineering and construction and technology. Mr. Wong holds a Bachelor's degree (Science) in Mathematics from the Chinese University of Hong Kong. He is a member of Hong Kong Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand, and also a Certified Financial Risk Manager.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF UNITY GROUP HOLDINGS INTERNATIONAL LIMITED
("FORMERLY KNOWN AS SYNERGY GROUP HOLDINGS INTERNATIONAL LIMITED")
知行集團控股國際有限公司 (前稱滙能集團控股國際有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Unity Group Holdings International Limited (formerly known as "Synergy Group Holdings International Limited") (the "Company") and its subsidiaries (together "the Group") set out on pages 63 to 160, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(c) to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$24,014,000 and had net cash used in operating activities of HK$9,094,000 for the year ended 31 March 2023 and as of that date, the Group's current liabilities of HK$204,271,000 that included amounts due to the scheme creditors of HK$133,779,000 in relation to the debt restructuring as disclosed in note 30. While as at 31 March 2023, the Group had cash and cash equivalents of HK$18,068,000. These conditions along with other matters set forth in note 3(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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 matter 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 assessment of trade receivables and finance lease receivables

Refer to notes 18 and 20 to the consolidated financial statements and the significant accounting policies in note 4(j) and the critical accounting judgements and key sources of estimation in note 5(b)(ii) to the consolidated financial statements.

As at 31 March 2023, the Group had trade receivables and finance lease receivables with carrying amounts of HK$165,111,000 and HK$15,517,000, respectively after loss allowance for expected credit losses ("ECL") of approximately HK$313,908,000 and HK$1,096,000, respectively. Trade receivables and finance lease receivables were significant to the Group and represented approximately 48% of the total assets as at 31 March 2023.

Management performed assessment with the assistance of independent professional valuer (the "Management's Expert") on the recoverability of the trade receivables and finance lease receivables and the sufficiency of loss allowance for ECL. The Group measures loss allowances for trade receivables and finance lease receivables based on lifetime ECL. In carrying out impairment assessment of trade receivables and finance lease receivables under the ECL model, significant management judgement was used to determine the underlying estimations.

Our response

Our procedures on the management's impairment assessment of trade receivables and finance lease receivables included:

(i) Assessing whether trade receivables and finance lease receivables had been appropriately grouped by management based on their shared credit risk characteristics;

(ii) Assessing the appropriateness of the key input data used by management and the Management's Expert to develop the historical loss rates and assessing the reliability and relevance of that data;

(iii) Involving an auditor's expert to assist our assessment on the appropriateness of methodology in determining the historical loss rates;

(iv) Testing the calculation of ECL provisions applying the ECL rates to the respective categories of the trade receivables and finance lease receivables outstanding at the reporting date; and

(v) Evaluating the competence, capabilities and objectivity of the Management's Expert and auditor's expert.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES 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 Hong Kong Financial Reporting Standards 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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)

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

BDO Limited
Certified Public Accountants

Cheung Wing Yin
Practising Certificate Number P06946

Hong Kong, 30 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	7(a)	**46,550**	80,434
Cost of sales		**(18,837)**	(47,871)
Gross profit		**27,713**	32,563
Other income and gains	7(b)	**1,020**	9,595
Administrative expenses		**(36,408)**	(29,042)
Selling and distribution costs		**(6,111)**	(2,696)
Finance costs	8	**(23,260)**	(49,398)
Other expenses		**(50,663)**	(60,870)
Gain/(loss) on extinguishment of financial liabilities	9	**51,591**	(303,485)
Share of results of associates	16	**1,463**	7,394
Loss before income tax	9	**(34,655)**	(395,939)
Income tax credit	11(a)	**10,641**	9,034
Loss for the year		**(24,014)**	(386,905)
Other comprehensive (expense)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		**(357)**	556
Share of other comprehensive income of associates		**35**	488
Other comprehensive (expense)/income for the year, net of tax		**(322)**	1,044
Total comprehensive expense for the year		**(24,336)**	(385,861)
Loss for the year attributable to:			
Owners of the Company		**(25,084)**	(382,145)
Non-controlling interests		**1,070**	(4,760)
		(24,014)	(386,905)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(25,589)**	(381,118)
Non-controlling interests	36	**1,253**	(4,743)
		(24,336)	(385,861)
Loss per share attributable to owners of the Company	13		
– Basic (HK cents)		**(1.1)**	(22.8)
– Diluted (HK cents)		**(1.1)**	(22.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**4,115**	6,979
Intangible assets	15	**–**	–
Interests in associates	16	**67,293**	65,795
Equity investment at fair value through profit or loss ("FVTPL")	17	**25,878**	29,140
Trade receivables	20	**9,719**	16,087
Finance lease receivables	18	**12,889**	2,184
Deposits	21	**641**	693
Deferred tax assets	11(b)	**51,458**	43,365
		171,993	164,243
Current assets			
Inventories	19	**1,671**	1,257
Trade receivables	20	**155,392**	186,559
Finance lease receivables	18	**2,628**	7,903
Deposits, prepayments and other receivables	21	**11,881**	12,530
Amount due from an associate	22(a)	**12,005**	19,008
Cash and cash equivalents	23	**18,068**	26,311
		201,645	253,568
Current liabilities			
Trade payables	24	**8,698**	31,636
Contract liabilities	25	**312**	546
Accruals, other payables and deposits received	26	**42,936**	122,696
Borrowings	27	**9,000**	32,999
Lease liabilities	28	**2,650**	2,404
Amount due to a related company	22(b)	**352**	280
Amounts due to directors	22(c)	**2,986**	12,135
Amounts due to the scheme creditors	30	**133,779**	–
Provision for taxation		**–**	2,548
Financial liabilities at FVTPL	31	**3,558**	3,717
		204,271	208,961
Net current (liabilities)/assets		**(2,626)**	44,607
Total assets less current liabilities		**169,367**	208,850

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Trade payables	24	**–**	2,263
Deposits received	26	**1,713**	2,849
Lease liabilities	28	**674**	3,100
Notes payable	29	**–**	54,997
Amounts due to the scheme creditors	30	**40,328**	–
		42,715	63,209
Net assets		**126,652**	145,641
EQUITY			
Share capital	32	**23,857**	23,857
Reserves	33	**113,861**	134,103
Equity attributable to owners of the Company		**137,718**	157,960
Non-controlling interests	36	**(11,066)**	(12,319)
Total equity		**126,652**	145,641

On behalf of the Board

Wong Man Fai Mansfield
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company									
	Share capital HK$'000 (note 32)	Share premium* HK$'000 (note 33)	Share option reserve* HK$'000 (note 33)	Capital reserves* HK$'000 (note 33)	Merger reserve* HK$'000 (note 33)	Foreign exchange reserves* HK$'000 (note 33)	Accumulated losses* HK$'000 (note 33)	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2021	6,600	103,771	3,172	7,388	12,183	(321)	(70,668)	62,125	(7,576)	54,549
Shares issued under Share Option Scheme (note 32(a))	247	8,803	(1,879)	-	-	-	-	7,171	-	7,171
Issuance of shares (note 32(b))	11,000	99,000	-	-	-	-	-	110,000	-	110,000
Issuance of shares for debt settlement (notes 32(c) & (d))	6,010	357,571	-	-	-	-	-	363,581	-	363,581
Transaction costs on issue of shares (notes 32(c) & (d))	-	(3,947)	-	-	-	-	-	(3,947)	-	(3,947)
Equity settled share option arrangements	-	-	148	-	-	-	-	148	-	148
Release of share option reserve upon the forfeit or lapse of share options	-	-	(1,342)	-	-	-	1,342	-	-	-
Loss for the year	-	-	-	-	-	-	(382,145)	(382,145)	(4,760)	(386,905)
Other comprehensive income:										
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	539	-	539	17	556
Share of other comprehensive income of associates	-	-	-	-	-	488	-	488	-	488
Total comprehensive income/(expense) for the year	-	-	-	-	-	1,027	(382,145)	(381,118)	(4,743)	(385,861)
At 31 March 2022 and 1 April 2022	**23,857**	**565,198**	**99**	**7,388**	**12,183**	**706**	**(451,471)**	**157,960**	**(12,319)**	**145,641**
Equity settled share option arrangements	**-**	**-**	**5,347**	**-**	**-**	**-**	**-**	**5,347**	**-**	**5,347**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(25,084)**	**(25,084)**	**1,070**	**(24,014)**
Other comprehensive income:										
Exchange difference arising on translation of financial statements of foreign operations	**-**	**-**	**-**	**-**	**-**	**(540)**	**-**	**(540)**	**183**	**(357)**
Share of other comprehensive income of associates	**-**	**-**	**-**	**-**	**-**	**35**	**-**	**35**	**-**	**35**
Total comprehensive (expense)/income for the year	**-**	**-**	**-**	**-**	**-**	**(505)**	**(25,084)**	**(25,589)**	**1,253**	**(24,336)**
At 31 March 2023	**23,857**	**565,198**	**5,446**	**7,388**	**12,183**	**201**	**(476,555)**	**137,718**	**(11,066)**	**126,652**

* These reserve accounts comprise the consolidated reserves of approximately HK$113,861,000 in the consolidated statement of financial position as at 31 March 2023 (2022: HK$134,103,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Loss before income tax		**(34,655)**	(395,939)
Adjustments for:			
Interest income	7(b)	**(561)**	–
Interest expense	8	**23,260**	49,398
Depreciation of property, plant and equipment	9	**2,778**	5,190
Equity-settled share option expense	9	**5,347**	148
Fair value loss/(gain) on equity investment at fair value through profit or loss	9	**3,262**	(1,140)
Fair value loss on financial liabilities at fair value through profit or loss	9	**–**	19
Impairment loss of property, plant and equipment	9	**–**	9,173
Gain on early termination of lease	9	**(2)**	(1)
(Gain)/loss on extinguishment of financial liabilities	9	**(51,591)**	303,485
Bad debts written off	9	**55**	–
Provision for impairment loss of financial assets	9	**46,026**	51,066
Gain on modification of financial liabilities	9	**–**	(7,243)
Share of results of associates	16	**(1,463)**	(7,394)
Provision for warranty, net	9	**95**	35
Write-off of property, plant and equipment	9	**338**	–
Write-off of inventories	9	**29**	584
Operating (loss)/profit before working capital changes		**(7,082)**	7,381
Increase in inventories		**(443)**	(1,009)
Increase in trade receivables		**(10,329)**	(42,606)
(Increase)/decrease in finance lease receivables		**(2,579)**	10,882
Decrease/(increase) in deposits, prepayments and other receivables		**30**	(4,564)
Increase in trade payables		**6,354**	16,149
Increase in amount due to a related company		**72**	336
Decrease in contract liabilities		**(234)**	(95)
Increase/(decrease) in accruals, other payables and deposits received		**5,117**	(467)
Net cash used in operating activities		**(9,094)**	(13,993)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(83)**	(546)
Repayments from an associate		**7,003**	–
Interest received		**165**	–
Net cash generated from/(used in) investing activities		**7,085**	(546)
Cash flows from financing activities	38		
Proceeds from share options arrangement		**–**	3,981
Proceeds from issuance of shares	32	**–**	110,000
Payments in relation to issuance of shares		**–**	(3,947)
Interest paid on borrowings		**(469)**	(12,783)
Interest paid on financial liabilities at FVTPL		**–**	(672)
Interest on other payables		**(4,971)**	(2,500)
Interest element on lease payments		**(149)**	(180)
Capital element of lease payments		**(2,424)**	(1,912)
Proceed from borrowings		**9,000**	–
Repayment of borrowings		**(5,674)**	(40,008)
Repayment of notes payable		**–**	(16,360)
Repayment to amounts due to the scheme creditors		**(3,666)**	–
Advances from directors		**6,758**	–
Repayments of advances from directors		**(3,772)**	(3,887)
Net cash (used in)/generated from financing activities		**(5,367)**	31,732
Net (decrease)/increase in cash and cash equivalents		**(7,376)**	17,193
Cash and cash equivalents at beginning of the year		**26,311**	8,204
Effect of foreign exchange rate changes		**(867)**	914
Cash and cash equivalents at end of the year		**18,068**	26,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The name of the Company was changed from "Synergy Group Holdings International Limited" to "Unity Group Holdings International Limited" (the "Company") with effect from 2 September 2022.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 December 2011. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. The Group is principally engaged in the provision of leasing services of energy saving systems and products, consultancy service, installation services of renewable energy systems and trading of energy saving products. Details of the principal activities of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

The directors of the Company considered the Company's ultimate holding company as at 31 March 2023 is Abundance Development Limited, incorporated in British Virgin Island and its ultimate controlling party is Mr. Wong Man Fai Mansfield ("Mr. Mansfield Wong").

The consolidated financial statements for the year ended 31 March 2023 were approved and authorised for issue by the board of directors on 30 June 2023.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2022

In current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for the Group's consolidated financial statements for the annual year beginning on 1 April 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020

None of these amendments to HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[2]
Hong Kong Interpretation 5 (revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause[2]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for the annual period beginning on or after 1 January 2023
2 Effective for the annual period beginning on or after 1 January 2024
3 The amendments should be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current ("2020 Amendments") and Amendments to HKAS 1, Non-current Liabilities with Covenants ("2022 Amendments")

The amendments clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

Hong Kong Interpretation 5 (Revised), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 (Revised) was revised as a consequence of the amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (Revised) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 16, Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15, Revenue from Contracts with Customers to be accounted for as a sale. HKFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, HKFRS 16 had not specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in HKFRS 16, thereby supporting the consistent application of the accounting standard.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of theses new or amended HKFRSs will not result in significant impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. BASIS OF PREPARATION

(a) Basis of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

(c) Going concern basis

The Group incurred a loss of approximately HK$24,014,000 and had net cash used in operating activities of HK$9,094,000 for the year ended 31 March 2023 and as of that date, the Group's current liabilities of HK$204,271,000 included amounts due to the scheme creditors of HK$133,779,000 in relation to the debt restructuring as disclosed in note 30. While as at 31 March 2023, the Group had cash and cash equivalents of HK$18,068,000. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

In light of these, the directors of the Company have prepared a cash flow forecast of 12 months from the end of the reporting period ("Cash Flow Forecast") for assessing the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements. When preparing the Cash Flow Forecast, the directors of the Company have given careful consideration of the future liquidity and performance of the Group and available sources of finance, particularly with the following plans and measures taken into account:

(i) The Group has been actively carrying out the debt restructuring scheme (the "Scheme") (as detailed in note 30) that is aimed at alleviating the liquidity pressure and improving financial position of the Group. All necessary statutory, regulatory, and creditors' approvals in respect of the Scheme had been obtained and the Scheme became effective on 21 February 2023.

Out of the total balance of HK$174,107,000 as at 31 March 2023 (note 30) under the Scheme that are due to the scheme creditors, an aggregate amount of HK$104,399,000 would be settled by issuance of shares and shares of an equivalent amount were duly issued on 28 June 2023.

The remaining balance of HK$69,708,000, including the interest calculated thereon, would be cash-settled according to the repayment schedule that only HK$29,380,000 is repayable before 31 March 2024 and HK$40,328,000 is repayable after 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. BASIS OF PREPARATION (Continued)

(c) Going concern basis (Continued)

(ii) The Group is proposing an issuance of convertible bond with the principal amount of US$15,000,000 ("Convertible Bond").

The details of issuance of Convertible Bond are set out in the Company's circular issued on 28 June 2023. The issuance of the Convertible Bond, among others, is subject to an approval from shareholders and the relevant extraordinary general meeting has been scheduled on 18 July 2023.

(iii) During the year, the Group started a new project under the business of provision of leasing service of energy saving systems and products in relation to the collaboration with the Malaysian state government to achieve its green initiatives (the "Project"). The Group has entered into a financing agreement with a financing provider who collaborates with the Group to provide receivable-based financing for the Project. The directors of the Company assessed that the financing arrangement would enable operational liquidity of the Project and the Group to meet the working capital need of the Group when necessary over the forecast period.

Based on the above, the directors of the Company are of the opinion that the Group would have sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Nevertheless, the validity of the use of the going concern basis of accounting is dependent on the successful implementation of the plans and measures while there are inherent uncertainties associated with their future outcomes, including the finalisation and continuation of the above-mentioned financing arrangements to the Group. These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue to operate the business as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

(d) 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 and functional currency and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment.

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. 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 costs, such as repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Depreciation on property, plant and equipment other than CIP is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date. The estimated useful lives are as follows:

Leasehold improvements	3 years over the terms of leases or 3 years, whichever is shorter
Furniture, fixtures and office equipment	2 years
Energy saving systems	5-10 years

CIP, which is stated at cost less impairment losses, representing energy saving systems pending installation as well as cost incurred during the periods of installation and testing. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss upon disposal.

(e) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract 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 goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Trading of energy saving products

Customers obtain control of the energy saving products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the energy saving products. There is generally only one performance obligation. Invoices are usually payable within 365 days. In the comparative period, revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Goods sold by the Group include warranties which require the Group to either replace or amend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with HKFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

(ii) Consultancy service income

Revenue from consultancy service is recognised at the time when the control is transferred, i.e. one-off revenue recognition upon receipt of consultancy service report by the customer according to the terms of acceptance agreed upon in the contract. There is generally only one performance obligation. Invoices are usually payable within 365 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue recognition (Continued)

(iii) Installation service income

Revenue from installation service is recognised at the time when the control of completed services is transferred, i.e. one-off revenue recognition upon the completion of installation service according to the terms of acceptance agreed upon in the contract. There is generally only one performance obligation.

(iv) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

(f) Leasing

The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing (Continued)

The Group as lessor (Continued)

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

When the Group is an intermediate lessor, the subleases are classified as a finance lease or as an operating lease with reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset.

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. Significant judgement would be required for the assessment of whether the right to control the use of an identified asset is conveyed to the customer.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

The Group as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee; in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets are depreciated on a straight-line basic over the terms of the leases or estimated useful life between 5-10 years, whichever is shorter.

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

The Group presents right-of-use assets within the line item of "property, plant and equipment".

Lease liabilities

The lease liabilities are recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Subsequent to the commencement date, the Group measures the lease liabilities by: (i) increasing the carrying amount to reflect interest on the lease liabilities; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

(g) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives as follows.

Exclusive rights	5-9 years

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(n)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, form an integral part of the Group's cash management.

(j) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. Transaction costs directly attributable to the acquisition of the financial assets at FVTPL are recognised immediately to profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

The Group's equity investments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, finance lease receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 "Leases".

The Group has elected to measure loss allowances for trade receivables and finance lease receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The ECL on these assets are assessed individually for debtors which are assessed to be credit-impaired and collectively for other debtors using a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

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

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, amount due to a related company, amounts due to directors, borrowings, lease liabilities, notes payable and amounts due to the scheme creditors are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(v) Equity instruments

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

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4(j)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates 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 at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

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

(l) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Upon consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- interests in associates

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

Warranty provisions

The group makes provisions under the warranty at the time of sale rendered taking into account the group's historical failure rate information. As the group review the information yearly it is possible that the historical failure rate information is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset affects profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the asset.

(r) Related parties

(1) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(2) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(s) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

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

Where options are forfeited due to a failure by the employee to satisfy the service conditions, the accumulated expenses previously recognised in relation to such options are reversed at the date of the forfeiture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Each of the operating segments is managed separately as each of the segments requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in this report prepared under HKFRS, except that:

(i) finance costs;

(ii) share of results of associates;

(iii) gain/(loss) on extinguishment on financial liabilities;

(iv) income tax expense; and

(v) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets included all assets except intangible assets, interests in associate, equity investment at FVTPL, cash and cash equivalents, amount due from an associate, deferred tax assets and corporate assets. Corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities included all liabilities except borrowings, lease liabilities, settlement payables, notes payable, provision of taxation, amount due to a related company, amounts due to directors, amounts due to the scheme creditors, financial liabilities at FVTPL and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Power to exercise significant influence

The Group holds approximately 23.65% of voting rights of InVinity Energy Group Limited ("InVinity"). By reference to the fact that the Group had agreed with other shareholders of InVinity not to involve in the board of directors of InVinity since 26 September 2018, the Group does not have power to exercise significant influence over InVinity. The investment in InVinity is treated as an equity investment at FVTPL.

(ii) Conveyance of right to control

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group determines whether the customer has the right to direct use of the identified asset by reference to a) right to change the type of output that is provided by the assets; b) right to change when the output is produced; c) right to change where the output is produced; and d) right to change whether the produced, and the quantity of that output. Significant judgement is required for the assessment of whether the right to control the use of an identified asset is conveyed to the customer and the lease is existing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgements in applying accounting policies (Continued)

(iii) Going concern assumption

As mentioned in note 3, the directors of the Company have prepared the consolidated financial statements for the year ended 31 March 2023 based on a going concern basis. The assessment of the going concern assumption involves making judgement by the directors of the Company at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering over 12 months from 1 April 2023 to 31 March 2024 and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern in the year ending 31 March 2023. Accordingly, the directors of the Company consider that the Group have the capability to continue as a going concern.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date. The carrying amount of inventories is disclosed in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Provision for ECLs on trade receivables and finance lease receivables

With the aid of the independent specialist engaged by the Group, the Group uses a provision matrix to calculate ECLs for trade receivables and finance lease receivables. The provision rates are based on days past due or repayment schedule for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking factors are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amounts of trade receivables and finance lease receivables are disclosed in notes 20 and 18, respectively.

(iii) Depreciation

The Group depreciates property, plant and equipment with finite useful lives using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amounts of property, plant and equipment are disclosed in notes 14.

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

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(v) Warranty provision

The Group generally offers warranty for the energy saving products during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision provided during the year, depending on the product type, was based on the past experience of the failure rate of the products in the warranty service period. The carrying amount of warranty provision is disclosed in note 26.

(vi) Income tax

The Group is subject to income taxes in Hong Kong and overseas locations. Judgement is required in determining the provision for income taxes. There are transactions for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(vii) Estimation of fair value of unlisted equity investment

The fair value of equity investment that is not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in note 40. The carrying amount of unlisted equity investment is disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. SEGMENT INFORMATION

During the year ended 31 March 2023, the chief operating decision maker has decided to rename the segments of "provision of leasing services of energy saving system" to "provision of leasing service of energy saving systems and products" and "provision of consultancy services on leasing service of energy saving system" to "provision of consultancy services".

On 30 May 2022, the Group announced the establishment of renewable energy business segment and has been active in the renewable energy business. In this regard, the chief operating decision maker has identified this business as the separate and new business segment for performance evaluation.

For the purpose of resources allocation and performance assessment, financial information relating to these operations is reported internally and is regularly reviewed by the executive directors, being the chief operating decision maker, based on the following segments:

(1) Provision of leasing service of energy saving systems and products;

(2) Trading of energy saving products;

(3) Provision of consultancy service ("Consultancy service"); and

(4) Provision of installation services of renewable energy systems ("Renewable energy service")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. SEGMENT INFORMATION (Continued)

Segment revenue below represents revenue from external customers. There were no inter-segment sales during the year.

	Leasing service of energy saving systems and products HK$'000	Trading of energy saving products HK$'000	Consultancy service HK$'000	Renewable energy service HK$'000	Total HK$'000
Year ended 31 March 2023					
Revenue from external customers	**20,453**	**18,538**	**4,863**	**2,696**	**46,550**
Reportable segment (loss)/profit	**(29,962)**	**8,121**	**(11,323)**	**85**	**(33,079)**
Capital expenditure	**–**	**–**	**–**	**–**	**–**
Depreciation	**1,019**	**–**	**–**	**–**	**1,019**
As at 31 March 2023					
Reportable segment assets	**38,170**	**159,597**	**38,068**	**322**	**236,157**
Reportable segment liabilities	**14,744**	**9,503**	**16**	**237**	**24,500**

	Leasing service of energy saving systems and products HK$'000	Trading of energy saving products HK$'000	Consultancy service HK$'000	Total HK$'000
Year ended 31 March 2022				
Revenue from external customers	6,603	64,646	9,185	80,434
Reportable segment loss	(17,774)	(23,194)	(1,702)	(42,670)
Capital expenditure	–	–	–	–
Depreciation	4,575	–	–	4,575
As at 31 March 2022				
Reportable segment assets	24,796	190,214	45,490	260,500
Reportable segment liabilities	9,771	37,686	17	47,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented as follows:

	2023 **HK$'000**	2022 HK$'000
Reportable segment loss	**(33,079)**	(42,670)
Unallocated corporate income (note)	**973**	8,881
Unallocated corporate expenses (note)	**(32,343)**	(16,661)
Finance costs	**(23,260)**	(49,398)
Gain/(loss) on extinguishment of financial liabilities	**51,591**	(303,485)
Share of results of associates	**1,463**	7,394
Loss before income tax	**(34,655)**	(395,939)

Note: Unallocated corporate income mainly includes gain on modification of financial liabilities, government grants and management service income.

Unallocated corporate expenses mainly include fair value loss on equity investment at FVTPL (note 9), equity-settled share option expense (note 9), legal and professional fees, salaries, other administrative expenses and other selling and distribution costs.

Reporting segment assets and liabilities

	2023 **HK$'000**	2022 HK$'000
Reportable segment assets	**236,157**	260,500
Intangible assets	**–**	–
Interests in associates	**67,293**	65,795
Equity investment at FVTPL	**25,878**	29,140
Cash and cash equivalents	**18,068**	26,311
Amount due from an associate	**12,005**	19,008
Deferred tax assets	**169**	169
Other corporate assets	**14,068**	16,888
Group assets	**373,638**	417,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. SEGMENT INFORMATION (Continued)

	2023 HK$'000	2022 HK$'000
Reportable segment liabilities	**24,500**	47,474
Borrowings	**9,000**	32,999
Lease liabilities	**3,098**	5,051
Settlement payables	**–**	47,125
Notes payable	**–**	54,997
Financial liabilities at FVTPL	**3,558**	3,717
Provision for taxation	**–**	2,548
Amount due to a related company	**352**	280
Amounts due to directors	**2,986**	12,135
Amounts due to the scheme creditors	**174,107**	–
Other corporate liabilities (note)	**29,385**	65,844
Group liabilities	**246,986**	272,170

Note: Other corporate liabilities mainly include accruals and other payables for legal and professional fees, salaries and other operating expenses.

The Group's revenue from external customers are divided into the following geographical areas:

	Revenue from external customers	
	2023 **HK$'000**	2022 HK$'000
Hong Kong (domiciled)	**1,314**	14,834
Japan	**7,277**	23,971
Malaysia	**20,052**	5,586
Indonesia	**1,568**	2,927
Macau	**4,863**	9,185
Other overseas locations	**11,476**	23,931
	46,550	80,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. SEGMENT INFORMATION (Continued)

The Group's non-current assets are located in Hong Kong and Malaysia, which are divided into the following geographical areas (other than financial assets and deferred tax assets):

	Specified non-current assets	
	2023	2022
	HK$'000	HK$'000
Hong Kong (domiciled)	**68,876**	68,924
Malaysia	**2,251**	3,338
Others	**281**	512
	71,408	72,774

The geographical location of revenue allocated is based on the location at which the goods were delivered and services were provided. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's. Revenue derived from these customers are as follows:

	Revenue from external customers	
	2023	2022
	HK$'000	HK$'000
Customer A ##	**4,863**	9,185
Customer B #	**N/A**	14,445
Customer C #	**7,277**	23,971
Customer D #	**8,262**	23,858

\# Attributable to segment of trading of energy saving products

\## Attributable to segment of consultancy service

N/A Revenue from the relevant customer was less than 10% of the Group total revenue for the reporting period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. REVENUE AND OTHER INCOME AND GAINS

(a) Revenue represents the income from trading of energy saving products, provision of leasing service, consultancy service and renewable energy service. An analysis of revenue is as follows:

	2023 **HK$'000**	2022 HK$'000
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	**18,538**	64,646
Consultancy service income	**4,863**	9,185
Renewable energy service income	**2,696**	–
	26,097	73,831
Revenue from other sources		
Leasing service income	**20,453**	6,603
	46,550	80,434
Timing of revenue recognition		
At a point in time	**26,097**	73,831

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2023 **HK$'000**	2022 HK$'000
Trade receivables (note 20)	**145,639**	187,051
Contract liabilities (note 25)	**312**	546

The contract liabilities are mainly related to the advance consideration of sales of goods received from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. REVENUE AND OTHER INCOME AND GAINS (Continued)

(b) An analysis of the Group's other income and gains is as follows:

	2023 HK$'000	2022 HK$'000
Interest income		
– from bank deposits	165	–*
– from other receivables (note 21(b))	396	396
	561	396
Fair value gain on equity investment at FVTPL	–	1,140
Gain on modification of financial liabilities (note b)	–	7,243
Government grants (note a)	65	22
Others	394	794
	1,020	9,595

* Represents the amount less than HK$1,000.

Notes:

(a) For the years ended 31 March 2022 and 2023, the Group has received financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme to encourage entities to retain their employees who would otherwise be made redundant. Under the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all of subsidies on paying salaries.

(b) As disclosed in note 29, gain on modification of financial liabilities was arising from the change in term of notes payable for the year ended 31 March 2022.

8. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest expenses for financial liabilities carried at amortised cost:		
Interest on amounts due to the scheme creditors	50	–
Interest on borrowings	7,537	15,327
Interest on notes payable	1,330	18,997
Interest on other payable	13,769	14,266
Interest on bonds payable	–	159
Interest on lease liabilities	149	180
	22,835	48,929
Interest on financial liabilities at FVTPL	425	469
	23,260	49,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	**1,450**	1,380
Cost of inventories recognised as expenses		
– Cost of inventories sold	**14,958**	42,304
– Write-off of inventories	**29**	584
	14,987	42,888
Depreciation of property, plant and equipment		
– Owned assets	**628**	3,240
– Right-of-use assets	**2,150**	1,950
	2,778	5,190
Employee benefit expenses (including directors' remuneration) (note 10(a))		
– Salaries and welfare	**15,008**	12,102
– Equity-settled share option expense	**5,347**	148
– Defined contributions	**989**	618
	21,344	12,868
Provision for warranty, net	**95**	35
Bad debts written off	**55**	–
Provision for impairment loss of financial assets*	**46,026**	51,066
Fair value loss/(gain) on equity investment at FVTPL*	**3,262**	(1,140)
Fair value loss on financial liabilities at FVTPL*	**–**	19
Impairment loss of property, plant and equipment*	**–**	9,173
Write-off of property, plant and equipment*	**338**	–
Net foreign exchange losses	**3,325**	62
Gain on early termination of lease	**(2)**	(1)
(Gain)/loss on extinguishment of financial liabilities (note (a))	**(51,591)**	303,485
Gain on modification of financial liabilities (note (b))	**–**	(7,243)

* The amount is including in other expenses.

Notes:

(a) For the year ended 31 March 2023, as disclosed in note 30 to the consolidated financial statements, all admitted claims owned by the Company to the scheme creditors has been discharged and released in full as against the Company on the effective date of the Scheme.

For the year ended 31 March 2022, as disclosed in notes 32(c) and (d) to the consolidated financial statements, the Company issued the shares for the settlement of debts. The difference between the carrying amount of the financial liabilities extinguished and the discharged amount or the fair value of issued shares at the date of derecognition has been recognised as gain or loss on extinguishment of financial liabilities in the consolidated statement of comprehensive income.

(b) As disclosed in note 29, gain on modification of financial liabilities was mainly due to change in term of notes payable for the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remunerations are disclosed as follows:

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Defined contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2023					
Executive director:					
Mr. Mansfield Wong	**–**	**1,428**	**57**	**18**	**1,503**
Non-executive directors:					
Lam Arthur ("Mr. Arthur Lam") (note(i))	**–**	**183**	**–**	**2**	**185**
Tsang Sze Wai Claudius ("Mr. Claudius Tsang") (note(ii))	**116**	**–**	**–**	**–**	**116**
Independent non-executive directors:					
Chung Koon Yan	**205**	**–**	**13**	**–**	**218**
Cheung Yick Hung Jackie	**205**	**–**	**13**	**–**	**218**
Wong Chi Ying Anthony	**205**	**–**	**13**	**–**	**218**
Tang Warren Louis ("Mr. Louis Tang") (note(iii))	**223**	**–**	**13**	**–**	**236**
Total	**954**	**1,611**	**109**	**20**	**2,694**
Year ended 31 March 2022					
Executive directors:					
Mr. Mansfield Wong	–	1,408	–	18	1,426
Mr. Arthur Lam (note(i))	–	1,428	–	18	1,446
Independent non-executive directors:					
Chung Koon Yan	205	–	1	–	206
Cheung Yick Hung Jackie	205	–	1	–	206
Wong Chi Ying Anthony	205	–	1	–	206
Total	615	2,836	3	36	3,490

Note:

(i) Mr. Arthur Lam was re-designated as a non-executive director of the Company on 26 April 2022 and resigned on 31 August 2022.

(ii) Mr. Claudius Tsang was appointed as a non-executive director of the Company on 16 December 2022.

(iii) Mr. Louis Tang was appointed as an independent non-executive director of the Company on 26 April 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Disclosure required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of information about benefits of directors) regulation (Cap. 622G) and Listing Rules:

(i) The executive director's remuneration shown above was mainly for their services in connection with the management of the affairs of the Company and the Group during the years ended 31 March 2023 and 2022.

(ii) The non-executive and independent non-executive directors' remuneration shown above were mainly for their services as directors of the Company and the Group during the years ended 31 March 2023 and 2022

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, 1 director (2022: 2) is included.

The analysis of the emolument of the remaining 4 highest paid individuals for the year (2022: 3) are set out below:

	2023 **HK$'000**	2022 HK$'000
Salaries, allowances and benefits in kind	**2,625**	2,603
Equity-settled share option expense	**4,254**	–
Defined contributions	**71**	54
	6,950	2,657

Their emoluments were within the following bands:

	2023 **No. of** **individual**	2022 No. of individual
HK$1 to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**2**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(c) During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2022: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as bonuses, an inducement to join or upon joining the Group or compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2022: Nil).

11. INCOME TAX CREDIT

(a) Income tax

The amount of taxation in the consolidated statement of comprehensive income represents:

	2023 HK$'000	2022 HK$'000
Current tax		
– Over-provision in respect of prior years	**(2,548)**	–
Deferred tax		
– Current year	**(8,093)**	(9,034)
Income tax credit	**(10,641)**	(9,034)

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

Provision for the Enterprise Income Tax in the People's Republic of China (the "PRC") is calculated based on a statutory tax rate 25% (2022: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

A subsidiary in Malaysia has elected to pay a lump sum income taxation charge of Malaysian Ringgit ("RM") 20,000 per annum, if taxable profits arise. Another subsidiary in Malaysia's corporate income tax is calculated at the applicable rate in Malaysia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

11. INCOME TAX CREDIT (Continued)

(a) Income tax (Continued)

The income tax credit for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2023 **HK$'000**	2022 HK$'000
Loss before income tax	**(34,655)**	(395,939)
Tax calculated at the rates applicable to profits or losses in the tax jurisdictions concerned	**(6,318)**	(66,188)
Effect of share of results of associates	**(241)**	(1,220)
Effect of non-taxable revenue	**(12,591)**	(93)
Effect of non-deductible expenses	**10,012**	53,601
Effect of temporary differences not recognised	**(3)**	(34)
Effect of tax losses not recognised	**1,118**	4,900
Effect of utilisation of tax losses previously not recognised	**(70)**	–
Over-provision in respect of prior years	**(2,548)**	–
Income tax credit	**(10,641)**	(9,034)

(b) Deferred tax

Details of the deferred tax assets recognised and movements during the year are as follows:

	Impairment loss HK$'000	**Tax depreciation** HK$'000	**Total** HK$'000
At 1 April 2021	33,765	566	34,331
Credited/(charged) to profit or loss for the year	9,430	(396)	9,034
At 31 March 2022 and 1 April 2022	43,195	170	43,365
Credited to profit or loss for the year	8,093	–	8,093
At 31 March 2023	51,288	170	51,458

As at 31 March 2023, the Group has unutilised estimated tax losses of approximately HK$153,169,000 (2022: HK$146,699,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised estimated tax losses due to the unpredictability of future profit streams. The unutilised estimated tax losses of approximately HK$145,350,000 (2022: HK$139,457,000) can be carried forward indefinitely. Remaining tax losses will expire after five years from the year of assessment to which they relate to.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2022: Nil).

13. LOSS PER SHARE

	2023 **HK$'000**	2022 HK$'000
Loss		
Loss attributable to owners of the Company	**25,084**	382,145

	2023 **'000**	2022 '000
Number of shares		
Weighted average number of shares for the purpose of calculating basic loss per share	**2,385,668**	1,676,200

Bonus element arising from the issue of shares to the existing shareholders at the price lower than market value had been adjusted on the determination of weighted average number of shares for the year ended 31 March 2022.

Diluted loss per share is the same as basic loss per share for the years ended 31 March 2023 and 31 March 2022. There are no dilutive effects on the impact of the exercise of the share options and share settlement to certain scheme creditors (note 30) as they are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Energy saving systems HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2021						
Cost	3,361	756	1,265	21,406	356	27,144
Accumulated depreciation and impairment	(1,948)	(756)	(1,257)	(7,630)	–	(11,591)
Net book amount	1,413	–	8	13,776	356	15,553
Year ended 31 March 2022						
Opening net book amount	1,413	–	8	13,776	356	15,553
Additions	5,397	237	97	212	–	5,943
Lease modification	(93)	–	–	–	–	(93)
Depreciation	(1,950)	(91)	(37)	(3,112)	–	(5,190)
Impairment loss	–	–	–	(9,173)	–	(9,173)
Exchange realignment	(2)	–	–	(56)	(3)	(61)
Closing net book amount	4,765	146	68	1,647	353	6,979
At 31 March 2022 and 1 April 2022						
Cost	6,745	241	1,079	23,786	353	32,204
Accumulated depreciation and impairment	(1,980)	(95)	(1,011)	(22,139)	–	(25,225)
Net book amount	4,765	146	68	1,647	353	6,979

	Right-of-use assets HK$'000	**Leasehold improvements HK$'000**	**Furniture, fixtures and office equipment HK$'000**	**Energy saving systems HK$'000**	**Construction in progress HK$'000**	**Total HK$'000**
Year ended 31 March 2023						
Opening net book amount	**4,765**	**146**	**68**	**1,647**	**353**	**6,979**
Additions	**388**	**-**	**83**	**-**	**-**	**471**
Lease modification	**(28)**	**-**	**-**	**-**	**-**	**(28)**
Depreciation	**(2,150)**	**(121)**	**(71)**	**(436)**	**-**	**(2,778)**
Written off	**-**	**-**	**-**	**-**	**(338)**	**(338)**
Exchange realignment	**(92)**	**-**	**(2)**	**(82)**	**(15)**	**(191)**
Closing net book amount	**2,883**	**25**	**78**	**1,129**	**-**	**4,115**
At 31 March 2023						
Cost	**6,529**	**247**	**1,174**	**18,189**	**-**	**26,139**
Accumulated depreciation and impairment	**(3,646)**	**(222)**	**(1,096)**	**(17,060)**	**-**	**(22,024)**
Net book amount	**2,883**	**25**	**78**	**1,129**	**-**	**4,115**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-Use assets	**Land and buildings leased for own use** HK$'000
As at 1 April 2021	1,413
Addition	5,397
Depreciation	(1,950)
Lease modification	(93)
Exchange realignment	(2)
As at 31 March 2022 and 1 April 2022	4,765
Addition	388
Depreciation	(2,150)
Lease modification	(28)
Exchange realignment	(92)
As at 31 March 2023	2,883

The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on value in use and no impairment loss on property, plant and equipment has been recognised for the year ended 31 March 2023.

For the year ended 31 March 2022, the Group assessed the recoverable amount of the property, plant and equipment allocated to the cooling business arising from acquisition of Synergy Cooling Management Limited ("the cooling business CGU") is determined using the value-in-use calculation based on cash flow projections from financial budgets approved by management covering a five-year period and the cashflow projections are prepared with the aid of the independent specialist engaged by the Group. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and revenue during the period. Cash flow beyond the five-year period are extrapolated using an estimated growth rate of 1.8% for this CGU, which does not exceed the long-term growth rate for the cooling business, and discount rate of 36%, which is pre-tax and reflect specific risks relating to this CGU. The growth rate and revenue within the five-year period are determined based on the past performance and management's expectation of market development.

The cooling business CGU continuously faced the delay in the project development of the projects and uncertainty in current economic environment as a result of escalating uncertainty in the international trade conflicts and the continuance effect of COVID-19. This had an adverse impact on the estimated value-in-use of that CGU and an impairment loss on property, plant and equipment of approximately HK$9,173,000 was recognised in other expenses. The recoverable amount of the cooling business CGU was approximately HK$3,400,000 as at 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. INTANGIBLE ASSETS

	Exclusive rights HK$'000 (Note)
Cost	
At 1 April 2021, 1 April 2022 and 31 March 2022	15,851
Written off	(12,000)
At 31 March 2023	3,851
Accumulated amortisation	
At 1 April 2021, 1 April 2022 and 31 March 2022	(15,851)
Written off	12,000
At 31 March 2023	(3,851)
Net book amount	–

Note:

Exclusive rights represented the exclusive rights to use some technical know-how of the lighting products. Amortisation is provided on a straight-line basis over the estimated useful lives of 5 years and 9 years, respectively. Intangible assets have been fully amortised in previous years and written off during the year.

16. INTERESTS IN ASSOCIATES

	2023 **HK$'000**	2022 HK$'000
Share of net assets	**42,699**	41,201
Goodwill	**24,594**	24,594
	67,293	65,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates, which are accounted for using the equity method in the consolidated financial statements as at 31 March 2023, are as follows:

Name of companies	Place and date of incorporation and operation	Issued share capital/registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Kedah Synergy Limited ("Kedah Synergy") and its subsidiaries (collectively referred to as "Kedah Synergy Group")					
Kedah Synergy	BVI 18 April 2016	United States Dollar ("US$") 10,000	47.5%	–	Investment holding
Kedah Synergy Hong Kong Limited	Hong Kong 4 December 2017	HK$1	–	47.5%	Trading of energy saving products and provision of cost-saving energy management solutions
Kedah Synergy Corporation (Pty) Ltd.	South Africa 30 October 2017	–	–	47.5%	Provision of cost-saving energy management solutions

All associates are unlisted corporate entities whose quoted market price is not available.

The summarised financial information of Kedah Synergy Group extracted from management accounts prepared in accordance with HKFRS is set out below:

	2023 **HK$'000**	2022 HK$'000
Non-current assets	**15**	69
Current assets	**125,448**	138,428
Current liabilities	**(35,570)**	(51,757)
Net assets attributable to owners of associates	**89,893**	86,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. INTERESTS IN ASSOCIATES (Continued)

	2023 HK$'000	2022 HK$'000
Revenue	**12,705**	44,006
Profit for the year	**3,080**	15,566
Other comprehensive income	**72**	1,028
Total comprehensive income	**3,152**	16,594

Reconciliation to the Group's interests in Kedah Synergy Group as at reporting dates:

	2023 HK$'000	2022 HK$'000
Net assets of Kedah Synergy Group	**89,893**	86,740
Percentage of equity interest attributable to the Group	**47.5%**	47.5%
The Group's share of Kedah Synergy Group's net assets	**42,699**	41,201
Goodwill	**24,594**	24,594
Carrying amount of the Group's interests in Kedah Synergy Group	**67,293**	65,795

Reconciliation to the Group's share of results of Kedah Synergy Group:

	2023 HK$'000	2022 HK$'000
Percentage of equity interest attributable to the Group	**47.5%**	47.5%
Group's share of profits of the associates	**1,463**	7,394
Group's share of other comprehensive income of the associates	**35**	488
Share of total comprehensive income of the associates	**1,498**	7,882

17. EQUITY INVESTMENT AT FVTPL

	2023 HK$'000	2022 HK$'000
Unlisted equity investment, at fair value	**25,878**	29,140

The unlisted equity investment represented the Group's investment in InVinity Energy Group Limited ("InVinity"). The Group has invested US$3,200,000 (equivalent to approximately HK$24,800,000) as investment and held 23.65% equity interest in InVinity accordingly.

The fair value of unlisted equity investment is a Level 3 recurring fair value measurement. The details of assessment are set out in note 40. HK$3,262,000 fair value loss has been recognised in profit or loss for the year (2022: gain of HK$1,140,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. FINANCE LEASE RECEIVABLES

The Group provides financial leasing service of energy saving products. The Group's finance lease receivables are as follows:

	Minimum lease payments		Present values of minimum lease payments	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,892**	11,149	**3,226**	10,588
In the second year	**2,881**	2,669	**1,378**	2,550
In the third year	**2,706**	588	**1,351**	535
In the fourth year	**2,318**	406	**1,098**	394
In the fifth year	**2,318**	–	**1,238**	–
After fifth year	**10,944**	–	**8,322**	–
	26,059	14,812	**16,613**	14,067
Less: Unearned finance lease income	**(9,446)**	(745)	**n/a**	n/a
Present value of minimum lease payments	**16,613**	14,067	**16,613**	14,067
Less: Provision for impairment loss	**(1,096)**	(3,980)	**(1,096)**	(3,980)
	15,517	10,087	**15,517**	10,087
Analysed for reporting purposes as:				
– Non-current assets			**12,889**	2,184
– Current assets			**2,628**	7,903
			15,517	10,087

The effective interest rates of the Group's finance leases are ranging from 5% to 16% per annum (2022: 5% to 16%). There are no unguaranteed residual values of assets under finance leases. Finance lease receivables are secured over the energy saving products. No contingent rent arrangements were made during the years ended 31 March 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. FINANCE LEASE RECEIVABLES (Continued)

Included in finance lease receivables are the following amounts denominated in currencies other than the functional currencies:

	2023 HK$'000	2022 HK$'000
Indonesian Rupiah ("IDR")	**1,387**	8,434

Further details on the Group's credit policy and credit risk arising from finance lease receivables are set out in note 40.

19. INVENTORIES

	2023 HK$'000	2022 HK$'000
Finished goods	**1,671**	1,257

20. TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**479,019**	469,330
Less: Provision for impairment loss	**(313,908)**	(266,684)
Trade receivables, net	**165,111**	202,646
Classified as:		
Non-current assets (note)	**9,719**	16,087
Current assets	**155,392**	186,559
	165,111	202,646

Note: The Group offered settlement term to a customer attributed to the segment of trading of energy saving products, interest-bearing of 5% per annum with settlement schedule in 84 months ("84-months Credit Term"). As such, the fair value of the consideration attributable to the customer is determined by discounting the nominal amount of all future receipts using an imputed rate of interest of 5% per annum.

The Group's trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 365 days, except for a customer who has been granted the settlement schedules of 84 months from the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

20. TRADE RECEIVABLES (Continued)

The following table provides information about trade receivables from contracts with customers and other sources:

	2023 HK$'000	2022 HK$'000
Trade receivables from contracts with customers	**145,639**	187,051
Trade receivables from other sources	**19,472**	15,595
	165,111	202,646

As at 1 April 2021, trade receivables from contracts with customers amounted to HK$204,252,000.

Based on invoices date, ageing analysis of the Group's trade receivables (net of provision for impairment loss) is as follows:

	2023 HK$'000	2022 HK$'000
0 to 30 days	**20,595**	34,333
31 to 90 days	**10,078**	8,132
91 to 180 days	**6,493**	6,939
181 to 365 days	**12,122**	38,656
Over 365 days	**115,823**	114,586
	165,111	202,646

Included in trade receivables are the following amounts denominated in currencies other than the functional currencies:

	2023 HK$'000	2022 HK$'000
US$	**72,759**	108,178
IDR	**60,819**	50,320

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2023 HK$'000	2022 HK$'000
Current assets:			
Deposits	(a)	**1,413**	1,282
Prepayments		**1,360**	5,531
Other receivables	(b), (c)	**9,108**	5,717
		11,881	12,530
Non-current assets:			
Deposits		**641**	693

Notes:

(a) Deposits mainly represented the deposits paid to suppliers for purchase of goods.

(b) Included in the other receivables as at 31 March 2023 represented the amount due from InVinity with principal of approximately HK$3,300,000 (2022: HK$3,300,000). The balance is non-trade nature, unsecured, bore fixed interest rate of 12% per annum and repayable on demand.

(c) During the year ended 31 March 2023, loss allowance of HK$1,066,000 (2022: Nil) for the other receivables has been recognised as the Group considers the balance is credit impaired.

22. AMOUNTS DUE FROM/TO AN ASSOCIATE/A RELATED COMPANY/DIRECTORS

(a) Amount due from an associate of approximately HK$12,005,000 as at 31 March 2023 (2022: HK$19,008,000) represented the net non-trading outstanding balances with Kedah Synergy Group which were unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year was HK$19,008,000 (2022: HK$19,008,000).

(b) Amount due to a related company of HK$352,000 as at 31 March 2023 (2022: HK$280,000) represented the outstanding payables of computer software consultancy service to a related company as detailed in note 37(a)(ii), wholly owned by Mr. Mansfield Wong. The balances were unsecured, interest-free, and repayable on demand.

(c) Amounts due to directors of approximately HK$2,986,000 as at 31 March 2023 (2022: HK$12,135,000) were non-trade nature, unsecured, interest-free and repayable on demand.

During the year ended 31 March 2023, as disclosed in note 30 to the consolidated financial statements, upon the effect of the Scheme, the relevant admitted claims of HK$12,135,000 owned by the Company to the director has been discharged and released in full. All admitted claims have been recognised as amount due to the scheme creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. CASH AND CASH EQUIVALENTS

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	**18,068**	26,311

Notes:

As at 31 March 2023, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$31,000 (2022: HK$76,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	2023 HK$'000	2022 HK$'000
US$	**6,982**	6,985
RM	**136**	2

The Group's cash at banks earns interest at floating rates based on daily bank deposit rates.

24. TRADE PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**8,698**	33,899
Classified as:		
Non-current liabilities	**–**	2,263
Current liabilities	**8,698**	31,636
	8,698	33,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

24. TRADE PAYABLES (Continued)

Based on goods receipts date, ageing analysis of the Group's trade payables is as follows:

	2023	2022
	HK$'000	HK$'000
0 to 30 days	**7,962**	15,038
31 to 90 days	**192**	19
91 to 180 days	**71**	662
181 to 365 days	**–**	590
Over 365 days	**473**	17,590
	8,698	33,899

The Group generally made purchase with various terms, operating on cash on delivery or payment in advance terms, except for a supplier who has granted a settlement schedule of up to 60 months to the Group. As such, the fair value of the consideration attributable to the supplier is determined by discounting the nominal amount of all future payments.

Included in trade payables are the following amounts denominated in currencies other than the functional currencies:

	2023	2022
	HK$'000	HK$'000
US$	**454**	482
RMB	**8,226**	33,417

Trade payables of approximately HK$31,554,000 was assigned to Mr. Mansfield Wong through debt assignment during the year ended 31 March 2023. As set out in note 30 to the consolidated financial statements, upon the effect of the Scheme, the relevant admitted claims owed by the Company to the creditors has been discharged and released in full. All admitted claims have been recognised as amount due to the scheme creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

25. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Contract liabilities arising from:		
Trading of energy saving products	**312**	546

Contract liabilities represented advance payments received from customers for goods that the control of the products have not been transferred to the customers.

The Group expects to deliver the goods to satisfy the remaining obligations of these contract liabilities within one year or less.

Movements in contract liabilities are as follows:

	2023 HK$'000	2022 HK$'000
Balance as at the beginning of the year	**546**	641
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(546)**	(641)
Increase in contract liabilities as a result of billing in advance of sales of goods	**1,027**	9,786
Revenue recognised that was not included in the contract liabilities at the beginning of the year	**(715)**	(9,240)
Balance as at the end of the year	**312**	546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

26. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	2023 HK$'000	2022 HK$'000
Current liabilities:			
Accruals		**15,081**	50,293
Other payables	(a)	**24,661**	21,844
Settlement payable	(b)	**–**	47,125
Warranty provision	(c)	**2,016**	1,921
Deposits received	(d)	**1,178**	1,513
		42,936	122,696
Non-current liabilities:			
Deposits received	(d)	**1,713**	2,849

Notes:

(a) Included in the other payables is the consideration payable for the investment in InVinity of approximately HK$12,400,000 (2022: HK$12,400,000) which will be paid when certain milestones are met.

(b) In 2017, the Company issued certain notes to two companies (the "Creditors"), and subsequently entered into a deed of settlement with each of the Creditors (collectively, "Deeds of Settlement") in respect of the notes on 22 July 2020. Settlement payables of HK$46,000,000 became overdue on 22 July 2020. For the year ended 31 March 2021, the Company received statutory demands from the legal representatives acting on behalf of each of the Creditors in which the creditors are, demanding payment from the Company for its indebtedness under each of the Deeds of Settlement within 21 days from the date of the statutory demand. During the year ended 31 March 2023, as disclosed in note 30 to the consolidated financial statements, upon the effect of the Scheme, the total relevant claims of HK$103,303,000 owed by the Company to the creditors have been discharged and released in full, in which the admitted claims of HK$51,712,000 have been recognised as amount due to the scheme creditors and the remaining balances of HK$51,591,000 have been recognised as gain on extinguishment of financial liabilities.

(c) The movements in the warranty provision are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of the year	**1,921**	1,886
Provision for the year	**142**	418
Unused amounts reversed	**(47)**	(383)
At end of the year	**2,016**	1,921

The Group records its warranty liability at the time of sales rendered based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty provision is reviewed yearly to verify it is properly reflecting the outstanding obligation over the warranty period.

(d) The deposits received represented the receipt in advance from customers for leasing service.

(e) Included in accruals and other payables are the following amounts denominated in currencies other than the functional currencies:

	2023 HK$'000	2022 HK$'000
RM	**6,202**	90
IDR	**5,823**	5,513
US$	**1,606**	15,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

27. BORROWINGS

	Notes	2023 HK$'000	2022 HK$'000
Unsecured and guaranteed bank loans:			
Amounts repayable on demand	(a)	**9,000**	2,849
Secured and guaranteed other loans:			
Amounts repayable within one year	(b)	**–**	13,800
Unsecured and guaranteed other loans:			
Amounts repayable within one year	(c)	**–**	16,350
Total borrowings classified as current liabilities		**9,000**	32,999

Based on the schedule repayment dates set out in the bank loans and other loan agreements and without taking into consideration of any repayment on demand clause, the borrowings are repayable as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**214**	32,999
After one year but within two years	**873**	–
After two years but within five years	**3,815**	–
After five years	**4,098**	–
	9,000	32,999

Notes:

(a) As at 31 March 2023, the bank loan of HK$9,000,000 was under personal guarantee from Mr. Mansfield Wong and the guarantee from the Government of Hong Kong.

As at 31 March 2022, the bank loan of HK$2,849,000 was overdue. The balances are under corporate guarantees from the Company and/or Synergy Group Worldwide Limited ("Synergy Worldwide"), a subsidiary of the Company, and personal guarantee from Mr. Mansfield Wong. As disclosed in note 30 to the consolidated financial statements, upon the effect of the Scheme, the relevant admitted claims of HK$1,064,000 owed by the Company to the creditors has been discharged and released in full. All admitted claims have been recognised as amount due to the scheme creditors and would be repaid according to the schedules stated in the Scheme.

(b) As at 31 March 2022, other loans of HK$13,800,000 was overdue. As at 31 March 2023, the balance was discharged and released in full upon the effect of the Scheme, details set out in note 30. All admitted claims have been recognised as amount due to the scheme creditors and would be repaid according to the schedules stated in the scheme.

(c) As at 31 March 2022, the balances of HK$16,350,000, in which the balances of HK$12,783,000 were overdue. In relation to overdue other loans whose has been overdue with carrying amount was HK$12,461,000 as at 31 March 2022, the Company received a statutory demand during the year ended 31 March 2021 from a legal adviser acting on behalf of the lender in which the lender is demanding payment from the Group for its indebtedness under a corporate guarantee provided in favour of the lender within 21 days from the date of the statutory demand.

As at 31 March 2023, as disclosed in note 30 to the consolidated financial statements, upon the effect of the Scheme, the relevant admitted claims of HK$12,461,000 owned by the Company to the creditors has been discharged and released in full. All admitted claims have been recognised as amount due to the scheme creditors and would be repaid according to the schedules stated in the Scheme.

(d) As at 31 March 2023, the Group's interest-bearing borrowings bore effective interest rate at 3.5% per annum (2022: ranging from 2.74% to 17.87%).

(e) As at 31 March 2023, the Group's credit facilities amounted to approximately HK$24,000,000 (2022: HK$78,750,000), of which HK$9,000,000 (2022: HK$78,750,000) have been utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

28. LEASE LIABILITIES

The amount included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the year is as follows:

	Office HK$'000	Energy saving systems HK$'000	Total HK$'000
As at 1 April 2021	1,459	662	2,121
Additions	5,396	–	5,396
Interest expenses	137	43	180
Lease payments	(1,845)	(247)	(2,092)
Lease modification	(94)	–	(94)
Exchange realignment	(2)	(5)	(7)
As at 31 March 2022 and 1 April 2022	5,051	453	5,504
Additions	388	–	388
Interest expenses	123	26	149
Lease payments	(2,339)	(234)	(2,573)
Lease modification	(30)	–	(30)
Exchange realignment	(93)	(21)	(114)
As at 31 March 2023	3,100	224	3,324

	2023 HK$'000	2022 HK$'000
Minimum lease payments due:		
– Within one year	**2,723**	2,549
– After one year but within two years	**546**	2,624
– After two years but within five years	**147**	557
	3,416	5,730
Less: Future finance charges	**(92)**	(226)
Present value of minimum lease payments	**3,324**	5,504
Analysed for reporting purposes as:		
– Non-current liabilities	**674**	3,100
– Current liabilities	**2,650**	2,404
	3,324	5,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

28. LEASE LIABILITIES (Continued)

	2023 **HK$'000**	2022 HK$'000
Short term leases expenses	**48**	6

Note:

Lease modification relates to termination of leases during the years ended 31 March 2023 and 2022.

The total cash outflow for leases amounts to HK$2,621,000 (2022: HK$2,098,000).

29. NOTES PAYABLE

	2023 **HK$'000**	2022 HK$'000
New 9.5% note	**–**	14,270
0% note	**–**	40,727
	–	54,997
Classified as:		
Non-current liabilities	**–**	54,997
Current liabilities	**–**	–
	–	54,997

Note:

During the year ended 31 March 2018, the Company issued secured guaranteed notes with a principal amount of HK$80,000,000 at 9% per annum with a term of 12 months extendable to up to 36 months at the noteholder's discretion (the "9% Notes"). During the year ended 31 March 2022, the Company had entered into a supplement deed. Upon the execution of the supplement deed, the balance was settled and the below new note certificates were issued.

The Company issued unsecured guaranteed notes with a principal amount of HK$14,270,000 at 9.5% interest rate per annum (the "New 9.5% note") and principal amount of HK$40,727,000 at 0% interest rate per annum (the "0% note"). The New 9.5% notes and 0% note are both guaranteed by Mr. Mansfield Wong and with a term of 24 months.

The note payables was assigned to Mr. Mansfield Wong through debt assignment during the year ended 31 March 2023. As set out in note 30 to the consolidated financial statements, upon the effect of the Scheme, the relevant admitted claims of HK$54,997,000 owned by the Company to the creditors has been discharged and released in full. All admitted claims have been recognised as amount due to the scheme creditors.

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For the year ended 31 March 2023

30. AMOUNTS DUE TO THE SCHEME CREDITORS

	2023	2022
	HK$'000	HK$'000
Non-current liabilities	**40,328**	–
Current liabilities	**133,779**	–
	174,107	–

	2023	2022
	HK$'000	HK$'000
Within one year	**133,779**	–
After one year but within two years	**29,330**	–
After two years but within five years	**10,998**	–
	174,107	–

Note:

The Group initiated the debt restructuring scheme in the previous years. All necessary statutory, regulatory, and creditors' approvals of the scheme have been obtained during the year ended 31 March 2023. The Scheme became effective on 21 February 2023. All admitted claims owned by the Company to those creditors would be discharged and released in full as against the Company on the effective date of the Scheme. The duration of the Scheme shall be 30 months. Under the Scheme, there are two settlement options for scheme creditors to elect for the settlement preference.

Under cash option, the outstanding balances would be settled on the following basis:

(1) 5% of total outstanding principal on the effective date of the Scheme;

(2) 40% of total outstanding principal prior to the first anniversary of the effective date of the Scheme;

(3) 40% of total outstanding principal prior to the second anniversary of the effective date of the Scheme; and

(4) 15% of total outstanding principal at the end of the Scheme.

All outstanding interest would be discharged on the effective date of the Scheme and the outstanding balance would be charged at 2.5% per annum commencing on the effective date of the Scheme.

Under equity option, the Company will allot, issue and register in the name of scheme creditors such number of new shares, credited as fully paid at a premium of 25% of debts, to the average closing price of the Company as quoted on the Stock Exchange for the last five consecutive trading days prior to the effective date of the Scheme.

All scheme creditors have to elect the settlement option before 22 March 2023, in which certain scheme creditors with the total admitted claims balances of approximately HK$104,399,000 as at 31 March 2023 have elected the equity option. For the remaining balances of HK$69,708,000, those balances would be settled by cash according to the abovementioned schedule.

The abovementioned settlement shares has been approved by independent shareholders in an extraordinary general meeting on 15 June 2023 for allotment and issuance. Subsequent to reporting date on 28 June 2023, 730,061,232 shares (note 43(c)) were allotted and issued to the relevant scheme creditors.

Details are set out in the Company's announcements dated 3 August 2022, 14 October 2022, 11 November 2022, 17 February 2023, 14 April 2023 and 15 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

31. FINANCIAL LIABILITIES AT FVTPL

	2023 **HK$'000**	2022 HK$'000
Redeemable preference shares, at fair value	**3,558**	3,717

During the year ended 31 March 2020, a subsidiary of the Group has issued 2,000,000 redeemable preference shares to an independent third party at RM1.00 each with the total amount of RM2,000,000 (equivalents to HK$3,615,000). The redeemable preference shares shall be redeemed in full on the date falling two years after the issuance of the redeemable preference shares. During the year ended 31 March 2022, the subsidiary of the Group has entered into the supplemental agreement with the holder of redeemable preference shares to extend the redemption date for two years.

The preference shares will be redeemed in cash at an amount equal to the subscription price at RM1.00 per share plus interest at the rate of 12% per annum to the holder of the preference shares.

The management has designated the redeemable preference shares as financial liabilities at FVTPL as it is managed and its performance is evaluated on a fair value basis. For the year ended 31 March 2023, no fair value change (2022: fair value loss HK$19,000) of the redeemable preference shares was recognised.

32. SHARE CAPITAL

	Notes	**Number of shares** '000	**Amount** HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2021, 31 March 2022 and 1 April 2022 and 31 March 2023		50,000,000	500,000
Issued and fully paid:			
At 1 April 2021		660,000	6,600
Issue of shares under share option scheme	(a)	24,728	247
Issue of shares under subscription	(b)	1,100,000	11,000
Issue of shares for debt settlement	(c)	126,744	1,268
Issue of shares for debt settlement	(d)	474,196	4,742
At 31 March 2022 and 1 April 2022		2,385,668	23,857
At 31 March 2023		2,385,668	23,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

32. SHARE CAPITAL (Continued)

Notes:

(a) On 1 July 2021 and 11 February 2022, the Company issued total 24,728,000 shares under the share option scheme at HK$0.01 each. Net proceeds of HK$9,050,000 were raised, comprising share capital of HK$247,000 and share premium of HK$8,803,000.

(b) On 20 January 2022, the subscriber, who is wholly and beneficially owned by Mr. Wong Man Fai Mansfield, an executive director, a chairman and chief executive officer of the Company has completed the subscription of 1,100,000,000 new shares at HK$0.1 each. Net proceeds of HK$107,447,000 was raised, comprising share capital of HK$11,000,000 and share premium of HK$99,000,000, net of share subscription expenses of HK$2,553,000. Details of the subscription are set out in the Company's announcements dated 16 September 2021, 20 September 2021, 6 October 2021, 3 November 2021, 15 November 2021, 30 November 2021, 8 December 2021 and 20 January 2021 and the Company's circular dated 15 November 2021.

(c) On 20 January 2022, the Company has completed the issuance of new shares of 126,744,000 at HK$0.1 each to several parties for the settlement of debts. The consideration has been fully satisfied by the corresponding amount of debts. Upon the completion of the settlement, HK$1,268,000 and HK$11,407,000 were credited against share capital and share premium, respectively. The share issuance cost of HK$2,847,000 was offset with share premium accordingly. Details of the subscription are set out in the Company's announcements dated 16 September 2021, 20 September 2021, 6 October 2021, 3 November 2021, 15 November 2021, 30 November 2021, 8 December 2021 and 20 January 2021 and the Company's circular dated 15 November 2021.

(d) On 20 January 2022, the Company has completed issuance of new shares of 474,196,000 at HK$0.1 each to several independent third parties for settlement of debts. The consideration has been fully satisfied by the corresponding amount of debts. Upon the completion of the settlement, HK$4,742,000 and HK$346,164,000 were credited against share capital and share premium, respectively. The share issuance cost of HK$1,100,000 was offset with share premium accordingly. Details of the subscription are set out in the Company's announcements dated 16 September 2021, 20 September 2021, 6 October 2021, 3 November 2021, 15 November 2021, 30 November 2021, 8 December 2021 and 20 January 2021 and the Company's circular dated 15 November 2021.

33. RESERVES

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Share option reserve

Cumulative expenses recognised on the granting of share options to the employees over the vesting period.

Capital reserves

Capital reserves represent the capital contributions made by a shareholder of Synergy Worldwide before a group reorganisation completed during the year ended 31 March 2015.

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33. RESERVES (Continued)

Merger reserve

Merger reserve of the Group represented the difference between the nominal value of the Company's shares issued, pursuant to the reorganisation and the nominal value of the aggregate share capital and the share premium of a subsidiary.

Foreign exchange reserves

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

Accumulated losses

Cumulative net losses recognised in the consolidated statement of comprehensive income.

Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021	103,771	3,172	3,236	(107,089)	3,090
Issue of shares under share option scheme (note 32(a))	8,803	(1,879)	–	–	6,924
Issue of shares under subscription (note 32(b))	99,000	–	–	–	99,000
Issue of shares for debts settlement (notes 32(c) & (d))	357,571	–	–	–	357,571
Transaction costs on issue of shares (notes 32(c) & (d))	(3,947)	–	–	–	(3,947)
Equity-settled share option arrangements	–	148	–	–	148
Release of share option reserve upon the forfeit or lapse of share options	–	(1,342)	–	1,342	–
Loss for the year and total comprehensive expense for the year	–	–	–	(313,980)	(313,980)
At 31 March 2022 and 1 April 2022	565,198	99	3,236	(419,727)	148,806
Equity-settled share option arrangements	–	5,347	–	–	5,347
Loss for the year and total comprehensive expense for the year	–	–	–	(55,039)	(55,039)
At 31 March 2023	565,198	5,446	3,236	(474,766)	99,114

Note:

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to a group reorganisation completed during the year ended 31 March 2015.

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34. OPERATING LEASE ARRANGEMENT

As lessor

As at 31 March 2023, future minimum lease rental receivables under non-cancellable operating leases of the Group in respect of energy saving systems are as follows:

	2023	2022
	HK$'000	HK$'000
Within one year	**1,874**	2,086
Later than one year and not later than two years	**1,313**	1,343
Later than two years and not later than three years	**722**	830
Later than three years and not later than four years	**303**	442
Later than four years and not later than five years	**201**	–
	4,413	4,701

The Group leases energy saving systems under operating leases. The leases run for an initial period of 2 to 7 years (2022: 2 to 7 years). In addition to the minimum lease payments, the Group is entitled to receive contingent rents based on the actual saved energy amount less the guaranteed saved energy amount multiplied by pre-determined charged formula mutually agreed with lessees as stated in the relevant agreements. During the year, the Group received contingent rents recognised as leasing service income amounting to approximately HK$1,272,000 (2022: HK$84,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**16,138**	16,138
Current assets		
Prepayments and other receivables	**653**	4,281
Amounts due from subsidiaries	**295,144**	304,108
Cash and cash equivalents	**1**	484
	295,798	308,873
Current liabilities		
Accruals and other payables	**13,188**	85,216
Amounts due to directors	**1,670**	12,135
Amounts due to the scheme creditors	**133,779**	–
	148,637	97,351
Net current assets	**147,161**	211,522
Total assets less current liabilities	**163,299**	227,660
Non-current liabilities		
Notes payable	**–**	54,997
Amounts due to the schemes creditors	**40,328**	–
	40,328	54,997
Net assets	**122,971**	172,663
EQUITY		
Equity attributable to owners of the Company		
Share capital	**23,857**	23,857
Reserves	**99,114**	148,806
Total equity	**122,971**	172,663

On behalf of the Board

Wong Man Fai Mansfield
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

36. INTERESTS IN SUBSIDIARIES

Details of subsidiaries as at 31 March 2023 are as follows:

Company name	Place and date of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Synergy Group Worldwide Limited	BVI 8 August 2008	US$22,608	100%	–	Investment holding	Hong Kong
Synergy Lighting Limited	Hong Kong 3 December 2008	HK$100	–	100%	Leasing, consultancy services and trading of energy saving products	Hong Kong
Synergy Energy Saving Company Limited	Malaysia 17 October 2016	US$1	–	100%	Trading of energy saving products	Malaysia
Unity Energy Efficiency Technology (China) Company Limited (formerly known as Synergy Energy Efficiency Technology (China) Company Limited)	Hong Kong 2 March 2017	HK$100	–	100%	Investment holding	Hong Kong
廣州先能馳節能科技有限公司*	PRC 27 June 2017	RMB10,000,000	–	100%	Trading of energy saving products and provision of energy management systems solutions	PRC
深圳先能馳節能科技有限公司**	PRC 28 March 2018	RMB10,000,000	–	100%	Trading of energy saving products and provision of energy management systems solutions	PRC
Unity Green Development Limited	BVI 31 October 2017	US$10,000	–	100%	Investment holding	BVI
Unity Green Development (H.K.) Limited	Hong Kong 9 November 2017	HK$10,000	–	100%	Inactive	Hong Kong
Synergy Cooling Management Limited ("SCML")	BVI 1 April 2011	US$18,400	–	63.04%	Investment holding	BVI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

36. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Synergy Cooling Management (H.K.) Limited ("Synergy Cooling HK")	Hong Kong 21 April 2011	HK$1	–	63.04%	Leasing and maintenance services of cooling systems	Hong Kong
Synergy Cooling Management (Malaysia) Limited	BVI 11 November 2013	US$100	–	63.04%	Investment holding	BVI
Synergy ESCO (Malaysia) Sdn. Bhd. ("Synergy ESCO (Malaysia)")	Malaysia 17 April 2014	RM 950,000	–	63.04%	Provision of energy management systems solutions	Malaysia
Synergy Cooling ESCO (HK) Limited	Hong Kong 11 June 2014	HK$1	–	63.04%	Provision of energy management systems solutions	Hong Kong
Unity Renewables Limited	BVI 26 April 2022	US$100	–	100%	Investment holding	BVI
Unity Renewables (H.K.) Limited	Hong Kong 17 May 2022	HK$1,000	–	100%	Investment in renewable projects	Hong Kong

* Registered as a wholly foreign-owned enterprise under the laws of the PRC
** Registered as a limited liability company under the laws of the PRC

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

36. INTERESTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to SCML and its subsidiaries ("SCML Group"), the subsidiary of the Group which has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	SCML Group	
	2023	2022
	HK$'000	HK$'000
Non-controlling interests percentage	**36.96%**	36.96%
As at 31 March		
Current assets	**6,534**	6,286
Non-current assets	**15,502**	4,119
Current liabilities	**(49,332)**	(37,656)
Non-current liabilities	**(2,644)**	(6,079)
Net liabilities	**(29,940)**	(33,330)
Accumulated non-controlling interests	**(11,066)**	(12,319)
For the year ended 31 March		
Revenue	**20,052**	5,586
Profit/(loss) for the year	**2,896**	(12,896)
Total comprehensive income/(expense)	**3,390**	(12,835)
Profit/(loss) allocated to non-controlling interests	**1,253**	(4,743)
Dividends paid to non-controlling interests	**–**	–
Cash flows generated from operating activities	**1**	3,025
Cash flows used in investing activities	**(61)**	(42)
Cash flows used in financing activities	**(563)**	(3,818)
Net cash outflow	**(623)**	(835)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

37. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

	Notes	**2023 HK$'000**	2022 HK$'000
Sales to associates	(i)	**1,077**	14,445
Computer software consultancy service fees paid to a related company	(ii)	**336**	336

Notes:

(i) The total sales of goods amounted to approximately HK$1,077,000 during the year (2022: HK$14,445,000) was contributed from Kedah Synergy Group. The transactions with Kedah Synergy Group were negotiated and carried out in the ordinary course of business and at terms agreed between the parties.

(ii) The Group has paid computer software consultancy service fees of HK$336,000 during the year (2022: HK$336,000) to a related company, which is wholly owned by Mr. Mansfield Wong. The transactions with the related company were negotiated and carried out in the ordinary course of business and at terms agreed between parties. The non-trading outstanding balances due to this related company as at 31 March 2023 and 2022 are detailed in note 22(b).

(b) Other related party transactions

Mr. Mansfield Wong provided personal guarantees to the Company for the New 9.5% note and 0% note as detailed in note 29 as at 31 March 2022 and to a subsidiary of the Group for a bank loan as detailed in note 27(a) as at 31 March 2023.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2023 HK$'000	2022 HK$'000
Short-term employee benefits	**4,583**	4,342
Equity-settled share option expense	**3,259**	148
	7,842	4,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2023, upon the effect of the Scheme, an aggregate balance of approximately HK$29,314,000 payable to creditors has been discharged and released in full. As disclosed in note 30 to the consolidated financial statements, upon the effect of the Scheme, the relevant admitted claims amounted to approximately HK$177,723,000 have been recognised as amount due to the scheme creditors. As a result, gain on extinguishment of financial liabilities of approximately HK$51,591,000 was recognised in the profit and loss during the year.

During the year ended 31 March 2022, 2.5% notes of HK$22,600,000 has been settled by issuance of shares as set out in the note 32(d) to the consolidated financial statements. 9.5% notes of HK$54,000,000 with interests payable of HK$41,157,000 have been partially settled by issuance of new 9.5% note of HK$14,270,000; issuance of 0% note of HK$40,727,000; a director of the Company of HK$17,800,000; and a related company of HK$6,000,000.

Save as disclosed elsewhere in these financial statements, there were no other material non-cash transactions during the years ended 31 March 2023 and 2022.

(b) Reconciliation of liabilities arising from financing activities

	Other payables HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Notes payable HK$'000	Amounts due to directors HK$'000	Amounts due to the scheme creditors HK$'000	Financial liabilities at FVTPL HK$'000
At 1 April 2022	**103,303**	**32,999**	**5,504**	**54,997**	**12,135**	**-**	**3,717**
Changes from financing cash flows:							
Interest paid	(4,971)	(469)	-	-	-	-	-
Interest element on lease liabilities	-	-	(149)	-	-	-	-
Capital element of lease liabilities	-	-	(2,424)	-	-	-	-
Proceeds from borrowings	-	9,000	-	-	-	-	-
Repayment of borrowings	-	(5,674)	-	-	-	-	-
Repayment of amounts due to the scheme creditors	-	-	-	-	-	(3,666)	-
Repayments of advances from directors	-	-	-	-	(3,772)	-	-
Advances from directors	-	-	-	-	6,758	-	-
Total changes from financing cash flows	(4,971)	2,857	(2,573)	-	2,986	(3,666)	-
Other changes:							
Interest expense	13,769	7,537	149	1,330	-	50	-
Gain on extinguishment of financial liabilities	(51,591)	-	-	-	-	-	-
Decrease in interest payables	(8,798)	(7,068)	-	(1,330)	-	-	-
Increase in amounts due to the scheme creditors	(51,712)	(27,325)	-	(54,997)	(12,135)	177,723	-
Addition	-	-	388	-	-	-	-
Lease modification	-	-	(30)	-	-	-	-
Exchange realignment	-	-	(114)	-	-	-	(159)
Total other changes	(98,332)	(26,856)	393	(54,997)	(12,135)	177,773	(159)
At 31 March 2023	**-**	**9,000**	**3,324**	**-**	**2,986**	**174,107**	**3,558**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Other payables HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Notes payable HK$'000	Amounts due to directors HK$'000	Financial liabilities at FVTPL HK$'000	Corporate bonds HK$'000
At 1 April 2021	103,303	82,425	2,121	76,600	9,421	3,729	2,000
Changes from financing cash flows:							
Interest paid	(2,500)	(12,783)	–	–	–	(672)	–
Interest element on lease liabilities	–	–	(180)	–	–	–	–
Capital element of lease liabilities	–	–	(1,912)	–	–	–	–
Repayment of borrowings	–	(40,008)	–	–	–	–	–
Repayment of notes payable	–	–	–	(16,360)	–	–	–
Repayments of advances from directors	–	–	–	–	(3,887)	–	–
Total changes from financing cash flows	(2,500)	(52,791)	(2,092)	(16,360)	(3,887)	(672)	–
Other changes:							
Interest expense	14,266	15,327	180	–	–	672	–
Proceeds from share options arrangement	–	–	–	–	(3,190)	–	–
(Increase)/decrease in other payable	(11,766)	(2,475)	–	35,157	1,146	–	–
Advance from director for debt settlement	–	–	–	(17,800)	17,800	–	–
Issue of share for debts settlement	–	(9,500)	–	(22,600)	(9,155)	–	(2,000)
Addition	–	–	5,396	–	–	–	–
Lease modification	–	–	(94)	–	–	–	–
Change in fair value	–	–	–	–	–	18	–
Exchange realignment	–	13	(7)	–	–	(30)	–
Total other changes	2,500	3,365	5,475	(5,243)	6,601	660	(2,000)
At 31 March 2022	103,303	32,999	5,504	54,997	12,135	3,717	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

A share option scheme (the "Share Option Scheme") was approved by its shareholders to adopt on 5 March 2015 and was amended on 26 October 2016.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 5 March 2015. Under the Share Option Scheme, the directors may in its absolute discretion offer to grant to any qualified participant an option to subscribe for the number of shares at an exercise price determined by the directors, being at least the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company. The offer of a grant of options may be accepted within 20 business days from the date of the offer. HK$1.00 is payable by any qualified participant to the Company on acceptance of the option offer as consideration for the grant. Qualified participants include any director or employee (whether full time or part time) of the Company and its subsidiaries and associated companies (as defined under Hong Kong Companies Ordinance, Cap. 622).

The options granted may be exercised in whole or in part by the grantees. The exercise period of the options granted shall be a period of time to be notified by the directors to grantees, which the directors may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the date of the offer of grant.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share options schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to the Company's shareholders' approval in a general meeting.

The maximum number of shares in respect of which options may be granted under this Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the listing date of the Company's shares, being 50,000,000 shares.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants are as follows:

(i) Share options on 2 April 2020

On 2 April 2020, the Company has granted a total of 36,560,000 share options to subscribe for an aggregate of 36,560,000 ordinary shares of HK$0.01 each in the capital of the Company, comprising (i) 11,150,000 share options to five Directors; and (ii) 25,410,000 share options to certain qualified participants, being employees of the Group.

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
2 April 2020	Tranche 1	11,000,000	Date of grant	2 years
2 April 2020	Tranche 2	75,000	Date of grant	1 year
2 April 2020	Tranche 3a	18,750	1.25 years from the date of grant	1.75 years
2 April 2020	Tranche 3b	18,750	1.5 years from the date of grant	1.5 years
2 April 2020	Tranche 3c	18,750	1.75 years from the date of grant	1.25 years
2 April 2020	Tranche 3d	18,750	2 years from the date of grant	1 year
		11,150,000		
Options granted to employees:				
2 April 2020	Tranche 1	16,510,000	Date of grant	2 years
2 April 2020	Tranche 2	4,450,000	Date of grant	1 year
2 April 2020	Tranche 3a	1,112,500	1.25 years from the date of grant	1.75 years
2 April 2020	Tranche 3b	1,112,500	1.5 years from the date of grant	1.5 years
2 April 2020	Tranche 3c	1,112,500	1.75 years from the date of grant	1.25 years
2 April 2020	Tranche 3d	1,112,500	2 years from the date of grant	1 year
		25,410,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants are as follows: (Continued)

(ii) Share options on 12 December 2022

On 12 December 2022, the Company has granted a total of 90,068,000 share options to subscribe for an aggregate of 90,068,000 ordinary shares of HK$0.01 each in the capital of the Company, comprising (i) 1,000,000 share options to four Directors; and (ii) 89,068,000 share options to certain qualified participants, being employees of the Group.

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
12 December 2022	Tranche 1a	500,000	Date of grant	2 years
12 December 2022	Tranche 2a	500,000	1 year from the date of grant	2 years
		1,000,000		
Options granted to employees:				
12 December 2022	Tranche 1b	80,318,000	Date of grant	2 years
12 December 2022	Tranche 2b	8,750,000	1 year from the date of grant	2 years
		89,068,000		

(iii) Share options on 20 March 2023

On 20 March 2023, the Company has granted a total of 28,356,680 share options to subscribe for an aggregate of 28,356,680 ordinary shares of HK$0.01 each in the capital of the Company, comprising (i) 23,856,680 share options to an executive Director; and (ii) 4,500,000 share options to a qualified participant, being an employee of the Group.

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to director:				
20 March 2023	Tranche 1a	23,856,680	1 year from the date of grant	3 years
Options granted to employee:				
20 March 2023	Tranche 1b	4,500,000	1 year from the date of grant	3 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Weighted average exercise price HK$	**Number**	Weighted average exercise price HK$	Number
Outstanding at beginning of the year	**0.29**	**889,000**	0.341	31,550,000
Granted during the year	**0.16**	**118,424,680**	–	–
Exercised during the year	**–**	**–**	0.29	(24,728,000)
Forfeited during the year	**–**	**–**	0.29	(333,000)
Lapsed during the year	**–**	**–**	0.29	(5,600,000)
Outstanding at end of the year	**0.17**	**119,313,680**	0.29	889,000
Exercisable at end of the year	**0.17**	**81,707,000**	–	–

The exercise price of options outstanding at the end of the year was HK$0.17 (2022: HK$0.29) and their weighted average remaining contractual life was approximately 2.02 years (2022: 0.25 year).

The weighted average share price at the date of exercise for options exercised during the year ended 31 March 2022 was HK$0.65. No option was exercised during the year ended 31 March 2023.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimation of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions

(i) Share options on 2 April 2020

	Tranche 1	Tranche 2a	Tranche 2b	Tranche 2c	Tranche 2d	Tranche 2e
Share price (HK$)	0.245	0.245	0.245	0.245	0.245	0.245
Exercise price (HK$)	0.29	0.29	0.29	0.29	0.29	0.29
Expected volatility	67%	78%	63%	63%	63%	63%
Expected option life	2 years	1 year	3 years	3 years	3 years	3 years
Expected dividend	0%	0%	0%	0%	0%	0%
Risk-free rate	0.58%	0.58%	0.57%	0.57%	0.57%	0.57%

	Tranche 3	Tranche 4a	Tranche 4b	Tranche 4c	Tranche 4d	Tranche 4e
Share price (HK$)	0.245	0.245	0.245	0.245	0.245	0.245
Exercise price (HK$)	0.29	0.29	0.29	0.29	0.29	0.29
Expected volatility	67%	78%	63%	63%	63%	63%
Expected option life	2 years	1 year	3 years	3 years	3 years	3 years
Expected dividend	0%	0%	0%	0%	0%	0%
Risk-free rate	0.58%	0.58%	0.57%	0.57%	0.57%	0.57%

(ii) Share options on 12 December 2022

	Tranche 1a	Tranche 1b	Tranche 2a	Tranche 2b
Share price (HK$)	0.162	0.162	0.162	0.162
Exercise price (HK$)	0.172	0.172	0.172	0.172
Expected volatility	115.4%	115.4%	115.4%	115.4%
Expected option life	2 years	2 years	2 years	2 years
Expected dividend	0%	0%	0%	0%
Risk-free rate	4.35%	4.35%	4.35%	4.35%
Fair value per option as at 12 December 2022 (HK$)	0.083	0.062	0.091	0.085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions (Continued)

(iii) Share options on 20 March 2023

	Tranche 1a	Tranche 1b
Share price (HK$)	0.133	0.133
Exercise price (HK$)	0.139	0.139
Expected volatility	111.28%	111.28%
Expected option life	3 years	3 years
Expected dividend	0%	0%
Risk-free rate	2.973%	2.973%
Fair value per option as at 20 March 2023 (HK$)	0.079	0.072

The expected volatility is based on the historic volatility (calculated based on the expected remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest rate risk arises primarily from borrowings, lease liabilities and notes payables. Borrowings, lease liabilities and notes issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The interest rates of the Group's borrowings, lease liabilities and notes payable are disclosed in notes 26, 27, 28 and 29 respectively. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

The following table details the interest rate profile of the Group's borrowings, lease liabilities and notes payable at the end of the reporting period.

	2023		2022	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Floating rate borrowings	**3.50%**	**9,000**	2.74% to 4.06%	15,310
Fixed rate borrowings	**N/A**	**–**	13.8% to 17.87%	17,689
Fixed rate settlement payables	**N/A**	**–**	15%	47,125
Fixed rate lease liabilities	**2.5% to 11.5%**	**3,324**	2.5% to 11.5%	5,504
Fixed rate notes payable	**N/A**	**–**	9.5%	54,997
		12,324		140,625

At 31 March 2023, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's results for the year by approximately HK$45,000 (2022: HK$165,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings, lease liabilities and notes payable in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. As at 31 March 2023, the Group's assets and liabilities denominated in currencies other than functional currencies are disclosed in notes 17, 18, 20, 23, 24 and 26. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is mainly exposed to the foreign currency risk of RMB, US$, RM and IDR. As HK$ is pegged to US$, the Group does not expect any significant movement in the US$/HK$ exchange rate and this is excluded from the sensitivity analysis below as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the reporting dates.

The following table details the Group's sensitivity of the Group's results for the year in regards to a 5% appreciation in the underlying functional currencies against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's best assessment of the reasonably possible change in foreign exchange rates. A 5% depreciation in the underlying functional currencies against the relevant foreign currencies would have the same but opposite magnitude on the Group's results for the year.

	2023	2022
	HK$'000	HK$'000
RMB	**370**	1,572
RM	**(507)**	(237)
IDR	**(3,110)**	(2,938)

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk. The analysis is performed on the same basis for the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

As at 31 March 2023, the Group's maximum exposure to credit risk is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position.

The Group enters into trading transaction with the recognised and reputable third parties. Before accepting any new lease contract, the Group assesses the credit quality of each potential leasee and might demand certain customers to place deposits with the Group at the time the lease arrangement is entered into. In addition, the Group monitors and controls the trade receivables regularly to mitigate the risk of significant exposure from bad debts, reviews the recoverable amount of each individual trade receivables at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

The Group has concentration risk upon finance lease receivables and trade receivables through provision of leasing service of energy saving systems and trading of energy saving products contributing from an overseas customer in Indonesia (the "Indonesian Customer") during the year. The Group's aggregate amount of finance lease receivables and trade receivables of the Indonesian Customer amounted to approximately HK$62,206,000 as at 31 March 2023 (2022: HK$58,752,000).

The Group closely monitors the credit risk on individual customers based on their credit worthiness, assessments on the customer's past payments history and current ability to pay and take into account information specific to customers as well as pertaining to the economic environment in which the customers operate.

The Group measures loss allowances for trade receivables and finance lease receivables at an amount equal to lifetime ECLs, except for debtors with significant outstanding balances or insignificant balances with specific risks, the Group determines the ECLs using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status or repayment schedule is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables excluding trade receivables under individual assessment as at 31 March 2023 and 2022:

As at 31 March 2023	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Not past due	**1.21%**	**21,526**	**(261)**	**21,265**
1 to 30 days past due	**5.67%**	**300**	**(17)**	**283**
31 to 90 days past due	**10.79%**	**278**	**(30)**	**248**
91 to 180 days past due	**19.18%**	**245**	**(47)**	**198**
181 to 365 days past due	**27.34%**	**57,171**	**(15,633)**	**41,538**
Over 365 days past due	**87.01%**	**268,659**	**(233,758)**	**34,901**
		348,179	**(249,746)**	**98,433**

As at 31 March 2022	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Not past due	1.90%	59,078	(1,125)	57,953
1 to 30 days past due	7.28%	10,368	(755)	9,613
31 to 90 days past due	13.61%	10,769	(1,466)	9,303
91 to 180 days past due	25.31%	881	(223)	658
181 to 365 days past due	40.35%	1,155	(466)	689
Over 365 days past due	71.25%	249,570	(177,827)	71,743
		331,821	(181,862)	149,959

As at 31 March 2023, trade receivables of net carrying amount HK$66,678,000 (2022:HK$52,687,000) with gross amount HK$130,840,000 (2022:HK$137,509,000) and loss allowance HK$64,162,000 (2022:HK$84,822,000) are individually impaired with expected loss rate 49.04% (2022:61.68%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Expected loss rates are based on historical observed default rates. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due to over 365 days past due based on the good repayment records of those customers and continuous business relationship with the Group.

The following table provides information about the Group's exposure to credit risk and ECLs for finance lease receivables as at 31 March 2023 and 2022:

As at 31 March 2023	**Expected loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
Within 1 year	**5.53%**	**15,725**	**(870)**	**14,855**
Within 1-2 years	**25.00%**	**512**	**(128)**	**384**
Within 2-3 years	**26.06%**	**376**	**(98)**	**278**
		16,613	**(1,096)**	**15,517**

As at 31 March 2022	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Within 1 year	25.36%	10,588	(2,685)	7,903
Within 1-2 years	34.90%	2,550	(890)	1,660
Within 2-3 years	41.50%	535	(222)	313
Within 3-4 years	46.47%	394	(183)	211
		14,067	(3,980)	10,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

For other receivables and amount due from an associate, management makes periodic as individual assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. Management believes that there is no material credit risk inherent in the Group's outstanding balance of amount due from an associate. For other receivables, the management assessed that amounts due from an individual of HK$1,066,000 (2022: Nil) are credit impaired and impairment loss is fully provided and charged to the profit or loss.

The credit risk for bank balances is mitigated as cash is deposited in bank of high credit rating. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

No significant changes to estimation techniques or assumptions were made during the year.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2021	141,118	69,343	210,461
Impairment losses reversed (note 9)	(8,401)	(7,889)	(16,290)
Impairment losses recognised (note 9)	49,154	23,036	72,190
Exchange realignment	(9)	332	323
At 31 March 2022 and 1 April 2022	181,862	84,822	266,684
Impairment losses reversed (note 9)	(1,435)	(27,713)	(29,148)
Impairment losses recognised (note 9)	69,412	7,547	76,959
Exchange realignment	(93)	(494)	(587)
At 31 March 2023	249,746	64,162	313,908

The origination of new trade receivables net of those settled resulted in an increase in loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Movement in the loss allowance account in respect of finance lease receivables during the year is as follows:

	Lifetime ECL (not credit-impaired)	
	2023	2022
	HK$'000	HK$'000
Balance at 1 April	**3,980**	8,823
Impairment losses reversed (note 9)	**(3,138)**	(4,834)
Impairment losses recognised (note 9)	**287**	–
Exchange realignment	**(33)**	(9)
Balance at 31 March	**1,096**	3,980

The settlement of finance lease receivables net of those originated resulted in a decrease in loss allowance.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities, based on the contractual undiscounted payments, are as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 6 months or on demand HK$'000	Within 6-12 months HK$'000	Within 1-2 years HK$'000	Within 2-3 years HK$'000
At 31 March 2023						
Trade payables	8,698	8,698	8,698	-	-	-
Accruals and other payables	39,742	39,742	39,742	-	-	-
Amounts due to the scheme creditors	174,107	176,991	105,319	30,203	30,339	11,130
Borrowings	9,000	10,743	10,743	-	-	-
Lease liabilities	3,324	3,419	1,511	1,215	546	147
Amount due to a related company	352	352	352	-	-	-
Amounts due to directors	2,986	2,986	2,986	-	-	-
Financial liabilities at FVTPL	3,558	3,985	3,985	-	-	-
	241,767	246,916	173,336	31,418	30,885	11,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 6 months or on demand HK$'000	Within 6-12 months HK$'000	Within 1-2 years HK$'000	Within 2-3 years HK$'000	Over 3 years HK$'000
At 31 March 2022							
Trade payables	33,899	33,899	29,816	1,820	1,091	615	557
Accruals and other payables	109,707	109,707	109,707	–	–	–	–
Borrowings	32,999	40,252	36,466	2,567	1,219	–	–
Lease liabilities	5,504	5,732	1,430	1,120	2,625	453	104
Notes payable	54,997	57,089	–	–	57,089	–	–
Amount due to a related company	280	280	280	–	–	–	–
Amounts due to directors	12,135	12,135	12,135	–	–	–	–
Financial liabilities at FVTPL	3,717	3,748	3,748	–	–	–	–
	253,238	262,842	193,582	5,507	62,024	1,068	661

The table that follows summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within one year HK$'000	After one year but within two years HK$'000	After two years but within five years HK$'000	After five years HK$'000	Total HK$'000
At 31 March 2023	529	1,167	4,668	4,379	10,743
At 31 March 2022	2,849	–	–	–	2,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurement

The fair values of the Group's current portion of financial assets and liabilities measured at amortised cost are not materially different from their carrying amounts because of the immediate or short term maturity. The fair value of the non-current portion of financial assets and liabilities measured at amortised cost are not disclosed because the values are not materially different from their carrying amounts.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Equity Investment at FVTPL				
Unlisted equity investment	**–**	**–**	**25,878**	**25,878**
Financial liabilities at FVTPL				
Redeemable preference shares	**–**	**–**	**(3,558)**	**(3,558)**

	2022			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Equity Investment at FVTPL				
Unlisted equity investment	–	–	29,140	29,140
Financial liabilities at FVTPL				
Redeemable preference shares	–	–	(3,717)	(3,717)

There were no transfers between different levels during the year.

Information about level 3 fair value measurements

The fair value of the unlisted equity investment in InVinity is estimated using asset-based method under cost model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurement (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Unlisted equity investment	
	2023	2022
	HK$'000	HK$'000
At beginning of the year	**29,140**	28,000
Fair value adjustment	**(3,262)**	1,140
At end of the year	**25,878**	29,140

One of key significant unobservable inputs to determine the fair value of unlisted equity investment is the discount on age and condition of receivables. The higher discount on these factors would result in the lower in the fair value measurement of the fair value of unlisted equity investment, and vice versa.

The fair value of redeemable preference shares is determined using a discounted cash flow method.

	Redeemable preference shares	
	2023	2022
	HK$'000	HK$'000
At beginning of the year	**3,717**	3,729
Fair value adjustment	**–**	(19)
Exchange difference	**(159)**	7
At end of the year	**3,558**	3,717

One of key significant unobservable inputs to determine the fair value of redeemable preference shares is the discount rate. A higher discount rate would result in a decrease in the fair value of redeemable preference shares, and vice versa.

There is no change on the valuation method during the year.

Fair value adjustments of unlisted equity investment and redeemable preference shares were recognised in the line item "other expenses" on the face of the consolidated statement of comprehensive income.

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For the year ended 31 March 2023

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

	2023 HK$'000	2022 HK$'000
Financial assets at FVTPL		
Equity investment at FVTPL	**25,878**	29,140
At amortised cost		
Trade receivables	**165,111**	202,646
Finance lease receivables	**15,517**	10,087
Other receivables	**9,108**	5,717
Amount due from an associate	**12,005**	19,008
Cash and cash equivalents	**18,068**	26,311
	219,809	263,769

Financial liabilities

	2023 HK$'000	2022 HK$'000
Financial liabilities at FVTPL	**3,558**	3,717
Lease liabilities	**3,324**	5,504
At amortised cost		
Trade payables	**8,698**	33,899
Accruals and other payables	**39,742**	109,707
Borrowings	**9,000**	32,999
Notes payable	**–**	54,997
Amount due to a related company	**352**	280
Amounts due to directors	**2,986**	12,135
Amounts due to the scheme creditors	**174,107**	–
	234,885	244,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

42. CAPITAL MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings, amounts due to the scheme creditors, lease liabilities, notes payable, other payable and financial liabilities at FVTPL less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratio at the end of reporting period was as follows:

	2023 **HK$'000**	2022 HK$'000
Borrowings	**9,000**	32,999
Amounts due to the scheme creditors	**174,107**	–
Lease liabilities	**3,324**	5,504
Notes payable	**–**	54,997
Other payable	**–**	47,125
Financial liabilities at FVTPL	**3,558**	3,717
Less: Cash and cash equivalents	**(18,068)**	(26,311)
Net debt	**171,921**	118,031
Total equity	**126,652**	145,641
Net debt to equity ratio	**136%**	81%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. EVENTS AFTER REPORTING PERIOD

(a) The Group is collaborating with ORIX Finance Services Hong Kong Limited ("ORIX Finance") who provides receivable-based financing for the Project. The Group has successfully completed drawdown of approximately HK$10 million from ORIX Finance subsequent to year end. Details are set out in the announcement dated 21 April 2023.

(b) The Company entered into a convertible bond subscription agreement with a subscriber pursuant to which the subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue the convertible bond in an aggregate principal amount of US$15,000,000 at the issue price. Details are set out in the announcement dated 9 June 2023 and the circular dated 28 June 2023.

(c) As detailed in note 30 to the consolidated financial statements, 730,061,232 settlement shares were allotted and issued on 28 June 2023. The relevant amount due to scheme creditors of HK$104,399,000 has been extinguished.

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