# GREATWALLE INC.
# 長城匯理公司

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

**(Stock Code: 08315)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

### CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the "**Board**") of directors (the "**Directors**") of Greatwalle Inc. (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 March 2020. This announcement complies with the relevant requirements of the GEM Listing Rules on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcement of annual results.

By order of the Board
**Greatwalle Inc.**
**Song Xiaoming**
*Chairman and Executive Director*

Hong Kong, 19 June 2020

*As at the date of this announcement, the executive Directors are Mr. Song Xiaoming, Ms. Pang Xiaoli, Mr. Hon Hoi Chuen and Ms. Lin Shuxian; the non-executive Director is Mr. Chung Man Lai; and the independent non-executive Directors are Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei.*

*This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company's website at www.kingforce.com.hk.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the year ended 31 March 2020 (the "**Reporting Period**"), the Group engaged in (i) the provision of security guarding services (the "**Security Guarding Services**"); and (ii) the provision of business advisory and assets management services (the "**Assets Management Services**"). During the Reporting Period, the Company recorded a revenue of approximately HK$41,150,000, in which the security guarding business recorded a revenue of approximately HK$38,851,000, and the assets management business recorded a revenue of approximately HK$2,299,000.

### I. Security Guarding Services

For security guarding business, the Group operates in both Hong Kong and Mainland China (the "**PRC**").

In Hong Kong, the Group is permitted to provide security guarding services under Type I security work in accordance with the Security Company License regime. The Group's services aim at safeguarding the safety of its customers, properties and assets and maintaining order at private events, with personal security guards provided by the Group to perform such services including patrolling, access control at entrance lobbies, registering visitors and preventing unauthorized access, handling and reporting complaints. The Group also provides guarding and private escorting service and crowd management service for events, venues, exhibitions, ceremonies and press conferences. With years of operating experience, the Group has established a strong reputation in the field of personal security guarding services and has been certified for its ability to design and deliver security guarding services with the ISO9001:2008 quality management system standard issued by the Hong Kong Quality Assurance Agency. Leveraged on the Company's advantages in operation, management system and branding, the Group also provides professional services to other similar industries in order to further develop its business. The Group has been vigorously expanding into the PRC market since 2019. The security industry in the PRC has been developing since the reform and opening up of the country, and by 2018, the business scale of the security industry in the PRC has exceeded RMB170 billion, with an average annual growth rate of over 10%. The Group believes that the future development for the security guarding market in the PRC is huge, because (i) as an emerging market, the PRC has a population of 1.4 billion and its industrialization and urbanization processes still have huge room for development. Construction of infrastructures and real estate development, etc. will further stimulate the development of the security guarding industry, facilitate the expansion of the security guarding service industry; (ii) the provision of security guarding for mainland government still occupies a large proportion of the overall market, and with the advancement of marketization in the future, the outsourcing of security guard will create more space for the industry to develop; and (iii) with the improvement of people's living standards, safety awareness and demand will increase simultaneously, which will generate more demand for security guarding services.

## II. Asset Management Services

During the Reporting Period, the asset management services of the Group involved provision of business advisory and assets management services.

Since 2019, the Company has begun to gradually develop its asset management business. In the PRC, the Company has obtained a private equity fund manager licence from the Asset Management Association of China; in Hong Kong, the Company incorporated a wholly-owned subsidiary to apply for the licenses to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the "**SFO**") during the Reporting Period, which has been approved by the Securities and Futures Commission (the "**SFC**") on 11 June 2020. Since then, the Group is qualified to conduct private equity fund management business in the PRC and asset management business in Hong Kong. The securities advisory business has laid a solid foundation for the Company to expand new profit growth points, thus continuously improving the Company's competitiveness.

The Company has an excellent asset management team, managing private equity funds amounted to nearly RMB5 billion, and has achieved remarkable investment results. Our team consists of one of the earliest people working in M&A fund management business in the PRC, and has developed a systematic investment strategy and sound governance system. The assets managed by the Company will be mainly invested in two directions: first would be buyout-type mergers, in which the Company focuses on buying out companies with under-valued capital value, asset value and industrial and commercial value as well as with room for transformation and improvement; second would be medium and long-term investments towards enterprises that have long-term development value and leading position in particular market segments.

During the Reporting Period, the Group also had two other operating segments, namely the provision of mobile games to the oversea markets (the "**Mobile Gaming Business**") and the provision of e-Education and security services (the "**e-Education**"). For the year ended 31 March 2020, the Group did not derive any revenue from these segments.

## SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 MARCH 2020

### Grant of Share Options

On 18 April 2019, the Company granted 25,353,163 share options to individuals under the share option scheme adopted by the Company on 31 July 2014 (the "**Share Option Scheme**"). The share options shall entitle the grantees to subscribe for a total of 25,353,163 new shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$0.0904 per share of the Company (the "**Share**"). For details, please refer to the announcement of the Company dated 18 April 2019.

On 5 September 2019, the Company granted 73,588,691 share options to individuals under the Share Option Scheme. The share options shall entitle the grantees to subscribe for a total of 73,588,691 new shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$0.147 per Share. For details, please refer to the announcement of the Company dated 5 September 2019.

### Acquisition of 51% Equity Interest in Zhong Jun Wei Shi

On 26 September 2019, a subsidiary of the Group entered into an agreement to acquire 51% equity interest in 山東七兵堂安保押運有限公司 (Shandong Seven Commandos Security Escort Co., Limited*). The registration of share transfer has been completed on 12 October 2019, and the name of the company has been changed to 山東中軍衛士安保集團有限公司 (Shandong Zhong Jun Wei Shi Security Group Co., Limited*) ("**Zhong Jun Wei Shi**"). The acquisition represents an important step for the Group in entering the PRC market and vigorously expanding the security guarding business. Zhong Jun Wei Shi will serve as a foundation for the Group in the future, enabling it to vigorously expand into the large security guarding market in the PRC and create synergy with overseas markets such as Hong Kong. The said acquisition has been completed on 12 October 2019.

The vendor of the 51% equity interest in Zhong Jun Wei Shi had provided a result guarantee, whereby the vendor had guaranteed that the total income for the three financial years ending 2019, 2020 and 2021 of Zhong Jun Wei Shi (the year-end date being the financial year-end date of the Company) as audited and confirmed by a third party auditing firm in aggregate shall not be less than RMB60 million (the "**Result Guarantee**").

If the Result Guarantee is achieved, the Group shall pay the remaining amount of the consideration of RMB3,600,000.00 to the vendor. In the event that the Result Guarantee was not achieved, the Group shall be exempted from the obligation to pay the remaining amount of the consideration. For details, please refer to the announcement of the Company dated 26 September 2019.

* *For identification purpose only*

**Disposal of Shares by Controlling Shareholder**

The Company was informed by Greatwalle Holding Limited, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 28 April 2019, Greatwalle Holding Limited has entered into a share transfer agreement (the "**Share Transfer Agreement**") with 一帶一路數據產業發展有限公司 (B&R Big Data Industry Development Co., Limited) (the "**Purchaser**"), pursuant to which Greatwalle Holding Limited agreed to dispose and the Purchaser agreed to purchase 223,859,278 Shares (the "**Share Disposal**"), representing approximately 18.00% of the total number of issued Shares, at a total consideration of HK$89,543,711.20 (equivalent to the transfer price for the Share Disposal of HK$0.40 per Share).

Pursuant to the undertakings made in the Share Transfer Agreement, the Purchaser has agreed to settle the full amount of the share transfer price to Greatwalle Holding Limited on or before 31 July 2019. The Company expected that upon the completion of the Share Disposal, insofar as there are no other changes to the shareholdings of the Company prior to the completion of the Share Disposal, Greatwalle Holding Limited will hold 467,884,644 Shares, representing approximately 37.62% of the total number of issued Shares, and will remain as the controlling shareholder of the Company, and the Purchaser is expected to hold approximately 18.00% of the total number of issued Shares. For details of the Share Disposal and the Purchaser, please refer to the announcement of the Company dated 28 April 2019.

As announced in the update announcement of the Company dated 1 August 2019, the parties to the Share Transfer Agreement entered into a supplemental agreement to extend the payment settlement period to no later than 31 December 2019 while all other terms remain unchanged (the "**Supplemental Agreement**").

On 31 December 2019, Greatwalle Holding Limited informed the Board that it still has not received the consideration that is receivable from the Purchaser under the Share Transfer Agreement (as amended by the Supplemental Agreement). As the payment deadline under the supplemental agreement was 31 December 2019, and also as Greatwalle Holding Limited and the Purchaser did not enter into an agreement to further extend the payment settlement period, Greatwalle Holding Limited considered that the Share Transfer Agreement has expired and the share transfer will not proceed.

**Updates on the Legal Proceedings**

On 18 September 2019, the Company was informed that 中山北斗教育科技有限公司 (Zhongshan Beidou Education Technology Limited*) ("**Bei Dou Zhongshan**") has received a notice from the Zhongshan First People's Court, pursuant to which Lin Keliang has applied to the Zhongshan First People's Court for the addition of Bei Dou Internet Education Technology (Shenzhen) Limited ("**Bei Dou Shenzhen**"), the largest shareholder of Bei Dou Zhongshan and another subsidiary of the Company, as a defendant in the civil lawsuit by reason of requesting to verify whether Bei Dou Shenzhen has made capital contribution to Bei Dou Zhongshan, and has applied for the dissolution of Bei Dou Zhongshan by reason of its operational difficulties.

* *For identification purpose only*

According to the verification report regarding Bei Dou Zhongshan dated 18 July 2016, Bei Dou Shenzhen has made the actual payment for the entire amount of the capital contribution payable by it. The Group is currently seeking legal advice regarding the legal proceedings to look for an appropriate corresponding action that adheres to the principle of protecting the Group's legal right and interest, so as to continue requesting in the civil lawsuit for the fulfilment of the capital contribution obligation by Lin Keliang to Bei Dou Zhongshan and to deal with his request regarding the application for dissolution of Bei Dou Zhongshan.

Saved as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place during the year ended 31 March 2020.

**Business Outlook**

In 2020, the global economy is expected to suffer a certain degree of decline due to the impact of the novel coronavirus epidemic, and economic activity is starting to recover gradually as the epidemic in the PRC is brought under control.

For the security guarding business, the Group will focus on expanding the PRC market and further expand its business by building on its existing operations scale. The security guarding industry has also gradually shown new development trends in recent years, with the security industry divided into human security services, property security services, electronic security services, special security services, armed escort services, and other integrated security services, etc. Currently, human security services are still a major part of the security guarding, but driven by technological innovation such as 5G, big data, cloud computing, Internet of things, electronic security services and other integrated security services will be able to develop rapidly, and security guarding enterprises are increasingly embodying the characteristics of digitalized integrated security services. The Group strives to focus on the development trend of the security guarding industry and gives full play to its advantages in order to enhance the competitiveness of the security guarding industry.

With respect to the asset management business, since 2019, there has been a major shift in economic policies in the PRC, with the introduction of a series of policies to promote financial reform and promote the development of capital market, and thus enhance economic activity through the financial reform and capital market reform. At the same time, as an international financial center, Hong Kong's capital market has strong regulatory capabilities, internationally leading financial infrastructure and an interconnection mechanism with the PRC's capital market. Although it has encountered challenges in both internal and external environments, but it still possesses strong resilience and vitality. Therefore, the Group will use the asset management licenses obtained in the PRC and Hong Kong respectively as an opportunity to grasp macro-environment opportunities, continuously expand its asset management business scale and improve the level of asset management returns.

## FINANCIAL REVIEW

### Revenue

For the years ended 31 March 2019 and 2020, the Group's revenue was generated from the provision of Security Guarding Services in Hong Kong and the PRC and provision of business advisory and asset management services. The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2019 and 2020:

| | **Year ended 31 March** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***HK$'000*** | ***Percentage*** | *HK$'000* | *Percentage* |
| Security Guarding Services | **38,851** | **94.4%** | 36,211 | 98.1% |
| Provision of business advisory and asset management services | **2,299** | **5.6%** | 691 | 1.9% |
| Total | **41,150** | **100%** | 36,902 | 100% |

The Group's overall revenue increased by approximately HK$4,248,000 or 11.5% from approximately HK$36,902,000 for the year ended 31 March 2019 to approximately HK$41,150,000 for the year ended 31 March 2020. The increase in revenue was mainly due to (i) the recognition of the service fee income of the provision of business advisory and asset management services of approximately HK$2,299,000; and (ii) the new revenue derived from the Security Guarding Services in the PRC of approximately HK$5,851,000.

### Cost of services rendered

For the year ended 31 March 2019 and 2020, the cost of services rendered, which mainly consists of direct guard cost, was approximately HK$38,327,000 and HK$32,051,000, respectively representing approximately 103.9% and 77.9% of the Group's revenue, respectively. Such decrease of the cost of service in the percentage of revenue was primarily attributable to better cost control by the implementation of better staff allocation and planning, as well as the adjustment on business structure based upon the Group's resource advantage during the Reporting Period.

As at 31 March 2020, the Group had a total of 586 employees, of which 476 were full-time and part-time guards providing manned security guarding and related services.

**Gross profit/(loss)**

The Group's gross profit for the year ended 31 March 2020 was approximately HK$9,099,000, as compared with the gross loss of approximately HK$1,425,000 for the year ended 31 March 2019. The turn around performance was mainly due to the better cost control and income increase by implementing measures such as lowering cost and adjustment of market structure during the year ended 31 March 2020.

**Other income and losses, net**

The Group's net other income was approximately HK$601,000, as compared with the net other income of approximately HK$2,365,000 for the same period in 2019. The decrease in the net other income for the year ended 31 March 2020 was mainly attributable to (i) an absence of the recognition of share of an associate's capital reserve approximately HK$586,000; (ii) an absence of the recognition of bad debt recovery of approximately HK$448,000 income; and (iii) an absence of the recognition of interest income from a loan to an associate of approximately HK$258,000 for the year ended 31 March 2020.

**Administrative expenses**

The Group's administrative expenses increased by approximately HK$6,486,000 or 16.4% from approximately HK$39,653,000 for the year ended 31 March 2019 to approximately HK$46,139,000 for the year ended 31 March 2020. The increase in the Group's administrative expenses was mainly due to (i) the increase in staff cost as a result of the development of the Group's asset management services; (ii) the increase in operating cost for the Company's newly established subsidiaries during the Reporting Period; which was partially offset by (iii) the decrease in legal and professional fees as an absence of the recognition of the legal and professional fees in relation to the mandatory conditional cash offers, which was closed in July 2018 and the decrease in amortisation of intangible assets.

**Impairment losses and write-off**

For the year ended 31 March 2019, the Group incurred the following one-off impairment losses and write-off (2020: nil), which attributable to:

***Impairment loss of goodwill***

The Group was of the opinion, based on the impairment assessment of the cash-generating unit of developing and manufacturing of education and security system for protection of the students' safety in the PRC ("**e-Education CGU**"), the goodwill allocated to e-Education segment is fully impaired by approximately HK$5,255,000 for the year ended 31 March 2019 (2020: nil) in respect of the carrying amount of the goodwill which arose from the acquisition of China Bei Dou Communications Technology Group Limited in 2016, it was mainly due to unfavourable changes in the business and operation environment of e-Education CGU and its business plan in which the Group did not carry out this business as previously planned for the year ended 31 March 2019.

### *Impairment loss on prepayments and receivables/loan*

The Group's impairment loss on prepayments and receivables/loan was mainly attributable to (i) the one-off impairment loss on loan to an associate of approximately HK$3,539,000 (2020: nil) and amount due from an associate of approximately HK$150,000 (2020: nil) after reviewing the financial status of the associated company, in which the associate was suffered from a significant market downturn in the gaming industry and uncertain government policies on its gaming business; (ii) the one-off impairment loss on amount due from a non-controlling equity holder of a subsidiary of approximately HK$2,004,000 for the year ended 31 March 2019 (2020: nil) in relation to the equity holder of an indirect subsidiary of the Company of the e-Education segment; and (iii) the recognition of impairment loss on prepayments and other receivables of approximately HK$2,788,000 for the year ended 31 March 2019 (2020: nil).

### *Write-off of other intangible assets*

The Group's write-off of other intangible assets was mainly attributable to (i) the Company wrote-off the carrying amount of certain mobile game licenses in the Mobile Gaming Business of approximately HK$13,237,000 for the year ended 31 March 2019 (2020: nil) mainly due to the suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 has caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players. (ii) the Company wrote-off certain software and platform of e-Education segment with the carrying amount of approximately HK$4,000,000 (2020: nil) because the platform became inaccessible by the Group as the developers of the platform which were also engaged to maintain the platform have closed down for the year ended 31 March 2019.

### *Impairment loss on interests in associates*

A one-off impairment loss on interests in associates of approximately HK$16,450,000 for the year ended 31 March 2019 (2020: nil) had been made due to the suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 had caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players; moreover, the regulatory practices of mobile game industry in the PRC had become more restrictive making the operating environment uncertain, risky and difficult to Magn Investment Limited and its subsidiaries and therefore, the future profitability and hence expected future cash inflows are significantly and negatively impacted.

### Finance costs

The Group's finance costs increased by approximately HK$151,000 or 6.6% from approximately HK$2,294,000 for the year ended 31 March 2019 to approximately HK$2,445,000 for the year ended 31 March 2020. The increase in the finance costs was mainly due to the increase in accrued interest on a promissory note for the year ended 31 March 2020.

### Loss for the period

Loss attributable to owners of the Company for the year ended 31 March 2020 decreased by approximately HK$46,365,000 from approximately HK$85,171,000 for the year ended 31 December 2019 to approximately HK$38,806,000 for the year ended 31 March 2020. The decrease in the Group's loss for the Reporting Period was mainly due to the reasons and factors as mentioned above.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Capital structure

The management reviews the capital structure regularly. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts. As at 31 March 2020, the share capital and capital deficiency attributable to owners of the Company amounted to approximately HK$12,463,000 and HK$7,203,000, respectively (2019: the share capital and total equity attributable to owners of the Company approximately HK$12,437,000 and HK$27,339,000, respectively). The Group has a promissory note which is payable to a former director of the Company.

### Cash position

As at 31 March 2020, the cash at banks and in hand of the Group amounted to approximately HK$16,420,000 (2019: approximately HK$44,409,000), representing a decrease of approximately HK$27,989,000 as compared to 31 March 2019.

### Charges over assets of the Group

As at 31 March 2019 and 2020, none of the Group's assets had been pledged.

### Gearing ratio

As at 31 March 2020, the gearing ratio of the Group was (501.0)% (2019: 94.6%). The gearing ratio is calculated based on the total debt at the end of the relevant period divided by the total equity at the end of the relevant period. Total debt includes the Promissory Note, loan from immediate holding company, loan from a related company and amounts due to a related party. As at 31 March 2020, the Group did not have any bank borrowings, bank overdrafts and obligations under finance leases.

**Capital expenditure**

The Group acquired property, plant and equipment amounted to approximately HK$6,454,000 from direct purchases amounted to approximately HK$21,000 and acquisition of subsidiaries amounted to approximately HK$6,433,000 for the year ended 31 March 2020 which mainly comprises of addition of right-of-use assets under leaseland and buildings and acquisition of furniture and equipment (for the year ended 31 March 2019: approximately HK$62,000). The Group also acquired goodwill amounted to approximately HK$1,165,000 through acquisition of subsidiaries.

**Capital commitments**

As at 31 March 2020, the Group had no capital commitments (2019: nil).

**Foreign exchange risk**

The Group's business operations are primarily conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the year ended 31 March 2020, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2020.

**Contingent liabilities**

As at 31 March 2019 and 2020, the Group had no material contingent liabilities.

**Significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and plans for material investments or capital assets**

Save as disclosed in this announcement, during the year ended 31 March 2020, the Company did not have any significant investment and had no material acquisition or disposal of subsidiaries or affiliated companies. As at 31 March 2020 the Company did not have any plans for material investments or capital assets.

### Use of proceeds from rights issue

On 6 March 2019, the Company conducted the rights issue (the "**Rights Issue**") to raise approximately HK$41.5 million before expenses by issuing up to 414,554,218 rights shares at the subscription price of HK$0.10 per rights share on the basis of one (1) rights share for every two (2) shares held by the qualifying shareholders. The Rights Issue was fully subscribed and completed on 29 March 2019 and approximately HK$40.6 million of net proceeds was received by the Company. For detailed breakdown and description of the intended use of proceeds, please refer to the announcements of the Company dated 20 February 2019 and 28 March 2019 and the prospectus of the Company in relation to the Right Issue dated 7 March 2019. As at 31 March 2019, the Company has not utilized any of the proceeds of the Rights Issue and such funds are held as deposits with a licensed bank. During the Reporting Period, the actual use of the net proceeds of the Rights Issue is as follows:

| Date of announcements and prospectus | Description | Net proceeds raised | Intended use of net proceeds | Actual use of net proceeds as at 31 March 2020 |
|---|---|---|---|---|
| 20 February 2019, 7 March 2019 and 28 March 2019 | Rights issue on the basis of one rights share for every two shares of the subscription price of HK$0.10 per rights share | Approximately HK$40.6 million | (i) Approximately 40% of the net proceeds for the development of the provision of business advisory and management services | (i) Fully used as intended |
| | | | (ii) Approximately 25% of the net proceeds for strengthening the ongoing operations fo the Group's security guarding business and to ensure the quality of the Group's security guarding services | (ii) Fully used as intended |
| | | | (iii) Approximately 35% of the net proceeds for the Group's general working capital | (iii) Approximately 27.5% of the net proceeds was used as intended |

As at 31 March 2020, the Group planned to use the remaining net proceeds of approximately HK$3,045,000, which were held as deposits with a licensed bank, for the Group's general working capital. The remaining unutilized net proceeds are estimated to be fully utilized in the next six months.

## EMPLOYEES AND REMUNERATION POLICY

The Group had 586 employees as at 31 March 2020 (2019: 380 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high-quality staff and to enable smooth operations within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The Group's remuneration policy is revised periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are employed.

On 18 April 2019 and 5 September 2019, the Group granted the share options to the eligible participants including employees within the Group and certain Directors under the share option scheme adopted by the Company on 31 July 2014 (the "**Scheme**") to motivate and compensate their contributions to the Group. Details of the grant of the share options are set out in the Company's announcement dated 18 April 2019 and 5 September 2019.

### Training and development

Our security services are mainly divided into three parts: security guard services, event security services and VIP escorting services. All of our security staff personnel obtain the Security Patrol Permit to ensure the competence in providing security service for our clients. We value the experience and capability of our staff to elevate our service quality. Our on-the-job patrol monitoring system helps to guide and assist employees to achieve optimal performances. Our goal is to supervise and ensure customers' needs are satisfied. Training plans are established for new and existing employees to connect them to our values and assist them to perform their roles. Our training purpose is also to foster a safe environment for all employees against sexual harassment and promote efficient internal communication between employees and management. We comply with the appropriate local laws and regulations in relation to the restrictions on the employment of child and forced labor. Our employees are properly vetted to ensure they are of proper working age.

## DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 March 2020 (2019: nil).

## CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2020.

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of chief executive officer (the "**CEO**") until the appointment of Mr. Song Xiaoming as the chairman and the re-designation of Ms. Pang as the CEO on 6 August 2019. Before the re-designation of Ms. Pang Xiaoli as the CEO, the Company has appointed several staff at the subsidiary level for each business segment, who were responsible for the oversight of each business segment's operations.

## AUDIT COMMITTEE

The Audit Committee is responsible to make recommendation to the Board on the appointment and removal of external auditor, to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee reviews the quarterly, interim and annual reports before submission to the Board. At least one member has an appropriate professional qualification or accounting or related financial management expertise. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

Senior representatives of the external auditor, executive Directors and senior executives are invited to attend the meetings, if required. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

During the Reporting Period and up to the date of this announcement, the members of the Audit Committee have been and are:

Mr. Zhao Jinsong *(Chairman)*
Ms. Guan Yan
Mr. Li Zhongfei

### Summary of Works

During the year ended 31 March 2020, the Audit Committee reviewed the audited annual results for the year ended 31 March 2019, the unaudited quarterly results for the three months ended 30 June 2019, six months ended 30 September 2019 and nine months ended 31 December 2019; made recommendations to the Board on the terms of engagement of the external auditors; and reviewed the system of risk management and effectiveness of the internal control and the Group's internal audit function on an ongoing basis, and its other duties in accordance with the Audit Committee's written terms of reference. The Audit Committee had also reviewed audited annual results for the financial year ended 31 March 2020 and this announcement, and it has agreed with the auditor of the Company on the annual results of the Group for the financial year ended 31 March 2020 and confirmed that this announcement complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Board is of the view that the Audit Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this announcement.

The terms of reference of the Audit Committee are in line with the CG Code and are posted on the websites of the Company and the Stock Exchange. Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary quarterly results, interim results and annual financial statements and to monitor the integrity of the financial statements of the Group, to review the scope, extent and effectiveness of the Group's internal control system, internal audit and risk management matters and to review the Group's financial and accounting policies.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Group's auditor, BDO Limited, as to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor of the Group, BDO Limited, has issued an opinion with a material uncertainty related to going concern paragraph on the consolidated financial statements of the Group for the Reporting Period. An extract of the independent auditor's report in respect of the material uncertainty related to going concern paragraph is set out below.

***"Opinion***

*In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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.*

***Material Uncertainty Related to Going Concern***

*We draw attention to note 3 to the consolidated financial statements, which indicates that the Group incurred a loss for the year ended 31 March 2020 of HK$38,899,000, and as at 31 March 2020, the Group has net current liabilities of HK$19,272,000 and capital deficiency of HK$6,268,000, among which outstanding borrowings of HK$29,526,000, including promissory note payable of HK$22,550,000 and loans from related parties of HK$6,976,000, are due to repayment within one year from the end of the reporting period. As stated in note 3 to the financial statements, these conditions, along with other matters as set forth in note 3, indicate the existence of a material uncertainty 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."*

## ANNUAL RESULTS

The Board of Directors (the "**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**"), for the year ended 31 March 2020, together with the comparative audited figures for the year ended 31 March 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

| | | 2020 | 2019 |
|---|---|---|---|
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **Revenue** | *5* | **41,150** | 36,902 |
| Cost of services rendered | | **(32,051)** | (38,327) |
| **Gross profit/(loss)** | | **9,099** | (1,425) |
| Other income and losses, net | *6* | **601** | 2,365 |
| Administrative expenses | | **(46,139)** | (39,653) |
| Impairment loss on goodwill | *12* | **–** | (5,255) |
| Impairment loss on prepayments and receivables/loan | | **–** | (8,481) |
| Write-off of other intangible assets | *13* | **–** | (17,237) |
| Impairment loss on interests in associates | | **–** | (16,450) |
| Finance costs | *7* | **(2,445)** | (2,294) |
| **Loss before income tax** | *8* | **(38,884)** | (88,430) |
| Income tax expense | *9* | **(15)** | (43) |
| **Loss for the year** | | **(38,899)** | (88,473) |
| **Other comprehensive income that may be reclassified subsequently to profit or loss:** | | | |
| Exchange difference on translation of financial statements of foreign operations | | **(369)** | (524) |
| Other comprehensive income for the year | | **(369)** | (524) |
| **Total comprehensive income for the year** | | **(39,268)** | (88,997) |

| | Notes | **2020** *HK$'000* | 2019 *HK$'000* |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(38,806)** | (85,171) |
| Non-controlling interests | | **(93)** | (3,302) |
| | | **(38,899)** | (88,473) |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **(39,226)** | (85,597) |
| Non-controlling interests | | **(42)** | (3,400) |
| | | **(39,268)** | (88,997) |
| | | ***HK cents*** | *HK cents* |
| **Loss per share for loss attributable to owners of the Company** | *11* | | |
| – Basic and diluted | | **(3.12)** | (9.33) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2020*

| | Notes | 2020<br>*HK$'000* | 2019<br>*HK$'000* |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **13,306** | 9,684 |
| Goodwill | *12* | **1,165** | – |
| Other intangible assets | *13* | **356** | 934 |
| Amount due from the non-controlling equity holder of a subsidiary | | **210** | 225 |
| | | **15,037** | 10,843 |
| **Current assets** | | | |
| Trade receivables | *14* | **23,166** | 2,629 |
| Prepayments, deposits and other receivables | | **3,379** | 2,036 |
| Tax recoverables | | **–** | 1,590 |
| Cash at banks and in hand | | **16,420** | 44,409 |
| | | **42,965** | 50,664 |
| **Current liabilities** | | | |
| Trade payables | *15* | **14,828** | 693 |
| Accrued expenses and other payables | | **15,234** | 10,813 |
| Loans from related parties | | **6,976** | 2,733 |
| Amounts due to related parties | | **1,879** | 1,286 |
| Amount due to an associate | | **349** | 373 |
| Lease liabilities | | **421** | – |
| Promissory note payable | | **22,550** | 20,150 |
| | | **62,237** | 36,048 |
| **Net current (liabilities)/assets** | | **(19,272)** | 14,616 |
| **Total assets less current liabilities** | | **(4,235)** | 25,459 |
| **Non-current liabilities** | | | |
| Contingent consideration payable | | **2,033** | – |
| **Net (liabilities)/assets** | | **(6,268)** | 25,459 |

| | Notes | **2020** | 2019 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *16* | **12,463** | 12,437 |
| Reserves | | **(19,666)** | 14,902 |
| | | **(7,203)** | 27,339 |
| Non-controlling interests | | **935** | (1,880) |
| **(Capital deficiency)/Total equity** | | **(6,268)** | 25,459 |

## 1. GENERAL INFORMATION

Greatwalle Inc. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2014. The Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Room 2008, 20th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 August 2014.

The principal activity of the Company is investment holding.

The directors of the Company considered the Company's ultimate holding company as at 31 March 2020 is Shenzhen Great Walle Investment Corp., LTD. ("Shenzhen Great Walle"), a company established in the People's Republic of China and its ultimate controlling party is Mr. Song Xiaoming ("Mr. Song").

The consolidated financial statements for the year ended 31 March 2020 were approved for issue by the board of directors on 19 June 2020.

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

### (a) Adoption of new/revised HKFRSs – effective 1 April 2019

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual year beginning on 1 April 2019:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 3, Business Combinations |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 11, Joint Arrangements |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 12, Income Taxes |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 23, Borrowing Costs |

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

***HKFRS 16 – Leases***

*(i) Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, (SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and there are no adjustment to the opening balance of equity at 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 March 2019 to that as at 1 April 2019 as follows (increase/(decrease)):

| | *HK$'000* |
|---|---|
| *Consolidated statement of financial position as at 1 April 2019* | |
| Property, plant and equipment – right-of-use assets | 5,938 |
| Property, plant and equipment – leasehold land and buildings | (4,530) |
| Lease liabilities (current) | 987 |
| Lease liabilities (non-current) | 421 |

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019:

| | *HK$'000* |
|---|---|
| *Reconciliation of operating lease commitment to lease liabilities* | |
| Operating lease commitment as at 31 March 2019 | 1,425 |
| Less: short term leases for which lease terms end within 31 March 2020 | (967) |
| Less: leases of low-value assets | (79) |
| Add: lease included an extension option which the Group considers reasonably certain to exercise | 1,066 |
| Less: future interest expenses | (37) |
| Total lease liabilities as at 1 April 2019 | 1,408 |

The lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 April 2019 is 3.59%.

*(ii)* *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

*(iii)* *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether 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 HKFRS 16 provides accounting policy choices 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 (the Group has leased printing machines) 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.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

*Right-of-use asset*

The right-of-use asset 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. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

*Lease liability*

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be 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 shall use 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.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (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.

*(iv)* *Transition*

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and there are no adjustment to the opening balance of equity at 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2020.

The Group has also applied the following practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (ii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 April 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

***HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments***

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

***Amendments to HKFRS 9 – Prepayment Features with Negative Compensation***

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

***Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures***

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

***Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 3, Business Combinations***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

***Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 11, Joint Arrangements***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

***Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 12, Income Taxes***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

***Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 23, Borrowing Costs***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

The following new/revised HKFRSs, potentially relevant to the Group's 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 HKFRS 3 | Definition of a Business[1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[1] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions[3] |

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

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

***Amendments to HKFRS 3 – Definition of a Business***

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

***Amendments to HKAS 1 and HKAS 8 – Definition of Material***

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

***Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform***

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

***Amendments to HKFRS 16 – Covid-19-Related Rent Concessions***

The amendments provide lessees with an exemption from the requirement to determine whether a Covid-19-related rent concession is a lease modification and require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications. The criteria must be satisfied for a rent concession to qualify for the practical expedient.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

## 3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The Group incurred a loss for the year ended 31 March 2020 of HK$38,899,000, and as at 31 March 2020, the Group has net current liabilities of HK$19,272,000 and capital deficiency of HK$6,268,000, among which outstanding borrowings of HK$29,526,000, including promissory note payable of approximately HK$22,550,000 and loans from related parties of approximately HK$6,976,000, are due for repayment within one year from the end of the reporting period. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

For the purpose of the going concern assessment, the directors of the Company have prepared a cash flow forecast with due and careful consideration of the Group's future liquidity and financial performance, and also considered its available sources of financing.

Leveraged on advantages in operation, management system and branding of security guarding business in Hong Kong, the Group provides professional services to other similar industries in order to further develop its business. It is expected that the financial performance of the Group's security guarding business in Hong Kong would continue to improve given the Group has enhanced the business relationship with its major customers since the second half of the current reporting period. During the year, the Group has also expanded its security guarding business to PRC by acquiring Shandong Zhong Jun Wei Shi Security Group Co., Limited. It is expected the revenue from security guarding business in PRC will continue to grow in the coming year.

It is expected the Group would continue to develop its asset management business in the coming year. At the date of authorisation of these financial statements, the Group has obtained a private equity fund manager license from the Asset Management Association of China in the PRC, and licenses to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance in Hong Kong.

In addition to the above the directors of the Company have adopted or in the process of adopting the following measures in order to strengthen the Group's financial position, liquidity and cash flows:

(a) On 5 June 2020, the Company has entered into a loan facility agreement with the intermediate holding company, Guangzhou Nansha Huiming Investment Business Company Limited ("Huiming"). Pursuant to the agreement, Huiming has granted a loan facility of HK$40,000,000 to the Company, in which the Company can utilise the loan facility at any time until 31 December 2021. The loan to be granted under this agreement is unsecured, repayable within 1 year at the date of draw down without a repayable on demand clause, and interest-bearing at 1% per annum;

(b) As at 31 March 2020, the aggregate outstanding amount of the loans from related parties was HK$6,976,000 (including loan from Huiming of HK$5,474,000 and loan from a fellow subsidiary of HK$1,502,000), and aggregate outstanding amount of amounts due to related parties was HK$1,879,000 (including amount due to ultimate holding company of HK$273,000 and amount due to fellow subsidiaries of HK$1,606,000); in June 2020, these related parties have undertaken to and confirmed in writing for not to demand repayment of loans and debts due from the Group within next twelve months from the end of the reporting period and until such time when the repayment will not affect the Group's ability to repay other creditors in the normal course of business, whichever is longer;

(c) As at 31 March 2020, the outstanding amount of the promissory note was HK$22,550,000, which would fall due for repayment on 5 October 2020. The Group has been actively liaising with Mr. Fu Yik Lung, being the noteholder, for a further extension beyond 5 October 2020. Subsequent to the end of the reporting period and up to the date of authorisation for issue of these consolidated financial statements, the Group has entered into a letter of intent with the noteholder in respect of the mutual willingness to extend the maturity date of the promissory note to 5 October 2021 when it becomes mature on 5 October 2020.

In considering the these measures regarding the operating and financing aspects of the Group, the directors have taken into account the possible impact of the COVID-19 pandemic on the Group's future business, and have assessed the ability of the relevant parties to provide the necessary funds when the funding needs arise in different time or in different amounts over the forecast period. In making the assessment, the directors also considered the impact to the financial performance and financial position of the Group should the Group's business does not perform as expected and not be able to generate positive cash flows to the Group.

Based on the above, the directors of the Company considered the Group will have sufficient working capital to finance its operations and to meet its financial obligations that will be fall due within next twelve months from 31 March 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

There is a material uncertainty related to the outcomes of the above events and conditions, and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

## 4. SEGMENT INFORMATION

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.

The executive directors have identified the Group's reportable segments as follows. These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

(a) "Security Guarding" segment involves provision of security guarding services;

(b) "Asset Management" segment involves provision of business advisory and assets management services;

(c) "Mobile Game" segment involves provision of mobile game business;

(d) "e-Education" segment involves provision of students' e-Education and security services

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that fair value change on contingent consideration payable, interest income from loan to an associate, impairment loss on interests in associates, finance costs, corporate income and expenses as incurred by the Group's headquarter and income tax expense are excluded from segment results.

The segment result of Asset Management previously presented in all other segment has been re-presented as Asset Management segment, so comparative figures have been re-presented to conform to the current year's presentation.

No asymmetrical allocations have been applied to reportable segments.

Revenue generated, (loss)/profit incurred from operations, total assets and liabilities by each of the Group's operating segments are summarised as follows:

| | Security Guarding | | Asset Management | | Mobile Game | | e-Education | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Revenue from external customers** | **38,851** | 36,211 | **2,299** | 691 | **–** | – | **–** | – | **41,150** | 36,902 |
| **Total segment (loss)/profit from operations** | **(4,319)** | (19,782) | **(11,907)** | 625 | **(16)** | (21,381) | **(126)** | (13,540) | **(16,368)** | (54,078) |
| Fair value change on contingent consideration payable | | | | | | | | | **166** | – |
| Interest income from loan to an associate | | | | | | | | | **–** | 258 |
| Impairment loss on interests in associates | | | | | | | | | **–** | (16,450) |
| Finance costs | | | | | | | | | **(2,445)** | (2,294) |
| Unallocated corporate income | | | | | | | | | **169** | 805 |
| Unallocated corporate expenses | | | | | | | | | **(20,406)** | (16,671) |
| Loss before income tax | | | | | | | | | **(38,884)** | (88,430) |
| Income tax expense | | | | | | | | | **(15)** | (43) |
| **Loss for the year** | | | | | | | | | **(38,899)** | (88,473) |

There was no inter-segments transfer during the years ended 31 March 2020 and 2019.

Unallocated corporate expenses mainly comprise legal and professional fees, remuneration and salaries.

| | Security Guarding | | Asset Management | | Mobile Game | | e-Education | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Other segment information** | | | | | | | | | | |
| Depreciation of property, plant and equipment | **1,406** | 1,878 | **1,028** | – | **–** | 1 | **–** | 437 | **2,434** | 2,316 |
| Unallocated depreciation of property, plant and equipment | | | | | | | | | **6** | – |
| | | | | | | | | | **2,440** | 2,316 |
| Amortisation of other intangible assets | **578** | 1,345 | **–** | – | **–** | – | **–** | 475 | **578** | 1,820 |
| Write-off of other intangible assets | **–** | – | **–** | – | **–** | 13,237 | **–** | 4,000 | **–** | 17,237 |
| Impairment loss on goodwill | **–** | – | **–** | – | **–** | – | **–** | 5,255 | **–** | 5,255 |
| Impairment loss on amount due from the non-controlling equity holder of a subsidiary | **–** | – | **–** | – | **–** | – | **–** | 2,004 | **–** | 2,004 |
| Impairment loss on prepayments | **–** | – | **–** | – | **–** | 2,152 | **–** | 513 | **–** | 2,665 |
| Impairment loss on other receivables | **–** | – | **–** | – | **–** | – | **–** | 123 | **–** | 123 |
| Impairment loss on loan to an associate | **–** | – | **–** | – | **–** | 3,539 | **–** | – | **–** | 3,539 |
| Impairment loss on amount due from an associate | **–** | – | **–** | – | **–** | 150 | **–** | – | **–** | 150 |
| Income tax expense | **11** | – | **4** | 43 | **–** | – | **–** | – | **15** | 43 |
| Capital expenditure | **7,380** | 62 | **239** | – | **–** | – | **–** | – | **7,619** | 62 |

* Capital expenditure consists of additions to property, plant and equipment, goodwill and other intangible assets.

All assets are allocated to operating segments other than unallocated assets (mainly comprising tax recoverables, certain other receivables and certain cash and cash equivalents).

| | Security Guarding | | Asset Management | | Mobile Game | | e-Education | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment assets** | **41,981** | 16,645 | **8,305** | 283 | **117** | 123 | **455** | 515 | **50,858** | 17,566 |
| Tax recoverables | | | | | | | | | **–** | 1,590 |
| Corporate cash at banks and in hand | | | | | | | | | **6,524** | 41,684 |
| Other corporate assets | | | | | | | | | **620** | 667 |
| **Total assets** | | | | | | | | | **58,002** | 61,507 |

All liabilities are allocated to operating segments other than unallocated liabilities (mainly contingent consideration payable, comprising promissory note payable and certain other payables).

| | Security Guarding | | Asset Management | | Mobile Game | | e-Education | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment liabilities | **23,196** | 4,924 | **1,266** | – | **1,048** | 1,069 | **2,255** | 2,442 | **27,765** | 8,435 |
| Contingent consideration payable | | | | | | | | | **2,033** | – |
| Promissory note payable | | | | | | | | | **22,550** | 20,150 |
| Other corporate liabilities | | | | | | | | | **11,922** | 7,463 |
| **Total liabilities** | | | | | | | | | **64,270** | 36,048 |

**Geographic information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets"). The geographical location of customers is based on the location at which the services are rendered. For goodwill and intangible assets, the geographical location is based on the areas of operation. The geographical location of other specified non-current assets is based on the physical location of the assets.

| | Revenue from external customers | | Specific non-current assets | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **33,000** | 36,211 | **7,248** | 10,618 |
| The People's Republic of China ("PRC") | **8,150** | 691 | **7,579** | 1 |
| | **41,150** | 36,902 | **14,827** | 10,619 |

**Information about major customers**

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **24,530** | 6,467 |
| Customer B | **N/A** | 3,900 |

## 5. REVENUE

The principal activities of the Group are provision of security guarding services and provision of business advisory and asset management services.

### Disaggregation of revenue information

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | ***HK$'000*** |
| Provision of security guarding services | **38,851** | 36,211 |
| Provision of business advisory and asset management services | **2,299** | 691 |
| | **41,150** | 36,902 |

### Timing of revenue

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Transferred over time | **41,150** | 36,902 |

## 6. OTHER INCOME AND LOSSES, NET

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **35** | – |
| Imputed interest income on amount due from the non-controlling equity holder of a subsidiary | **–** | 106 |
| Exchange gain | **112** | – |
| Interest income from loan to an associate | **–** | 258 |
| Interest income from amount due from a related party | **–** | 26 |
| Bad debt recovery | **–** | 448 |
| Fair value change on contingent consideration payable | **166** | – |
| Sundry income | **288** | 1,527 |
| | **601** | 2,365 |

## 7. FINANCE COSTS

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest charges on promissory note | **2,400** | 2,261 |
| Interest charges on loans from related parties | **12** | 33 |
| Interest on lease liabilities | **33** | – |
| | **2,445** | 2,294 |

## 8. LOSS BEFORE INCOME TAX

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

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration[1] | | |
| – Provision for the year | **850** | 850 |
| – (Over)/Under-provision in respect of prior years | **(76)** | 94 |
| | **774** | 944 |
| Amortisation of other intangible assets[1] | **578** | 1,820 |
| Bad debts written-off[1] | **27** | – |
| Cost of services rendered | **32,051** | 38,327 |
| Depreciation of property, plant and equipment[1] | | |
| – Owned property, plant and equipment | **893** | 2,316 |
| – Right-of-use assets included: | | |
| – Ownership interest leasehold land and buildings | **251** | – |
| – Other properties leased for own use | **1,296** | – |
| | **2,440** | 2,316 |
| Short-term leases expenses | **5,944** | – |
| Low-value assets leases expenses | **73** | – |
| Employee benefits expenses (including directors' emoluments): | | |
| Salaries, allowances and benefits in kind included in: | | |
| – Cost of services rendered | **17,193** | 34,929 |
| – Administrative expenses | **19,563** | 11,354 |
| Retirement benefits – Defined contribution plans[3] included in: | | |
| – Cost of services rendered | **519** | 1,434 |
| – Administrative expenses | **143** | 148 |
| Equity-settled share options expenses[1] | **4,445** | 5,788 |
| | **41,863** | 53,653 |
| Legal and professional fees[1] | **2,839** | 5,721 |
| (Gain)/Loss on disposal of property, plant and equipment[1] | **(2)** | 187 |
| Write-off of property, plant and equipment[1] | **1,647** | 325 |
| Write-off of other intangible assets | **–** | 17,237 |
| Impairment loss on trade receivables[1] | **422** | – |
| Impairment loss on goodwill | **–** | 5,255 |
| Impairment loss on interests in associates | **–** | 16,450 |
| Impairment loss on amount due from the non-controlling equity holder of a subsidiary[2] | **–** | 2,004 |
| Impairment loss on prepayments[2] | **–** | 2,665 |
| Impairment loss on other receivables[2] | **–** | 123 |
| Impairment loss on loan to an associate[2] | **–** | 3,539 |
| Impairment loss on amount due from an associate[2] | **–** | 150 |
| Operating lease charges in respect of: | | |
| – Rented premises | **–** | 1,941 |
| – Office equipment | **–** | 65 |
| | **–** | 2,006 |

1 included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income

2 included in "Impairment loss on prepayments and receivables/loan" in the consolidated statement of profit or loss and other comprehensive income

3 no forfeited contributions available for offset against existing contributions during the year

## 9. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| – PRC Enterprise Income Tax ("EIT") | | |
| – Tax for the year | **15** | 43 |
| Deferred tax | | |
| – Charged for the year | **–** | – |
| | **15** | 43 |

The Company was incorporated in the Cayman Islands that is tax-exempted as no business is carried out in the Cayman Islands under the laws of the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year. EIT is calculated on estimated assessable profits of the subsidiaries' operations in PRC at 25% (2019: 25%). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

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

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before income tax | **(38,884)** | (88,430) |
| Tax calculated at the statutory tax rate applicable to profits in the respective jurisdictions | **(8,427)** | (12,959) |
| Tax effect on non-deductible expenses | **6,340** | 10,217 |
| Tax effect on non-taxable income | **(43)** | (113) |
| Tax effect of temporary difference not recognised | **(93)** | (1) |
| Tax effect of tax losses not recognised | **2,238** | 2,899 |
| Income tax expense | **15** | 43 |

## 10. DIVIDEND

No dividend has been paid or declared by the Company during the year (2019: Nil).

## 11. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

| | **2020** | 2019 |
|---|---|---|
| **Loss** | ***HK$'000*** | ***HK$'000*** |
| Loss for the year attributable to the owners of the Company | **(38,806)** | (85,171) |

| | **2020** | 2019 |
|---|---|---|
| **Number of shares** | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic loss per share | **1,244,434** | 913,136 |

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of approximately 1,244,434,000 (2019: 913,136,000) ordinary shares in issue.

No adjustment had been made to the basic loss per share amounts presented for the years ended 31 March 2020 and 31 March 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 12. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combination is as follows:

| Cost | **2020**<br>***HK$'000*** | 2019<br>*HK$'000* |
|---|---|---|
| At the beginning of the year | **–** | 5,255 |
| Acquisition of Zhong Jun Wei Shi *(note 17(a))* | **972** | – |
| Acquisition of Huiyu *(note 17(b))* | **224** | – |
| Impairment loss *(note (c))* | **–** | (5,255) |
| Exchange realignment | **(31)** | – |
| At the end of the year | **1,165** | – |

*Notes:*

**(a) PRC Security Guarding CGU**

Goodwill acquired through business combination has been allocated to the cash generating unit of provision of security guarding services in PRC ("PRC Security Guarding CGU") for impairment testing.

For the purpose of impairment testing, goodwill and the property, plant and equipment of PRC Security Guarding CGU have been allocated to PRC Security Guarding CGU.

The recoverable amount for the PRC Security Guarding CGU has been determined based on value-in-use calculations estimated by the management with reference to the valuation performed by an independent firm of professional valuer. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management. The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the historical performance, estimation of market development and future performance of the PRC Security Guarding CGU made by the management of the Group. The discount rate used is pre-tax and reflect specific risks relating to the industry in relation to PRC Security Guarding CGU.

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

| | **2020** |
|---|---|
| Terminal growth rate | **3%** |
| Discount rate | **18.25%** |

The key assumptions were determined by the management based on its expectations for the business development. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

**(b) Asset Management CGU**

Goodwill acquired through business combination of Guangzhou Huiyu Commercial Company Limited (note 17(b)) has been allocated to the cash generating unit of provision of assets management services ("Asset Management CGU") for impairment testing.

The recoverable amount for the Asset Management CGU has been determined based on value-in-use calculations estimated by the management with reference to the discount rate calculated by an independent firm of professional valuer. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management. The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the estimation of market development and future performance of the Asset Management CGU made by the management of the Group. The discount rate used is pre-tax and reflect specific risks relating to the industry in relation to the Asset Management CGU.

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

| | **2020** |
|---|---|
| Terminal growth rate | **–** |
| Discount rate | **13.7%** |

The key assumptions were determined by the management based on its expectations for the business development. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

**(c) e-Education CGU**

For the year ended 31 March 2019, goodwill acquired through business combination has been allocated to the cash-generating unit of developing and manufacturing of education and security system for protection of the students' safety in the PRC ("e-Education CGU") for impairment testing.

For the purpose of impairment testing, goodwill and the intangible assets of e-Education and security platform (note 13) have been allocated to e-Education CGU. For the year ended 31 March 2019, because the platform became unaccessible by the Group as the developers of the platform which were also engaged to maintain the platform have closed down. The intangible assets of e-Education and security platform with carrying amount of approximately HK$4,000,000 (note 13) were considered as written off after the review and were charged to the profit or loss.

The recoverable amount for the e-Education CGU has been determined based on a value-in-use calculation estimated by the management with reference to the valuation performed by an independent firm of professional valuers. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management. The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the estimation of market development and future performance of the e-Education CGU made by the management of the Group. The discount rate used was pre-tax and reflect specific risks relating to the industry in relation to the e-Education CGU.

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

| | **2019** |
|---|---|
| Terminal growth rate | **–** |
| Discount rate | **33.2%** |

For the year ended 31 March 2019, the Group was of the opinion, based on the impairment assessment of the e-Education CGU, the goodwill allocated to e-Education CGU is fully impaired by approximately HK$5,255,000 which was charged to profit or loss in the current year. The above impairment loss was mainly attributable to unfavourable changes in the business and operation environment of e-Education CGU and the Group did not carry out this business as previously planned. As at 31 March 2019, the cash-generating unit has been reduced to its recoverable amount of nil.

Apart from the considerations described in determining the value-in-use of the cash-generating unit above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

## 13. OTHER INTANGIBLE ASSETS

| | **Computerised operating and guarding system** *HK$'000* | **Mobile game licenses*** *HK$'000* | **e-Education and security platform** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2018 | 6,717 | 16,937 | 5,582 | 29,236 |
| Write-off | – | (16,937) | (5,221) | (22,158) |
| Exchange realignment | – | – | (361) | (361) |
| At 31 March 2019, 1 April 2019 and 31 March 2020 | 6,717 | – | – | 6,717 |
| **Accumulated amortisation and impairment** | | | | |
| At 1 April 2018 | 4,438 | 3,700 | 796 | 8,934 |
| Amortisation | 1,345 | – | 475 | 1,820 |
| Write-off | – | (3,700) | (1,221) | (4,921) |
| Exchange realignment | – | – | (50) | (50) |
| At 31 March 2019 and 1 April 2019 | 5,783 | – | – | 5,783 |
| Amortisation | 578 | – | – | 578 |
| **At 31 March 2020** | 6,361 | – | – | 6,361 |
| **Net book value** | | | | |
| **At 31 March 2020** | 356 | – | – | 356 |
| At 31 March 2019 | 934 | – | – | 934 |

* The mobile game licenses represented licenses fee for games under development, which were mobile games being licensed from developers and under modification. Upon completion of the significant modification and successful test for commercial production, the mobile games with finite useful life being measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses.

For the year ended 31 March 2019, the suspension of issuance of new mobile game launching approvals by the relevant Government departments of the PRC starting from the end of March 2018 has caused significant negative impact to the mobile game industry in the PRC as new mobile games could not be launched and hence money could not be received from paying players. Moreover, the regulatory practices of mobile game industry in the PRC has become more restrictive making the operating environment uncertain, risky and difficult to game publishers, operators and developers. In view of these, the Group has conducted a review of its mobile game licenses and concluded that these licenses with carrying amount of HK$13,237,000 needed to be written off and charged to profit or loss for the year since the developers are unable to complete the development of these mobile games.

For the year ended 31 March 2019, because the platform became unaccessible by the Group as the developers of the platform which were also engaged to maintain the platform have closed down. The intangible assets of e-Education and security platform with carrying amount of approximately HK$4,000,000 were written off and were charged to the profit or loss.

## 14. TRADE RECEIVABLES

The ageing analysis of trade receivables (net of impairment loss) based on invoice dates, as of the end of the reporting period is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not more than 30 days | **11,911** | 1,211 |
| 30-90 days | **10,069** | 1,231 |
| Over 90 days | **1,186** | 187 |
| | **23,166** | 2,629 |

## 15. TRADE PAYABLES

The ageing analysis of the Group's trade payables, based on invoice dates, is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not more than 30 days | **5,811** | – |
| 30-90 days | **8,295** | – |
| Over 90 days | **722** | 693 |
| | **14,828** | 693 |

## 16. SHARE CAPITAL

| | Number of ordinary shares of HK$0.001 each | Number of ordinary shares of HK$0.01 each | Amount |
|---|---|---|---|
| | | | *HK$'000* |
| **Authorised:** | | | |
| At 1 April 2018 | 20,000,000,000 | – | 20,000 |
| Share consideration *(note (ii))* | (20,000,000,000) | 2,000,000,000 | – |
| At 31 March 2019 and 2020 | – | 2,000,000,000 | 20,000 |
| **Issued:** | | | |
| At 1 April 2018 | 7,869,794,432 | – | 7,870 |
| Share of options exercised *(note (i))* | 339,200,000 | 8,208,994 | 421 |
| Share consolidation *(note (ii))* | (8,208,994,432) | 820,899,443 | – |
| Issue of shares under Rights Issue *(note (iii))* | – | 414,554,218 | 4,146 |
| At 31 March 2019 and 1 April 2019 | – | 1,243,662,655 | 12,437 |
| Share of options exercised *(note (iv))* | – | 2,654,868 | 26 |
| **At 31 March 2020** | – | 1,246,317,523 | 12,463 |

*Notes:*

(i) During the year ended 31 March 2019, the subscription rights attaching to 339,200,000 and 8,208,994 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.02 and HK$0.265 per share respectively, resulting in the issue of aggregate of 339,200,000 and 8,208,994 shares of HK$0.001 and HK$0.01 each respectively for a total cash consideration of approximately HK$8,959,000. The premium received was credited to the share premium account.

(ii) With effect from 5 September 2018, every ten (10) issued and unissued shares of the Company of HK$0.001 each were consolidated into one (1) consolidated share of the Company of HK$0.01 each.

(iii) During the year ended 31 March 2019, 414,554,218 ordinary shares of the Company were issued under a rights issue at the subscription price of HK$0.1 per share on the basis of one rights share for every two ordinary shares of the Company held on 6 March 2019 (the "Rights Issue"). The gross proceeds from the Rights Issue are approximately HK$41,456,000. The net proceeds after deducting the underwriting commission and other related expenses of approximately HK$895,000 were approximately HK$40,561,000.

(iv) During the year ended 31 March 2020, the subscription rights attaching to 2,654,868 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.0904 per share respectively, resulting in the issue of aggregate of 2,654,868 shares of HK$0.01 each respectively for a total cash consideration of approximately HK$239,000. The premium received was credited to the share premium account.

## 17. BUSINESS COMBINATION

### (a) Acquisition of Shandong Zhong Jun Wei Shi Security Group Co., Limited ("Zhong Jun Wei Shi")

The fair value of identifiable assets acquired and liabilities assumed of Zhong Jun Wei Shi at the date of acquisition are as follows:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 6,433 |
| Trade and other receivables, deposits and prepayments | 2,315 |
| Cash and cash equivalents | 989 |
| Trade and other payables and accruals | (3,925) |
| Provision for taxation | (1) |
| Less: non-controlling interests | (2,848) |
| | 2,963 |
| The fair value of consideration transfer: | |
| Cash consideration paid | 1,684 |
| Fair value of the contingent consideration payable | 2,251 |
| Total fair value of the purchase consideration | 3,935 |
| Goodwill arising from the acquisition of Zhong Jun Wei Shi *(note 12)* | 972 |
| Net cash inflow arising from the acquisition: | |
| Cash and bank balances acquired | 989 |
| Cash consideration paid | (1,684) |
| Net cash outflow from the acquisition of Zhong Jun Wei Shi for the period | (695) |

**(b) Acquisition of Guangzhou Huiyu Commercial Company Limited ("Huiyu")**

The fair value of identifiable assets acquired and liabilities assumed of Huiyu as at the date of acquisition are as follows:

| | *HK$'000* |
|---|---|
| Deposits and other receivables | 9 |
| Amount due from a related party | 1,415 |
| Cash and cash equivalents | 10 |
| Amounts due to related parties | (537) |
| Less: non-controlling interests | (9) |
| | 888 |
| The fair value of consideration transfer: | |
| Cash consideration paid | 1,112 |
| Goodwill arising on the acquisition of Huiyu *(note 12)* | 224 |
| Net cash inflow arising from the acquisition: | |
| Cash and bank balances acquired | 10 |
| Cash consideration paid | (1,112) |
| Net cash outflow from the acquisition of Huiyu for the period | (1,102) |