DADI INTERNATIONAL GROUP LIMITED
大地國際集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8130)

ANNOUNCEMENT

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The Board (the "**Board**") of Directors (the "**Directors**") of Dadi International Group Limited (the "**Company**") hereby announces the audited results of the Company and its subsidiaries for the year ended 31 March 2023. This announcement, containing the full text of the annual report of the Company for the year ended 31 March 2023 (the "**Annual Report**"), complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcements of annual results.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.dadi-international.com.hk).

The Annual Report will be dispatched to holders of shares of the Company and published on the websites of the Company and the Stock Exchange in due course.

REVIEW OF THE RESULTS ANNOUNCEMENT

The Group's audited consolidated results for the year ended 31 March 2023 have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2023 have been agreed by the auditors of the Company, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standard on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standard on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on this announcement.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2023:

"**OPINION**

We have audited the consolidated financial statements of Dadi International Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 4 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$332,903,000 for the year ended 31 March 2023 and, as of that date, the Group's current liabilities exceeded its total assets by HK$336,320,000. Further, the Group had defaulted borrowings of approximately HK$605,431,000. These events or conditions, along with other matters as set forth in note 4 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

NON-FULFILLMENT OF PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF JINXIN KEYUAN

Reference is made to the announcements of the Company dated 28 December 2020, 19 January 2021 and 9 February 2021 (collectively the "**Acquisition Announcements**") pursuant to which the Company, Zhongtou Jinfu Technology Development (Beijing) Company Limited (眾投金服科技發展(北京)有限公司) (a wholly-owned subsidiary of the Company, currently known as Dadi Senrong Environment (Beijing) Company Limited (大地森榮環境(北京)有限公司) ("**Dadi Senrong**")) entered into an acquisition agreement (the "**Acquisition Agreement**") with Han Jin (韓晉), Wang Huaiyu (王懷宇), Zhao Yongde (趙永德) and Zhou Jin (周進) (collectively the "**Vendors**") on 28 December 2020 in relation to the acquisition of 60% of the equity interest in Shanxi Jinxin Keyuan Environmental Protection Science and Technology Company Limited (山西晉新科源環保科技有限公司) ("**Jinxin Keyuan**") at an initial consideration of RMB27 million (the "**Initial Consideration**") by way of allotment and issuance of an aggregate of 75,681,511 shares of the Company (the "**Consideration Shares**") to the Vendors.

Pursuant to the Acquisition Agreement, the Vendors jointly and severally guarantee and undertake to the Company and Dadi Senrong that (i) the revenue from the principal business of Jinxin Keyuan will grow year by year; and (ii) the audited net profit after deducting all extraordinary items of Jinxin Keyuan will be not less than the amounts set out below for the relevant years:

Relevant year	**Guaranteed Profit**
the year ending 31 December 2021	RMB5,500,000
the year ending 31 December 2022	RMB6,050,000
the year ending 31 December 2023	RMB6,655,000

If Jinxin Keyuan does not meet the above performance targets, the consideration for the said acquisition shall be adjusted in the manner set out in the Acquisition Agreement, pursuant to which the Company may repurchase part or all the consideration shares issued to the Vendors. Please refer to the Acquisition Announcements for further details.

Based on the information available to the Group, whereas the profit guarantee for the year ended 31 December 2021 had been met, Jinxin Keyuan recorded an audited net loss after deducting all extraordinary items for the year ended 31 December 2022 of approximately RMB5.4 million. This is mainly as a result of the impact of the COVID-19 pandemic during the year whereby Jinxin Keyuan had to incur relatively substantial costs in the procurement of the outsourced technical consultancy companies to carry out the on-site environmental consultancy works in light of the local lockdown policies in place from time to time, and the increased disbursements and advance payments made by the Group for the performance of the environmental projects against the background of a generalised delay in the settlement of service fees from various, as well as the net allowance of expected credit loss recognised in respect of the trade and bills receivables of Jinxin Keyuan following the credit risk assessment of certain customers. Please refer to the paragraphs headed "Cost of Sales" and "Allowance for Expected Credit Losses, Net" in the section headed "Management Discussion and Analysis – Financial Review" below for details. Accordingly, the profit guarantee for the year ended 31 December 2022 had not been met.

Pursuant to the terms of the Acquisition Agreement, whereas the audited net profit after deducting all extraordinary items of Jinxin Keyuan for each of the three years ending 31 December 2023 is less than RMB5 million, the Initial Consideration shall be adjusted by way of the Company being entitled to repurchase 100% of the Consideration Shares from the Vendors at nil consideration. For such purpose, the Company may (i) repurchase and cancel the Consideration Shares after the guaranteed period (namely, the three years ending 31 December 2023) (the "**Guaranteed Period**") but no later than 31 December 2024; and (ii) require the Vendors to return all distribution and dividends declared and paid by the Company before such repurchase (collectively the "**Redemption Rights**"). The Company would carry out the share repurchase after obtaining all regulatory approval(s).

Whereas in accordance with the Acquisition Agreement, the guaranteed profit shall take into account of the audited net profit after deducting all extraordinary items of Jinxin Keyuan for each of the three years ending 31 December 2023, and such period had yet to have expired as at the date of this announcement, the Company had yet to have exercised the Redemption Rights. To the best knowledge of the Company, there has not been any indication on the inability or unwillingness of the Vendors to full their obligations in relation to the profit guarantee. Meanwhile, the Company intends to exercise the Redemption Rights upon expiry of the Guaranteed Period in accordance with the terms of the Acquisition Agreement, and is in the course of seeking legal advice on the same. Accordingly, the Company considers that the above arrangement is fair and reasonable and in the interest of the shareholders of the Company as a whole.

Further announcements will be made by the Company to provide updates on the progress in respect thereof as and when appropriate in compliance with the applicable laws, rules and regulations.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "**AGM**") is scheduled to be held on Monday, 25 September 2023. For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 20 September 2023 to Monday, 25 September 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 19 September 2023.

By Order of the Board of
Dadi International Group Limited
Wu Xiaoming
Interim Chairman

Hong Kong, 30 June 2023

As at the date of this announcement, the Board comprises of an executive Director, namely Mr. Wu Xiaoming, two non-executive Directors, namely Mr. Ju Mengjun and Mr. Zhang Xiongfeng, and three independent non-executive Directors, namely Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors of the Company, 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.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at http://www.dadi-international.com.hk.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Dadi International Group Limited (the "Company" and together with its subsidiaries, the "Group") 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no any other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

Corporate Information

Executive Director

Mr. Wu Xiaoming *(Interim Chairman, Executive Vice Chairman and Chief Executive Officer)*

Non-executive Directors

Mr. Ju Mengjun
Mr. Zhang Xiongfeng

Independent Non-executive Directors

Dr. Zhang Wei
Mr. Law Yui Lun
Dr. Jin Lizuo

Joint Company Secretaries

Mr. Bai Mingjun
(appointed with effect from 1 April 2022)
Mr. Au Yeung Ming Yin Gordon
(appointed with effect from 28 February 2023)

Compliance Officer

Mr. Wu Xiaoming
(appointed with effect from 28 June 2023)

Authorised Representatives

Mr. Wu Xiaoming
(appointed with effect from 28 June 2023)
Mr. Au Yeung Ming Yin Gordon
(appointed with effect from 28 February 2023)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Audit Committee

Mr. Law Yui Lun *(Chairman)*
Mr. Zhang Xiongfeng
Dr. Zhang Wei
Dr. Jin Lizuo

Remuneration Committee

Dr. Zhang Wei *(Chairman)*
Mr. Wu Xiaoming
Mr. Law Yui Lun
Dr. Jin Lizuo

Nomination Committee

Mr. Wu Xiaoming *(Chairman)*
(appointed with effect from 28 June 2023)
Dr. Zhang Wei
Mr. Law Yui Lun
Dr. Jin Lizuo

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Corporate Information

Legal Advisers

As to Hong Kong Law
DLA Piper Hong Kong

As to Bermuda Law
Conyers Dill and Pearman

Head Office and Principal Place of Business in Hong Kong

Unit No.02 on 31st Floor
Office Tower Convention Plaza
No.1 Harbour Road
Hong Kong

Principal Bankers

Hang Seng Bank Limited
Bank of Communications (Hong Kong) Limited

Corporate Website

http://www.dadi-international.com.hk

GEM Stock Code

08130

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I hereby present the results of the Group for the year ended 31 March 2023 (the "Year").

The year of 2022 remains to be an exceedingly difficult year for both the world and the Group. Whereas the lasting impact of the novel coronavirus pneumonia ("COVID-19") pandemic has well exceeded the public's expectation, it remains to have caused a severe impact to the global economy as of now. Meanwhile, the Group had suffered from such impact and faced with adverse operating conditions. Particularly, in the second half of 2022, a number of cities in the PRC, including Shanxi Province where the Group mainly operates the environmental consultancy business, had experienced relatively long period of lockdown management, and has posed certain impact to the Group's environmental consultancy services. Nevertheless, there had been a stable development of the Group's sales of healthcare product business segment during the Year.

The Group's principal revenue drivers for the Year comprise the provision of the environmental consultancy services and the sales of healthcare products. The Group recorded a slight year-on-year decrease of approximately 3.9% from that of approximately HK$38.0 million for the year ended 31 March 2022 ("FY2022") to that of approximately HK$36.5 million for the Year. The slight year-on-year decrease in the Group's revenue for the Year was mainly attributable to the scale-down of the operations in the publication, purchase and distribution of books segment due to the nearly stalled settlement of payments and receivables along the industry chain (including those from the Group's downstream customers, namely, the book distributors) and the prevalent tightened cash flows and generalised slowdown in the operations of the books industry participants, and offset to a substantial extent by the significant increase in the sales of healthcare products due to the enhanced awareness and demand of such products from the general public, particularly the younger generations, having experienced the impact from the COVID-19 pandemic. Nevertheless, the Group recorded an improvement of the loss for the year from that of approximately HK$378.5 million for FY2022 to that of HK$332.9 million for the Year, such being attributable to the combined effect of (i) the slight decrease in the revenue of the Group as mentioned above, (ii) the increase in the costs of sales of the Group mainly arisen from the procurement of additional outsourced technology services to conduct on-site work when the lockdown policies were in place and the increase in the disbursement and advance payments made by the Group for the environmental consultancy projects in the circumstances of delayed settlement of service fees payable by the customers, both as a result of the impact of the COVID-19 pandemic; and (iii) the decrease in the administrative expenses incurred by the Group due to the cost-saving measures implemented by the Group in light of the difficult business environment and the slow recovery of the PRC economy in the first quarter of 2023. Please refer to the section headed "Management Discussion and Analysis – Financial Review" in this annual report for details.

Stepping into 2023, following the declaration of the end of the COVID-19 pandemic by a number of countries in the world including the People's Republic of China (the "PRC"), various prevention and control measures had been released and the economy started to recover slowly. Despite that the post-pandemic impacts will potentially continue to subsist for an extended period of time and the overall economic situation has yet to be optimistic, the Group remains positive towards the economic development of the PRC. Whilst maintaining the current business operations, the Group will enhance its resource input towards areas including the environmental consultancy services, green mine remediation and ecological and environmental protection. It will also vigorously develop new business growth points and strive to achieve greater improvement in its operating performance in the coming financial year.

Finally, I would like to thank our Board members, management and staff for their contributions to the Group. I would also like to extend my sincere gratitude to our shareholders, business partners, customers and suppliers for their continued support.

Mr. Wu Xiaoming
Interim Chairman

Management Discussion and Analysis

General

During the Year, the Group is principally engaged in the provision of environmental consultancy services, sales of healthcare products and publication, purchase and distribution of books.

Business Overview

Industry Overview

Environmental Protection Service Industry

In respect of environmental consultancy services, the Ministry of Ecology and Environment issued the 14th Five-Year Plan for Ecological Protection Supervision (《"十四五"生態保護監管規劃》) in March 2022, proposing that a relatively comprehensive system of ecological protection supervision and the system of rules and standards will be established by 2025. In the same month, the Ministry of Ecology and Environment issued the Circular on Environmental Impact Assessment of Major Investment Projects (《關於做好重大投資項目環評工作的通知》) to direct for the strengthening of the environmental impact assessment services for major investment projects. In April 2022, the Ministry of Ecology and Environment issued the 14th Five-Year Plan for Environmental Impact Assessment and Pollutant Discharge Permission Work Implementation Plan (《"十四五"環境影響評價與排污許可工作實施方案》), proposing the source prevention system underpinned primarily by the environmental impact assessment system. In August 2022, eight ministries and commissions, including the MIIT, the NDRC and the Ministry of Ecology and Environment, issued the Action Plan on the Green and Low-carbon Development of the Information Communication Industry (2022-2025) (《信息通信行業綠色低碳發展行動計劃(2022-2025年)》), which focuses on three key facilities, namely data centers, communication base stations and communication machine rooms, strengthens the coordinated layout of data centers through the intensive layout, high-efficient design, green construction, low-carbon technologies and intelligent operation and maintenance in all dimensions and all processes to advance the application and promotion of energy-saving technology in major and ancillary equipment at base stations and speed up in the green and low-carbon restructuring of core communication machine rooms. In December 2022, the Ministry of Ecology and Environment issued the Circular on Issuing the Principles for the Review and Approval of Environmental Impact Assessment Documents for Construction Projects in Steel/Coking, Modern Coal Chemical, Petrochemical and Thermal Power Industries (《關於印發鋼鐵/焦化、現代煤化工、石化、火電四個行業建設項目環境影響評價文件審批原則的通知》), regulating the selection of sites for the construction of petroleum refining, production of organic chemicals with raw materials and petroleum chemical projects and requiring the adoption of advanced and applicable technology and equipment in projects to reach an advanced level in clean production. It also required strengthening service guarantees on environmental impact assessment of major projects. With higher requirements of the state on environmental governance, the releasing of environmental regulation policies as well as higher environmental impact assessment requirements on major projects and different industries, the significant increase in the demand of enterprises and projects for environmental consultancy services brings about the potential for development of the environmental consultancy services industry.

In respect of mine remediation and ecological protection, the Ministry of Land and Resources, the Ministry of Environmental Protection and other ministries and commissions jointly released the Guiding Opinions on Strengthening Geological Environmental Remediation and Comprehensive Governance of Mines (《關於加強礦山地質環境恢復和綜合治理的指導意見》) in July 2016, proposing comprehensive governance of environmental issues of mines across the country. In December 2019, the Ministry of Natural Resources issued the Opinions on Exploring the Use of Market-oriented Ways to Promote Mine Ecological Remediation (《關於探索利用市場化方式推進礦山生態修復的意見》), specifying incentive policies to attract social investment, promote market-based operation and speed up in advancing ecological remediation in mines. In January 2022, the Ministry of Finance issued the Circular on Supporting Demonstration Projects on Ecological Remediation of Historical Abandoned Mines (《關於支持開展歷史遺留廢棄礦山生態修復示範工程的通知》), proposing financial supports from the central government to ecological remediation and governance of historical abandoned mines, which play a key role in guaranteeing ecological security, benefit a wide area and are located in key areas with common fiscal authority. In April 2022, the Ministry of Ecology and Environment issued the Administrative Measures for the Prevention of Environmental Pollution by Tailings (《尾礦污染環境防治管理辦法》), proposing detailed environmental management requirements on all processes from the generation, storage, transportation to comprehensive utilization of tailings; highlighting targeted and scientific prevention of pollution in accordance with laws, providing comprehensive analysis on major issues in the prevention of pollution by tailings, proposing requirements on the prevention of pollution in all processes of tailings and specifying the responsibilities of relevant enterprises and entities. Against such background, the demand for mine remediation and the comprehensive utilization of solid wastes at mines in the environmental and ecological protection market surged. With the increasingly surging of new projects, multi-layered capital guarantees for projects and the continuous innovation in business models, the industry has exhibited an unprecedented market potential.

Healthcare Products Industry

The enthusiasm for new healthcare materials, technologies, formulations and products has been increasing in recent years. With the stagnified competition among the domestic healthcare and functional food producers, the public had turned to look for overseas resources and supplies. Meanwhile, the higher disposable income of residents in the PRC has promoted the demand for better lifestyles and the consumption pattern transfers from affordable products to high-quality and diversified products. In addition, imported products can offer opportunities for potentially higher premiums with more diversified types for selection by the customers. Further, overseas products with innovative formulas usually offer better functional experience, and healthy snack products are usually favoured by and has become popular among domestic consumers.

Healthcare product demand has remained strong in recent years. Whilst healthcare and functional food product will be an essential element in the realisation of the comprehensive healthcare awareness in the PRC, the per capital consumption of healthcare products in the PRC remains to be far behind with that of other developed countries such as Japan and the United States. Therefore, with the increased consumption level of the public in the PRC, it is expected that there will be much growth potential for the sales of imported healthcare products.

Furthermore, the COVID-19 pandemic had raised the public awareness for a healthy lifestyle and bodily care. Particularly, alongside with the extended "long COVID" symptoms suffered by certain patients, quality healthcare products and functional food supplements have received higher level of attention and have become increasing welcomed by the public.

Management Discussion and Analysis

Books Industry

In October 2019, the Department of Basic Education under the Ministry of Education promulgated the Notice on Launching Campaign for the Review and Cleanup of Libraries in Primary and Secondary Schools (《關於開展全國中小學圖書館審查清理專項行動的通知》), which required the review and clean-up of obsolete books supplied by libraries in primary and secondary schools, with the Recommended Book List for Libraries in Primary and Secondary Schools Nationwide (《全國中小學圖書館(室)推薦書目》) as the major reference basis for the supply of books by libraries. Such campaign will accelerate the clean-up and update of books supplied by libraries in primary and secondary schools. In March 2021, the Ministry of Education of the PRC issued the Administrative Measures on Introduction of Extracurricular Books into School for Primary and Secondary Students (《中小學生課外讀物進校園管理辦法》), which required a strict regulation over the school books to cultivate a sound environment for the healthy growth of primary and secondary students. Since 2022, various provincial education departments have issued the Standardized School Construction Plan for Libraries in Primary and Secondary School (《中小學圖書館標準化學校建設方案》) to enhance the standardized management of libraries in primary and secondary school and improve the quality of books supplied by libraries. It is expected that with the end of the COVID-19 pandemic, the books industry, being a key pillar for the establishment of the spiritual civilization among the public, will eventually recover and re-gain the attention and demand by the educational sector and the general public, thus met with increased new business opportunities in the future.

Business Review

For the majority part of the Year, the daily lives of the general public and business activities in the PRC remained to have suffered to a significant extent by the various rounds of the outbreak of the COVID-19 pandemic and its variants. Local lockdown policies put in place in various parts of the PRC from time to time had caused disruptions to the business operations of the Group over the Year, and the general poor market conditions and unfavourable sentiments had inhibited the enthusiasm of participants of various industries in the PRC to make active investments and promote the scale of operations. As a result, the Group experienced a generally difficult Year. Despite the above, the Group demonstrated its resilience in its overall operations. With the coordinated effect from the Board and the management, the Group strived hard to mitigate the impact of the COVID-19 pandemic on its operations on one hand, and on the other, dedicated resources to maintain stable revenue driver of its environmental protection business. Meanwhile, the Group achieved a relatively significant growth in its emerging revenue generator, and continued to explore new opportunities in the healthcare product sales market.

Environmental Consultancy Services

The environmental consultancy services segment remained to be the major revenue driver of the Group for the Year. Environmental protection, conservation and remediation had received public awareness over the Year. Meanwhile, strengthened policies and regulations on environmental conservation, particularly in areas such as urbanization development and infrastructure and construction project planning, promoted the need of environmental consultancy services. During the Year, the Group continued to devote adequate resources to support the development of its segmental operations. Whilst actively expanding its nuclear and radiation monitoring business for the electricity supply industry, the Group engaged in a variety of environmental consultancy projects in relation to stone mine restoration, soil remediation and comprehensive utilization of mine solid waste businesses. Mine remediation and soil remediation services focused on the remediation of the damaged mountains, soil and vegetation left by historical mining activities as well as those sustained in the course of new mining activities through the implementation of holistic technical and commercial solutions; as for comprehensive utilisation of mine solid wastes, wastes generated in the mining process were processed and transformed into construction raw materials, so as to achieve the goal of ecological environmental protection and green mining of local governments and mining enterprises.

The Group's operations in the environmental consultancy services segment had remained relatively stable over the Year. The business segment contributed revenue of approximately HK$34.7 million, which is approximately the same as for FY2022.

Healthcare Products

The COVID-19 pandemic has raised the public's attention towards healthcare industry in general. The Group, as a continuing initiative to explore profitable markets and develop presence and expertise in these areas taking advantage of its current resources and network, commenced the sales of healthcare product business segment during the Year. The Group introduced various healthcare products from overseas markets for sales in the PRC through electronic platforms. The healthcare products comprised primarily of dietary supplements which aimed to support the metabolism and internal circulation of human beings. Meanwhile, as part of the strategies to expand the target customer group to the younger generations, the Group was introducing chewable functional natto snacks as well as other series of healthcare products featuring functional dietary fiber ingredients as part of its product portfolio to match the youth's trend for the growing support for healthcare and dietary supplements in the PRC.

During the Year, the Group recorded sales of approximately HK$1.6 million (FY2022: HK$0.3 million), representing a year-on-year increase of approximately 497.1%. The significant increase in the sales of healthcare products was mainly attributable to the enhanced awareness and demand of such products from the general public, particularly the younger generations, having experienced the impact from the COVID-19 pandemic; and the capability of the Group in maintaining its profile of products imported from overseas which are welcomed by the younger generations, as well as the prevalent trend of online purchase by these target customers.

Publication, Purchase and Distribution of Books

The Group recorded sales of approximately HK$0.1 million (FY2022: HK$2.7 million) in respect of its publication, purchase and distribution of books business for the Year. The year-on-year significant decrease of approximately 95.6% in the segmental revenue was mainly attributable to the forced scale-down of the operations in the publication, purchase and distribution of books segment by the Group on a prudent capital management perspective in light of the generally adverse industry condition. Particularly, with the lingering impact of the COVID-19 pandemic arising from the outbreak of various COVID-19 variant cases, it had not witnessed favourable turnaround in the fund flow among industry participants. The prevalent tightened cashflow experienced by them led to a nearly stalled settlement of payments and receivables along the industry chain (including those from the Group's downstream customers, namely, the book distributors), and posed an adverse operating environment in the books publication, purchase and distribution segment.

The Group had maintained a close monitoring of the industry situation over the Year, and was taking active steps to recoup the outstanding receivables from certain downstream distributors as part of its ongoing commitment to maintain its liquidity and financial position to facilitate its business operations and development. For instance, the Group is in the process of undergoing various legal proceedings in the PRC against the downstream distributors on contractual claims. The Group is minded to enhance its effort in safeguarding the Group's interest and its current entitlement, including taking further course of action to demand immediate settlement of outstanding fees and receivables, and seeking compensation and remedies from the counterparties as and when appropriate.

Management Discussion and Analysis

Financial Review

Revenue

The Group recognised revenue of approximately HK$36.5 million for the Year, representing a year-on-year decrease of approximately 3.9% as compared to that of approximately HK$38.0 million for FY2022.

During the Year, the Group principally derived its revenue from the provision of environmental consultancy services. Further, the Group had experienced a substantial increase in its sales of healthcare products. Set out below is the breakdown of the Group's segment revenue and results for the Year and FY2022.

	Advertising and media related services		Financial leasing and other financial services		Publication, purchase and distribution of books		Environmental consultancy services		Healthcare products		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
Sales to external customers	**–**	–	**–**	230	**120**	2,709	**34,726**	34,748	**1,636**	274	**36,482**	37,961

The slight year-on-year decrease in the Group's revenue for the Year was mainly attributable to the scale-down of the operations in the publication, purchase and distribution of books segment due to the nearly stalled settlement of payments and receivables along the industry chain (including those from the Group's downstream customers, namely, the book distributors) and the prevalent tightened cash flows and generalised slowdown in the operations of the books industry participants, and offset to a substantial extent by the significant increase in the sales of healthcare products due to the enhanced awareness and demand of such products from the general public, particularly the younger generations, having experienced the impact from the COVID-19 pandemic.

Please refer to the section headed "Management Discussion and Analysis – Business Review" in this annual report for further details of the segmental financial performance of the Group.

Cost of Sales

The costs of sales of the Group consisted primarily of costs directly attributable to the provision of its services and sales of goods, which mainly included, among others, the direct labour and staff costs associated to the provision of services, the costs of goods sold in repect of the sales of healthcare products and the publication, purchase and distribution of books; and the project costs for outsourced technology services for the purpose of rendering certain environmental consultancy services for the Group's customers.

The Group recorded costs of sales of approximately HK$24.8 million, representing a year-on-year increase of approximately 27.4% as compared to that of approximately HK$19.5 million for FY2022. The increase was mainly attributable to (i) the continued procurement of outsourced technology services to support the provision of environmental consultancy services, particularly at times during the Year when there were local lockdown policies in place in various regions of the PRC to combat the COVID-19 pandemic, the Group had to engage local technical consultancy companies to assist with the performance of the on-site works; and (ii) there had been a generalised delay in the settlement of service fees from various customers of the Group's environmental consultancy services segment owing to the impact from the COVID-19 pandemic, leading to an increase in the disbursements and advance payments made by the Group for the performance of such projects.

Gross Profit and Gross Margin

The Group's gross profit recorded a year-on-year decrease of approximately 37.0% from approximately HK$18.5 million for FY2022 to HK$11.6 million for the Year. The decrease in the gross profit of the Group was mainly attributable to the further reduced revenue from the Group's publication, purchase and distribution of books business due to a nearly stalled fund flow and operations along the industry chain, coupled with the increased direct costs associated with the procurement of outsourced technology services to perform the on-site environmental consultancy works in light of the local lockdown policy measures, as well as the delay in settlement of the services fees from certain of the customers of the Group's environmental consultancy services segment having suffered from the impact of the COVID-19 pandemic.

The gross margin (expressed as a percentage of gross profit over revenue) of the Group decreased from approximately 48.7% for FY2022 to approximately 31.9% for the Year. The reduction in gross margin was mainly attributable to (i) the further decrease in the Group's revenue from the publication, purchase and distribution of books business; and (ii) the relatively substantial increase in the direct costs associated with the rendering of environmental consultancy services, namely the additional outsourced technology procurement and disbursement and advance payments in the course of the projects.

Administrative Expenses

The Group recorded a year-on-year decrease of approximately 31.5% from HK$44.9 million for FY2022 to HK$30.8 million for the Year in respect of its administrative expenses. The decrease in the Group's administrative expenses was principally as a result of the scale-down of the Group's publication, purchase and distribution of books business and the cost-saving measures implemented by the Group in its day-to-day operations owing to the difficult business environment in the PRC in general having arisen from the subsisting impact from the COVID-19 pandemic for the majority part of the Year, and the recovery of the PRC economy had been slow in the first quarter of 2023.

Allowance for Expected Credit Losses, net

The Group recognised net allowance for expected credit loss ("ECL") in the amount of approximately HK$265.4 million for the Year, representing the impairment losses recognised to the Group's profit or loss for the Year in respect of its trade and bill receivables, other receivables and deposits, deposit for film production and deposit for purchase of film rights. The Group recognised the ECL in accordance with the ECL model set out in the section headed "Financial risk management objectives and policies – Credit risk" under note 6 of the notes to the consolidated financial statements (the "Consolidated Financial Statements") in this annual report, and in compliance with the relevant requirements under Hong Kong Financial Reporting Standards ("HKFRS") 9 *Financial Instruments*, details of which have been set out in the section headed "Financial instruments – Financial assets – Impairment of financial assets subject to impairment assessment under HKFRS 9" under note 4 to the Consolidated Financial Statements. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The net allowances for ECL of the Group for the Year comprised of those in the amount of approximately HK$7.4 million, HK$225.4 million, HK$28.7 million and HK$3.8 million for the Group's trade and bills receivables, other receivables and deposits, deposit for film production and deposit for purchase of film rights, respectively, accounting for approximately 2.8%, 84.9%, 10.8% and 1.5% of the Group's total net allowances for ECL for the Year.

The majority of the Group's net allowances for ECL for the Year arose from those of the other receivables and deposits arisen from the Group's previous business offerings in relation to the financial leasing and other financial services business (the "Financial Services Business"). Reference is made to the announcement of the Company dated 22 November 2022 (the "November 2022 Announcement") which disclosed further details of the Financial Services Business, including, among others, its business model, credit risk assessment policy and internal control measures in place at the material times. The Group had essentially suspended the Financial Services Business segment operation due to the adverse macroeconomic conditions in the PRC for the Year contributed by to the continued sporadic outbreak of COVID-19 variant cases in a number of regions in the PRC, leading to the deteriorated financial position and/or diminished repayment capabilities of a number of business entities in different industries, coupled with the accumulation of non-performing assets of financial institutions. The Group recorded minimal and no revenue for the Financial Services Business for FY2022 and the Year, respectively.

The Group applied the general approach, which is often referred to as the "three-stage model", under HKFRS 9, in which the ECL of loan and other receivables are determined based on (i) the changes in credit quality of the receivables since initial recognition; and (ii) the estimated expectation of an economic loss of the receivables under consideration.

Under the general approach, there are two measurement bases for allowance of ECL: (i) 12-month ECL, which are the ECL that result from default events that are possible within 12 months after the reporting date and are calculated as the allowance for ECL on the receivables weighted by the probability of default accumulated over the 12 months after the reporting date; and (ii) lifetime ECL, which are the ECL that result from all possible default events over the expected life of the receivables and are calculated as the allowance for ECL on the receivables weighted by the probability of default accumulated over the entire life of the receivables. Assessment is conducted based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measured the loss allowance of the receivables based on 12-month ECL, unless when there had been a significant increase in credit risk since initial recognition, the Group recognised lifetime ECL. The assessment of whether lifetime ECL should be recognised was based on significant increases in the likelihood or risk of a default occurring since initial recognition.

As disclosed in the November 2022 Announcement, the Group had launched civil legal proceedings and obtained judgment against various borrowers and/or guarantors in respect of the loans under the Financial Services Business segment. The Group is still in the process of undergoing the enforcement proceedings or participating in the winding-up or bankruptcy proceedings against the borrowers and/or the guarantors in the PRC. Nevertheless, in compliance with the relevant requirements under the accounting standards the Group duly recognised the allowance for ECL for the Year. The Group remains committed to seek recovery of the outstanding amounts from the aforementioned borrowers and/or guarantors.

Finance Costs

The Group recognised finance costs of approximately HK$49.3 million for the Year, representing a year-on-year decrease of approximately 6.1% from approximately HK$52.5 million for FY2022. The decrease in the finance costs of the Group was mainly due to the exchange difference in relation to the weakening of Renminbi ("RMB") against Hong Kong dollars.

Loss for the Year

The Group recorded loss for the year of approximately HK$332.9 million for the Year, when compared to that of HK$378.5 million for FY2022. The improvement of the year-on-year loss position of the Group was mainly attributable to the combined effect of (i) a slight decrease in the revenue of the Group owing to the scaled-back operations of the Group's publication, purchase and distribution of books segment and offset to a relatively significant extent by the increase in the Group's revenue from the sales of healthcare products; (ii) the increase in the costs of sales of the Group mainly arisen from the procurement of additional outsourced technology services to conduct on-site environmental consultancy work when the lockdown policies were in place and the increase in the disbursement and advance payments made by the Group for the environmental consultancy projects in the circumstances of delayed settlement of service fees payable by the customers, both as a result of the impact of the COVID-19 pandemic; and (iii) the decrease in the administrative expenses incurred by the Group due to the cost-saving measures implemented by the Group in light of the difficult business environment and the slow recovery of the PRC economy in the first quarter of 2023.

Prospects

Despite the COVID-19 pandemic had struck hard on the worldwide economy, and the Group had suffered the resultant impact, particularly as to its publication, purchase and distribution of books business segment. With the determined and effective measures imposed by the PRC authorities to combat the COVID-19 pandemic and the approaching of the end of the COVID-19 pandemic, the impact from the pandemic will gradually diminished. The Group will conduct careful assessment on the outlook of each industry and operate in a stable manner.

In terms of its environmental consultancy services, in light of the increasing public awareness and policy support on environmental protection initiatives as well as enhanced compliance obligations imposed by the strengthened regulatory framework, the Group expects that the demand for its environmental consultancy services will continue to grow. In this regard, the Group will continue to enhance its effort in developing its service offerings as well as expanding its customer base so as to cover more industry needs. Further, the Group is currently in negotiations with the PRC government subordinate entities to expand into to expand into areas such as Shandong, Shanxi, Shaanxi, and Hainan and to develop ecological and environmental protection projects such as green mine restoration and comprehensive utilization of mining services by way of government guidance and market-oriented operation.

In relation to the business of the sales of healthcare products, the Group is considering to expand its procurement from new overseas jurisdiction such as the United States, whilst increasing its product profile such as Nattokinase food supplements from Japan. The Group believes that the expanded product mix will further attract the domestic demand for healthcare products, particularly for the younger generations in the PRC. To this end, the Group will maintain close observation of the market trend and response, and will actively explore new products and enhance its strategic positioning in the market in a timely manner.

Management Discussion and Analysis

The COVID-19 pandemic had brought changes to the economic structure of the PRC and globally, certain strategic emerging industries such as new energy, environmental protection, conservation and restoration, as well as biomedicine and healthcare have evolved as a result, raising the public's attention and resource devotion to the research and development of new technologies, product and service offerings in these industries. In the coming year, the Group will pay close attention to the industry developments, seize the opportunities and strive to enhance the revenue drivers of the Group in order to improve the overall financial performance of the Group and bring values to the shareholders of the Company.

Final Dividend

The Board does not recommend the payment of final dividend for the Year (FY2022: nil).

Liquidity and Financial Resources

The Group generally derives cash for operation from internal cash flow and from borrowings in the PRC. As at 31 March 2023, the Group had total assets of approximately HK$713.3 million (as at 31 March 2022: approximately HK$1,085.0 million), including trade, bills and other receivables, deposits and prepayments of approximately HK$680.1 million (as at 31 March 2022: approximately HK$975.2 million) and bank balances and cash of approximately HK$8.9 million (as at 31 March 2022: approximately HK$16.9 million). As at 31 March 2023, the Group's borrowings amounted to approximately HK$605.4 million (as at 31 March 2022: HK$652.7 million).

The Group's current assets and current liabilities as at 31 March 2023 were approximately HK$691.4 million (as at 31 March 2022: HK$1,028.8 million) and approximately HK$1,049.6 million (as at 31 March 2022: HK$1,058.7 million), respectively. The Group's non-current assets and non-current liabilities as at 31 March 2023 were approximately HK$21.9 million (as at 31 March 2022: HK$56.2 million) and HK$0.7 million (as at 31 March 2022: approximately HK$0.2 million), respectively.

The year-on-year decrease of approximately 32.8% in the Group's current assets was mainly attributable to (i) the decrease in the Group's trade, bills and other receivables, deposits and prepayments from approximately HK$975.2 million as at 31 March 2022 to HK$680.1 million as at 31 March 2023 as a result of the recognition of allowance for ECL during the Year based on credit risk assessment of the debts, particularly in relation to borrowers/guarantors of the other receivables and deposits arisen from the Financial Services Business which had been suspended (details of which are disclosed in the paragraph headed "Financial Review — Allowance for Expected Credit Losses, Net" above); and (ii) the decrease in the Group's bank balance and cash position from approximately HK$16.9 million as at 31 March 2022 to approximately HK$8.9 million as at 31 March 2023 due to the cash incurred to support the business operations of the Group, particularly in relation to the settlement of the outsourced technology service fees and the disbursement and advance payments made for the projects under the Group's environmental consultancy services segment, whilst there had been a generalised delay in the payment of the service fees to the Group by certain customers in the segment, partially offset by the increase in the Group's financial assets at fair value through profit or loss to approximately HK$1.3 million as at 31 March 2023 mainly as a result of the recognition of a derivative financial instrument representing the option to repurchase the consideration shares pursuant to the profit guarantee given by the sellers of Shanxi Jinxin Keyuan Environmental Protection Science and Technology Company Limited (山西晉新科源環保科技有限公司) ("Jinxin Keyuan") to the Group pursuant to the acquisition agreement (the "Acquisition Agreement") dated 28 December 2020 and entered into by the Company and Zhongtou Jinfu Technology Development (Beijing) Company Limited (眾投金服科技發展(北京)有限公司) (a wholly-owned subsidiary of the Company, currently known as Dadi Senrong Environment (Beijing) Company Limited (大地森榮環境(北京)有限公司) ("Dadi Senrong")) with Han Jin (韓晉), Wang Huaiyu (王懷宇), Zhao Yongde (趙永德) and Zhou Jin (周進) (collectively the "Vendors"). Please refer to note 27 of the notes to the Consolidated Financial Statement and the paragraph headed "Non-fulfillment of Profit Guarantee in Relation to the Acquisition of Jinxin Keyuan" below for details.

The Group's current liabilities remained relatively stable during the Year, being the combined effect of (i) the year-on-year increase of approximately 11.4% in the Group's trade and other payables from that of approximately HK$361.3 million as at 31 March 2022 to approximately HK$402.4 million as at 31 March 2023, mainly due to the increase in interest accrual thereto; and (ii) the year-on-year decrease of approximately 7.2% in the Group's borrowings from approximately HK$652.7 million as at 31 March 2022 to HK$605.4 million as at 31 March 2023, mainly as a result of the exchange alignment between RMB and Hong Kong dollars, further details of which are set out in note 32 of the notes to the Consolidated Financial Statements.

The Group's non-current assets recorded a decrease of approximately 61.1% from that of approximately HK$56.2 million as at 31 March 2022 to that of approximately HK$21.9 million as at 31 March 2023. This is mainly attributable to the relatively substantial decrease in the Group's financial assets at fair value through other comprehensive income from that of HK$46.7 million as at 31 March 2022 to that of HK$16.3 million as at 31 March 2023 (representing a year-on-year decrease of approximately 65.0%) after the deemed disposal of Shanxi Dadi Holdings Equity Investment Fund Management Co., Ltd（山西大地控股股權投資基金管理有限公司）in FY2022, details of which are set out in note 34 of the notes to the Consolidated Financial Statements.

The increase in the Group's non-current liabilities as at 31 March 2023 was mainly due to the increase in the non-current portion of its lease liabilities. Please refer to note 33 of the notes to the Consolidated Financial Statements for details.

References are made to the paragraphs headed "Basis of preparation of consolidated financial statements — Going concern" under note 4 and note 32 of the notes to the Consolidated Financial Statements, whereby the Group had fallen behind the interest payments of certain borrowings of the Group. The Group is in the course of taking the appropriate steps (including launching legal proceedings against the debtors of the Group to enforce for payments of outstanding receivables) to secure further funding for repayment, and has been in active negotiations and is concluding with some lenders on the renewal and/or settlement of such borrowings.

The management of the Group has all along been striving to obtain sufficient financial resources to maintain and improve the working capital and liquidity of the Group. Please refer to the paragraph headed "Basis of preparation of consolidated financial statements — Going concern" under note 4 of the notes to the Consolidated Financial Statements for details. The Directors have urged the management of the Company, and shall lead the initiatives to procure sufficient financial resources to be in place to address the going-concern issue of the Group. To this end, attention is drawn to the paragraph headed "Material Uncertainty Related to Going Concern" in the independent auditors' report contained in this annual report.

Management Discussion and Analysis

Gearing Ratio

The gearing ratio, expressed as a percentage of total liabilities over total assets, of the Group was approximately 147.2% (as at 31 March 2022: approximately 97.6%). The increase in the gearing ratio of the Group was mainly attributable to the significant decrease in the Group's current assets as a result of (i) the decrease in the trade, bills and other receivables, deposits and prepayments of the Group following the recognition of allowance for ECL during the Year in respect of the other receivables and deposits from the debtors of the Financial Services Business; and (ii) the decrease in the bank balances and cash of the Group over the Year due to the increased cash expended for outsourced technology services and disbursement and advanced payments for the environment consultancy services in light of the lockdown measures and a generalised delay in service fee settlement from customers under the impact of COVID-19 pandemic as mentioned above.

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for the Shareholders and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group also closely monitors its gearing ratio as mentioned above.

Foreign Currency Exposure

The Group's businesses are mainly conducted in Renminbi, Hong Kong dollars and United States dollars. Currently, the Group has not employed any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the Group's management monitors closely the exposures and will consider hedging the exposures should the need arise.

Interest Rate Exposure

The Group's interest rate risk arises primarily from bank and other borrowings and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. Currently, the Group does not employed any financial instruments to hedge against interest rate risk.

Capital Structure

The Board monitors the Group's capital structure by reviewing its cash flow requirements and considering its future financial obligations and commitments. There had been no change in the Company's capital structure during the Year. As at 31 March 2023, the Company's issued share capital was approximately HK$36.4 million (the same as at 31 March 2022), and the number of ordinary shares issued by the Company was 3,640,627,457 (the same as at 31 March 2022).

Commitments

The Group did not have any material capital commitment as at 31 March 2023 (as at 31 March 2022: nil).

Charge on Assets

As at 31 March 2023, the Group did not have any charge on its assets (as at 31 March 2022: nil).

Contingent Liabilities

As at 31 March 2023, save as disclosed in notes 32 and 43 of the notes to the Consolidated Financial Statements, the Group did not have any material contingent liabilities (as at 31 March 2022: nil).

Significant Investments

Save for the investment in its subsidiaries by the Company, the Group did not have any significant investments during the Year.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the Year.

Non-fulfillment of Profit Guarantee in Relation to the Acquisition of Jinxin Keyuan

Reference is made to the announcements of the Company dated 28 December 2020, 19 January 2021 and 9 February 2021 (collectively the "Acquisition Announcements") pursuant to which the Group entered into the Acquisition Agreement with the Vendors in relation to the acquisition of 60% of the equity interest in Jinxin Keyuan at an initial consideration of RMB27 million (the "Initial Consideration") by way of allotment and issuance of an aggregate of 75,681,511 shares of the Company (the "Consideration Shares") to the Vendors.

Pursuant to the Acquisition Agreement, the Vendors jointly and severally guarantee and undertake to the Company and Dadi Senrong that (i) the revenue from the principal business of Jinxin Keyuan will grow year by year; and (ii) the audited net profit after deducting all extraordinary items of Jinxin Keyuan will be not less than the amounts set out below for the relevant years:

Relevant year	Guaranteed Profit
the year ending 31 December 2021	RMB5,500,000
the year ending 31 December 2022	RMB6,050,000
the year ending 31 December 2023	RMB6,655,000

If Jinxin Keyuan does not meet the above performance targets, the consideration for the said acquisition shall be adjusted in the manner set out in the Acquisition Agreement, pursuant to which the Company may repurchase part or all the consideration shares issued to the Vendors. Please refer to the Acquisition Announcements for further details.

Based on the information available to the Group, whereas the profit guarantee for the year ended 31 December 2021 had been met, Jinxin Keyuan recorded an audited net loss after deducting all extraordinary items for the year ended 31 December 2022 of approximately RMB5.4 million. This is mainly as a result of the impact of the COVID-19 pandemic during the year whereby Jinxin Keyuan had to incur relatively substantial costs in the procurement of the outsourced technical consultancy companies to carry out the on-site environmental consultancy works in light of the local lockdown policies in place from time to time, and the increased disbursements and advance payments made by the Group for the performance of the environmental projects against the background of a generalised delay in the settlement of service fees from various, as well as the net allowance of ECL recognised in respect of the trade and bills receivables of Jinxin Keyuan following the credit risk assessment of certain customers. Please refer to the paragraphs headed "Financial Review – Cost of Sales" and "Financial Review – Allowance for Expected Credit Losses, net" above for details. Accordingly, the profit guarantee for the year ended 31 December 2022 had not been met.

Pursuant to the terms of the Acquisition Agreement, whereas the audited net profit after deducting all extraordinary items of Jinxin Keyuan for each of the three years ending 31 December 2023 is less than RMB5 million, the Initial Consideration shall be adjusted by way of the Company being entitled to repurchase 100% of the Consideration Shares from the Vendors at nil consideration. For such purpose, the Company may (i) repurchase and cancel the Consideration Shares after the guaranteed period (namely, the three years endling 31 December 2023) (the "Guaranteed Period") but no later than 31 December 2024; and (ii) require the Vendors to return all distribution and dividends declared and paid by the Company before such repurchase (collectively the "Redemption Rights"). The Company would carry out the share repurchase after obtaining all regulatory approval(s).

Whereas in accordance with the Acquisition Agreement, the guaranteed profit shall take into account of the audited net profit after deducting all extraordinary items of Jinxin Keyuan for each of the three years ending 31 December 2023, and such period had yet to have expired as at the date of this report, the Company had yet to have exercised the Redemption Rights. To the best knowledge of the Company, there has not been any indication on the inability or unwillingness of the Vendors to full their obligations in relation to the profit guarantee. Meanwhile, the Company intends to exercise the Redemption Rights upon expiry of the Guaranteed Period in accordance with the terms of the Acquisition Agreement, and is in the course of seeking legal advice on the same. Accordingly, the Company considers that the above arrangement is fair and reasonable and in the interest of the shareholders of the Company as a whole.

Further announcements will be made by the Company to provide updates on the progress in respect thereof as and when appropriate in compliance with the applicable laws, rules and regulations.

Future Plan for Material Investments and Capital Assets

The Company had not approved any plan for material investments or acquisitions of capital assets during the Year.

Principal Risks and Uncertainties

Principal risks	Description	Mitigating actions
Business risk	Business risk is the risk of rapid changes in customers' preference and price driven competition could impact the Group's performance.	• Review market trends and maintain a competitive position by recruiting and retaining quality staff to provide flexible solutions to the customers.
Economic risk	Economic risk is the risk of any downturn in economic conditions could impact the Group's performance.	• Review forward looking indicators to identify economic conditions.
Liquidity risk	Liquidity risk is the risk that the Group would not be able to meet its financial obligations as they fall due.	• Monitor liquidity and balance sheet. • Maintain appropriate liquidity to cover commitments.
Exchange risk	Exchange risk is the risk that changes in foreign exchange rates would affect the Group's income and the value of its holdings of assets.	• Closely monitor statement of financial position and cashflow exchange risk exposures and consider appropriate use of financial instruments, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge the exchange risk.
People risk	People risk is the risk of loss the services of any Directors, senior management and other key personnel could have a material adverse effect on the Group's businesses.	• Provide competitive reward and benefit packages to attract and retain the employees the Group need. • Ensure that the staff of the Group has the right working environment to enable them to do the best job and maximise their satisfaction at work.
Legal and regulatory risk	Legal and regulatory risk is the risk that a breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs on civil and/or criminal proceedings and reputational damage being incurred.	• Monitor changes and developments in the regulatory environment and ensure that sufficient resources being made available to implement for any compulsory changes. • Seek legal or other specialist advice as appropriate.

Environmental Policies

The Group is committed to acting in an environmentally responsible manner. Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

Compliance with Environmental Regulations

Due to the nature of the business of the Group, the Directors are of the opinion that no specific laws and regulations related to environmental protection obligations on the part of the Group has significant impact on its business operations.

Major Customers and Suppliers

The percentage of sales and purchases for the Year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	7%
– five largest customers combined	24%
Purchases	
– the largest supplier	11%
– the five largest suppliers combined	40%

At no time during the Year did the Directors and their associates or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the major customers or suppliers referred to above.

Emolument Policy

The emoluments of the Directors are decided by the Board with reference to the recommendations from the remuneration committee of the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

Employees

As at 31 March 2023, the Group employed around 73 employees (as at 31 March 2022: around 99 employees). The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by the management. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong and the PRC have been enrolled to the appropriate mandatory provident fund schemes and retirement benefits schemes.

The Group regards its employees as the most important asset and resource and provides regular training courses and a variety of development programs and has developed relevant training policies and procedures to enhance the effectiveness of such training programs. Trainings provided to the employees cover topics including but not limited to industry updates, compliance matters and occupational health and safety, etc.

Profile of Directors

Executive Director

Mr. Wu Xiaoming ("Mr. Wu"), aged 61, is the interim chairman of the Board, the executive vice chairman and the chief executive officer of the Company and is experienced in financing and practice in business management, team building, corporate strategy development and implementation in large corporations, he also has in-depth knowledge and operational experience in investments and development of large-scale projects. Mr. Wu holds a master degree in economics and management from the Party School of Shaanxi Provincial Committee of CPC (中共陝西省委黨校), and is also a senior economist and engineer. Mr. Wu has been appointed as the chief executive officer, an executive Director, the executive vice chairman and the interim chairman of the Board, with effect from 28 April 2016, 30 September 2016, 3 April 2018 and 28 June 2023, respectively. He is also a member of remuneration committee and the chairman of the nomination committee of the Company. Mr. Wu is also a director of each of the following subsidiaries of the Company, namely, Dadi International Culture Media Holdings Limited, Dadi Great Wall Financial Holdings Limited and Dadi International Environmental Investment Limited.

Non-executive Directors

Mr. Ju Mengjun ("Mr. Ju"), aged 67, has extensive journalistic (including interviewing, editing and reviewing of news), international research and management experience. During his more than 30 years of employment with Xinhua News Agency, Mr. Ju has served various positions (including principal journalist, assistant to editor-in-chief, deputy chief editor and officer of the editor-in-chief office, etc.) in different departments and branches of Xinhua News Agency (including the international department and its Eurasia office, the Moscow Branch, the Alma Ata Branch and the editor-in-chief office of the headquarters). He also served as the president of Asia Pacific Branch and Hong Kong Branch of Xinhua News Agency. Mr. Ju served as an executive director of Xinhua News Media Holdings Limited (stock code: 309) from May 2011 to January 2018 and served as a co-chairman from June 2011 to January 2018. Mr. Ju graduated from the Department of Russian Language and Literature of Beijing University, has studied at Pushkin State Russian Language Institute, Moscow and has been a post-graduate. Mr. Ju has been appointed as a non-executive Director of the Company with effect from 22 December 2020.

Mr. Zhang Xiongfeng ("Mr. Zhang"), aged 55, has extensive experience in the investment banking industry specialising in the area of corporate finance. Mr. Zhang was a non-executive director of Fire Rock Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1909) from January 2016 to October 2018. He was a non-executive director of Pa Shun International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 574) from July 2016 to March 2023; and he was an executive director and chairman of the board of Hang Tai Yue Group Holdings Limited (formerly known as Interactive Entertainment China Cultural Technology Investments Limited) (stock code: 8081) shares are listed on GEM of the Stock Exchange from December 2013 to December 2018. Mr. Zhang has been appointed as a non-executive Director since 3 April 2018. He is also a member of the audit committee of the Company.

Independent Non-executive Directors

Dr. Zhang Wei ("Dr. Zhang"), aged 69, had taught Development Economics and Chinese Economy at the University of Cambridge in the UK since 2000 and is also the founding director of Economic Research Centre for Greater China in Cambridge. Dr. Zhang joined Mingly Corporation since 2011 and has served as senior economist, an executive director and chief executive officer. Dr. Zhang served as a non-executive director of Hanison Construction Holdings Limited (a company listed on the Main Board of Stock Exchange, stock code: 896) from June 2019 to August 2021. Dr. Zhang has been appointed as an independent non-executive Director since November 2017. He is also the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company.

Mr. Law Yui Lun ("Mr. Law"), aged 61, is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Law has extensive professional experience in the fields of auditing, accounting, corporate taxation, company liquidation and insolvency, financial advisory and management for over 30 years. Mr. Law served as an independent non-executive director of CBK Holdings Limited (stock code: 8428), which is listed on GEM of the Stock Exchange, from January 2017 to July 2021; an independent non-executive director of Shougang Concord Century Holdings Limited (stock code: 0103), which is listed on the Main Board of the Stock Exchange, from April 2005 to January 2020; and an independent non-executive director of China Trustful Group Limited (stock code: 8265), which is listed on GEM of the Stock Exchange, from 17 July 2020 to 30 September 2020. Mr. Law has been appointed as an independent non-executive Director since 1 November 2017. He is also the chairman of the audit committee of the Company and a member of each of the nomination committee and remuneration committee of the Company.

Dr. Jin Lizuo ("Dr. Jin"), aged 65, has been a supervisor of China International Capital Corporation Limited (a company listed on the Stock Exchange, stock code: 3908) since May 2015; participated in its establishment and was a member of its preparatory group from 1994 to 1995. Dr. Jin served as an independent non-executive director of Beijing Enterprises Environment Group Limited (formerly known as Beijing Development (Hong Kong) Limited) (a company listed on the Stock Exchange, stock code: 154) since September 2004, and a director of NetBrain Technologies Inc. since August 2012. He served as the chairman of Beijing Integrity Financial Consulting Company (北京中和應泰財務顧問有限公司) from 1997 to 2004; and was awarded the "Most Influential Independent Director" (最具影響力獨立董事獎) at the 5th Session Golden Round Table Award campaign for the Board of Directors of Listed Companies in China in 2009. Dr. Jin obtained a bachelor's degree in economics from Peking University in the PRC in January 1982 and a doctoral degree in economics from Oxford University in the United Kingdom in November 1993; he also served as the founding president of the Chinese Economic Association (UK) from 1988 to 1989 and the chief councilor of the Shanghai Institute of Law & Economics (上海法律與經濟研究所理事長). Dr. Jin has been appointed as an independent non-executive Director since 11 February 2020. He is also a member of each of the nomination committee, remuneration committee and audit committee of the Company.

Save as disclosed above, since the date of the 2022 interim report of the Company and up to the date of this annual report, there were no other changes in the information of the Directors which shall be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

Senior Management

Mr. Wu Xiaoming, aged 61, is the executive Director, the interim chairman of the Board, the executive vice chairman and the chief executive officer of the Company. He is responsible for the overall management and operation, liaison with major customers and business development of the Group. His biographies are set out in the section headed "Profile of Directors – Executive Director" in this annual report.

Profile of Directors

Mr. Bai Mingjun, aged 39, joined the Group in May 2016 and served as the deputy director of the Chairman's office (currently known as the head of Hong Kong headquarter). Mr. Bai has been appointed as a joint company secretary of the Company with effect from 1 April 2022. During his tenure of office with the Group, Mr. Bai has led the Group's Hong Kong headquarter operations and assisted the Board and the management teams in the discharge of their daily responsibilities including but not limited to coordinating the communications within members of the Board, participating in the implementation of various corporate and transactional matters of the Group, as well as attending to the general administrative and regulatory compliance functions of the Group.

Mr. Bai has also been serving as (i) a director of Dadi International Culture Media Holdings Limited (大地國際文化傳媒控股有限公司), Dadi International Environmental Investment Limited (大地國際環境投資有限公司) and Dadi Great Wall Financial Holdings Limited (大地長城金融控股有限公司), respectively, all being wholly-owned subsidiaries of the Company incorporated in Hong Kong, since May 2018; (ii) a director of Shenzhen City Jia Ying Financial Leasing Co., Ltd. (深圳市嘉盈融資租賃有限公司), a wholly-owned subsidiary of the Company established in the PRC, since November 2018; (iii) a director and the vice-president of Dadi Nandou Culture Media (Beijing) Co., Ltd. (大地南斗文化傳媒(北京)有限公司), a subsidiary of the Company established in the PRC, since April 2019; and (iv) a director of Dadi Senlai (Shanghai) Culture Technology Co., Ltd. (大地森萊(上海)文化科技有限公司), Dadi Senrong (Shanghai) Investment Management Co., Ltd. (大地森榮(上海)投資管理有限公司), Dadi Senbao (Shanghai) Asset Management Co., Ltd. (大地森葆(上海)資產管理有限公司), Dadi Senlin (Shanghai) Enterprise Management Co., Ltd. (大地森林(上海)企業管理有限公司), and Dadi Senrong Environment (Beijing) Co., Ltd. (大地森榮環境(北京)有限公司), respectively, all being wholly-owned subsidiaries of the Company established in the PRC, since April 2021.

Mr. Bai graduated from Xidian University (西安電子科技大學) with a bachelor's degree of electrical and engineering automation in 2007 and received a master's degree of purchasing and supply chain management from Robert Gordan University in the United Kingdom in 2010. Mr. Bai was qualified as an Intermediate Economist of the PRC (中華人民共和國中級經濟師) in 2014. In May 2016, Mr. Bai passed the examinations on Fund Laws and Regulations, Professional Ethics and Business Rules (基金法律法規、職業道德與業務規範) and Basic Knowledge on Securities Investment Funds (證券投資基金基礎知識) organised by the Asset Management Association of China (中國證券投資基金業協會).

Mr. Mi Zhaogang ("Mr. Mi"), aged 46, is the vice president and the director of the investment asset development center of the Company and is responsible for the investment management of the Group. Mr. Mi worked in Tsinghua Ziguang Environmental Protection Co., Ltd. (清華紫光環保有限公司) as the project manager, senior investment manager and manager of the investment department from August 2000 to July 2008. Mr. Mi worked in Beijing Enterprises Holdings Environment Technology Co., Ltd. (北京北控環保工程技術有限公司) as the head of the investment department, general manager of the investment management center and deputy general manager of the company from July 2008 to April 2016, and worked in the Company since April 2016. Mr. Mi is a registered consulting engineer (investment), a registered first-class constructor and an intermediate engineer. He obtained a bachelor's degree in engineering from Harbin Institute of Technology (哈爾濱工業大學) in the PRC and a master's degree in engineering from Tsinghua University in the PRC.

Introduction

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

Corporate Governance Practices

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public. Save as disclosed in this corporate governance report, throughout the Year, the Group has complied with all applicable code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Board has, since the amendments to the GEM Listing Rules regarding corporate governance practices were first proposed by the Stock Exchange, continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the Year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Group to ensure awareness to issues regarding corporate governance practices.

Cultures and Values

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. **Integrity and code of conduct**

   The Group strives to maintain high standards of business ethics and corporate governance across all of the Group's activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. **Commitment**

   The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management is to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

Corporate Governance Report

The Board

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of Directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, namely the audit committee, the remuneration committee and the nomination committee (the "Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Composition

At 31 March 2023, the Board comprised eight Directors, including three executive Directors, namely Mr. Qu Zhongrang, Mr. Fu Yuanhong and Mr. Wu Xiaoming, two non-executive Directors, namely Mr. Ju Mengjun and Mr. Zhang Xiongfeng, and three independent non-executive Directors, namely Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo. During the Year, there was no change to the composition of the Board. Subsequent to the Year end, Mr. Qu Zhongrang and Mr. Fu Yuanhong resigned as executive Directors on 28 June 2023. Please refer to the section headed "Report of the Directors – Events after the reporting period – The Investigation Against and Resignation of the Executive Directors" for details, which forms part of this corporate governance report. Save as disclosed above, there is no change to the composition of the Board subsequent to the end of the Year and up to the date of this report. Biographical details of the current Directors are set out in the section headed "Profile of Directors" in this annual report.

The Directors have distinguished themselves in their field of expertise and have exhibited high standards of personal and professional ethics and integrity. The Directors have devoted sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interest of the shareholders and the Company as a whole.

The Board as a whole is responsible for the appointment of new Directors and Directors nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's bye-laws, the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Board believes that the balance between the executive Directors and the independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the shareholders of the Company and the Group. In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

– required character, integrity, expertise, experience and stability to fulfill their roles;

– time commitment and attention to the Company's affairs;

– firm commitment to their independent roles and to the Board;

– declaration of conflict of interest in their roles as independent non-executive Directors; and

– no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement.

Chairman and Chief Executive Officer

As at 31 March 2023, Mr. Fu Yuanhong ("Mr. Fu") and Mr. Wu Xiaoming ("Mr. Wu") were in the position as the chairman (the "Chairman") of the Board and the chief executive officer of the Company, respectively. The positions of the chairman and the chief executive officer of the Company are held by different persons in order to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them.

On 28 June 2023, Mr. Fu resigned as an executive Director and the Chairman. Following the cessation of Mr. Fu as the Chairman, Mr. Wu, the executive vice chairman of the Board, the chief executive officer of the Company and an executive Director, has been appointed as the interim Chairman with effect from 28 June 2023 to temporarily take over the duties of the Chairman. Such practice deviates from code provision C.2.1 of part 2 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be separated. The reason for such deviation is to allow Mr. Wu, who is already the executive chairman of the Board to take over the duties of the Chairman in the interim period whilst the Management of the Group and the nomination committee of the Board are looking for the appropriate candidate to be the Chairman.

Deviation from compliance with code provision C.1.4 and C.2 of the CG Code

In January 2023, the Company has come to the knowledge that, Mr. Qu Zhongrang ("Mr. Qu") and Mr. Fu, the executive Directors, are alleged to have seriously violated discipline and law and were under disciplinary review and supervision investigation by the Shanxi Provincial Commission for Discipline Inspection and Supervision Commission. Pursuant to C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. During to the reasons discussed above, Mr. Qu and Mr. Fu could not participate in continuous professional development during the Year in accordance with code provision C.1.4. Furthermore, Mr. Fu, as the Chairman, was not able to perform the responsibilities of the Chairman under code provisions C.2 of the CG Code since January 2023. The Company has adopted the following alternative actions and steps during the Year to redress the deficiencies in the relevant code provisions:

Code Provision	Alternative actions and steps taken during the Year
C.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.	The responsibilities of Chairman, including presiding over the daily business meetings and meetings of the Board and implementing the formulated business strategies, etc, were shared and undertaken by Mr. Wu, the executive Director, executive vice chairman of the Board and chief executive officer of the Company; Mr. Bai, the head of Hong Kong headquarter and a joint company secretary of the Company; and Mr. Mi, the vice president and the director of the investment asset development center of the Company.
C.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	Mr. Wu, the executive Director, executive vice chairman and chief executive officer of the Company, together with Mr. Bai, the head of Hong Kong headquarter and a joint company secretary, and their respective teams, ensure that the Board operates effectively and discharges its due responsibilities, and promptly discusses all important and appropriate matters and establishes good corporate governance practices and procedures. Mr. Bai prepares the agenda of the Board according to the annual schedule of the Board meetings as well as ad hoc Board meetings from time to time, and communicates with all directors on the key operational and financial matters of the Group in a timely manner, including but not limited to daily announcement disclosure, annual budget review, annual corporate management report, audit matters and risk and internal control audit, etc.

Code Provision	Alternative actions and steps taken during the Year
C.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.	Refer to C.2.2 above.
C.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. The chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.	Refer to C.2.2 above.
C.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	Refer to C.2.2 above.
C.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.	Refer to C.2.2 above.

Code Provision	Alternative actions and steps taken during the Year
C.2.7 The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.	Mr. Bai, the head of Hong Kong headquarter and a joint company secretary, and his team had been acting as a communication channel between Mr. Wu, the executive Director, executive vice chairman of the Board and chief executive officer of the Company, and the independent non-executive Directors, including but not limited to the latest development of the Group's business, risk management and internal control system review and corporate governance system updates.
C.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	There have been no changes to the existing Shareholders' Communication Policy of the Group. Mr. Wu, the executive Director, executive vice chairman of the Board and chief executive officer of the Company, together with Mr. Bai, the head of Hong Kong headquarter and a joint company secretary, and their respective teams, have considered that such Shareholders' Communication Policy remains effective given that there is no barrier for the shareholders to communicate their views to the Board as a whole.
C.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	Refer to C.2.2 above.

Independence of the Independent Non-executive Directors

The Company has three independent non-executive Directors as at the end of the Year and as at the date of this report, which is in compliance with the requirement under Rules 5.05 and 5.05A of the GEM Listing Rules which require that (i) the Board shall comprise at least three independent non-executive directors; (ii) the number of independent non-executive directors must represent at least one-third of the Board; and (iii) one of whom shall have appropriate professional qualifications on accounting or related financial management expertise. The three independent non-executive Directors, namely Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo, have made written confirmations to the Company in respect of their independence for the Year. Based on such confirmation and to be best knowledge of the Board, the Company considers these current independent non-executive Directors are independent under the guidelines set out in Rule 5.09 of the GEM Listing Rules.

Independent input mechanism

Board and committees' structure	• As at the date of this annual report, the Board comprised of 6 members which includes 3 independent non-executive Directors. It complies with the requirements of the GEM Listing Rules that independent non-executive directors should account for one-third of the number of directors and not less than three.
Independent non-executive Directors' tenure	• In accordance with the requirements of the bye-laws of the Company, the Directors (including independent non-executive Directors) is subject to rotation and re-election at least once every three years.
Independent non-executive Directors' remuneration	• Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate. The Company has not currently established an incentive scheme related to its shares.
Appointment of independent non-executive Directors	• Independent search firm(s) can be engaged by the nomination committee of the Board as needed to help identify potential candidates for appointment of independent non-executive Director.
	• In assessing suitability of the candidates, the nomination committee of the Board will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skills and experience, the list of selection criteria approved by the Board and the Board diversity policy and objectives
Annual review of independent non-executive Directors' commitment and independence	• The nomination committee of the Board reviews annually each Director's time commitment to the Group's business. Directors' attendance records during the Year are disclosed in the section head "Board Meetings and Shareholders' Meetings" contained in this Corporate Governance Report.
	• Independent non-executive Directors' independence is assessed upon appointment, annually, and as the circumstances require.
Management of the conflict of interests	• The internal system of the Group contains provisions for the avoidance of conflicts of interest and provides guidance on the actions to be taken by Directors in relation to conflicts of interest.
Professional advice	• Directors may consult the joint company secretaries of the Company on matters relating to the performance of their duties, as well as external professional advisers and legal advisers at the Company's expense
Evaluation of the performance of the Board	• The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance.

Non-executive Directors

The non-executive Directors are appointed for a specific term of three years from their respective date of appointment, subject to retirement by rotation as stipulated in the bye-laws of the Company.

Board Meetings and Shareholders' Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. At least fourteen days' notice of regular Board meeting is given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides Directors information on activities and development of the businesses of the Group.

During the Year, seven Board meetings were held. Details of the attendance of the Directors at general meeting, the meetings of the Board and its respective committees are as follows:

Name of Director	General Meeting Attended/Held	Board Meeting Attended/Held	Audit Committee Attended/Held	Remuneration Committee Attended/Held	Nomination Committee Attended/Held
Executive Directors					
Mr. Qu Zhongrang *(resigned on 28 June 2023)*	0/1	5/7	N/A	N/A	N/A
Mr. Fu Yuanhong, *Chairman (resigned on 28 June 2023)*	1/1	5/7	N/A	1/1	1/1
Mr. Wu Xiaoming	1/1	7/7	N/A	1/1	N/A
Non-executive Directors					
Mr. Ju Mengjun	0/1	7/7	N/A	N/A	N/A
Mr. Zhang Xiongfeng	0/1	7/7	5/5	N/A	N/A
Independent non-executive Directors					
Dr. Zhang Wei	0/1	7/7	5/5	1/1	1/1
Mr. Law Yui Lun	0/1	7/7	5/5	1/1	1/1
Dr. Jin Lizuo	0/1	7/7	5/5	1/1	1/1

Deviation from compliance with code provision F.2.2 of the CG Code – This code provision requires the chairman of the Board to invite the chairmen of the audit and remuneration committees of the Board to attend.

Dr. Zhang Wei, being an independent non-executive Director and the chairman of the remuneration committee of the Board, and Mr. Law Yui Lun, being an independent non-executive Director and the chairman of the audit committee of the Board, were unable to attend the 2022 annual general meeting of the Company due to their work arrangements.

Deviation from compliance with code provision C.1.6 of the CG Code

Pursuant to C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend the annual general meeting of the Company to gain and develop a balanced understanding of the views of the shareholders. The non-executive Directors, Mr. Ju Mengjun and Mr. Zhang Xiongfeng, independent non-executive Directors, Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo, did not attend the annual general meeting of the Company held on 30 September 2022 due to their work arrangements.

Training and support for Directors

All Directors must keep abreast of their collective responsibilities as Directors and of the businesses of the Group. As such, the Group provides an induction to each newly appointed Director upon his/her appointment. Briefings and orientations are provided and organised to ensure that the Directors are familiar with the role of the Board, their legal and other duties as a Director as well as the business and governance practices of the Group. Such programmes are tailored to each individual Director taking into account their background and expertise. The Company will continuously update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors.

Save for Mr. Qu and Mr. Fu who could not participate in continuous professional development training for reasons disclosed above, all Directors participated in continuous professional development programmes provided or procured by the Group during the Year, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective Directors are kept and updated by the Company.

Board Diversity

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

With reference to the policy above, the nomination committee of the Board has reviewed the composition of the Board in accordance with the GEM Listing Rules in terms of the following factors:

- **Educational background and professional knowledge:** The members of the Board come from different educational backgrounds including economics, management and foreign language and literature., etc. Some Directors have obtained master's and doctoral degrees and other professional accreditation qualifications including senior economists, engineer and chartered certified accountants. The educational background and professional background of the members of the Board helps to guarantee the professionalism of the Group's business; and

- **Industry experience:** The members of the Board has relatively sufficient industry experience in their respective fields, including experience in investment banking activities, Chinese economy research and analysis, media management and financial consultancy, which brings foresight to the Group's business development and international vision.

The Board considers that its composition is in compliance with its diversity policy in terms of educational background, industry experience, region and duration of service, and reflects an appropriate mix of skills, experience and diversity that are relevant to the Group's strategy, governance and business and contribute to the Board's effectiveness and efficiency. Information about the Board's current composition (including the skills and experience of Directors) is set out in the section headed "Profiles of Directors" in this annual report.

Measureable objectives of the Board diversity policy include (i) at least one third of the Board shall be independent non-executive Directors; (ii) at least one Director is female and (iii) at least one Director shall have obtained accounting or other professional qualifications. For the Year, items (i) and (iii) have been fulfilled. The Board expects item (ii) will be fulfilled in the recent future by the end of 2024. Whereas the current Board and senior management of the Group comprise of all male members, viewing from the Group's perspective, as at 31 March 2023, the Group had 73 employees in total comprising of approximately 30 females and 43 males (that is, a female-to-male ratio of approximately 4:6), reflecting a generally gender equality principle generally adhered by the Group with a relatively substantial presence and representation in the Group's workforce. During the Year, the Group followed the principle of "openness, fairness, competition and merit-based selection" to recruit and train employees. As of the end of the Year, over 90% of the Group's staff was full-time staff and over 60% of them aged between 31 to 50. This illustrates the Group's dedication to recruit and retain junior staff and provide resources for them to pursue the career path in relation to senior positions within the Group and potentially, to the Board.

The Board is mindful of the objectives for the factors as set out in the paragraph headed "Nomination Committee" below for assessing the candidacy of the Board members, and will ensure that any successors to the Board shall follow the gender diversity policy. Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Group is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio within coming two years. The Company expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

Remuneration Committee

A remuneration committee was established with specific written terms of reference in accordance with the requirements of the CG Code. During the Year and up to the date of this annual report, the remuneration committee consists of five members, of which two of them are executive Directors namely Mr. Fu Yuanhong (resigned on 28 June 2023) and Mr. Wu Xiaoming, and three of them are independent non-executive Directors, namely Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo. The chairman of the remuneration committee is Dr. Zhang Wei.

The remuneration committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of Directors and members of senior management of the Company, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. This committee consults with the chairman on its proposals and recommendations and has access to professional advice if deemed necessary. The remuneration committee is also provided with other resources enabling it to discharge its duties.

The remuneration committee meets at least once a year.

During the Year, the remuneration committee held one meeting. During the relevant meeting, the remuneration committee reviewed performance of executive Directors, the remuneration policy and structure of the Company, the remuneration packages of the Directors and senior management.

Nomination Committee

The nomination committee was established with specific written terms of reference in accordance with the requirements of the CG Code. During the Year, the nomination committee consists of four members, of which one of them is an executive Director, namely Mr. Fu Yuanhong (who resigned on 28 June 2023), and three of them are independent non-executive Directors, namely Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo. The chairman of the nomination committee during the Year was Mr. Fu Yuanhong, who resigned on 28 June 2023 and following the resignation of Mr. Fu, Mr. Wu Xiaoming, the interim chairman of the Board and an executive Director, has been appointed as the chairman of the nomination committee.

The duties of the nomination committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer of the Company.

The nomination committee meets at least once a year.

During the Year, the nomination committee held one meeting. During the relevant meeting, the nomination committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of the independent non-executive Directors and considered the re-election of Directors.

Board Nomination Policy

The Company adopted a nomination policy for the nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Procedure

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. The nomination committee utilises various methods for identifying Director candidates, including recommendations from Board members, management, and professional search firms. All Director candidates, including incumbents and candidates nominated by shareholders are evaluated by the nomination committee based upon the director qualifications. While Director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the Director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. During the Year, and up to the date of this annual report, the audit committee consists of four members, of which one of them is a non-executive Director, namely Mr. Zhang Xiongfeng, and three of them are independent non-executive Directors, namely Dr. Zhang Wei, Dr. Jin Lizuo and Mr. Law Yui Lun. The chairman of the audit committee is Mr. Law Yui Lun.

The main duties of the audit committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee is provided with sufficient resources enabling it to discharge its duties.

The audit committee held five meetings during the Year, to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Group's annual results for the Year has been reviewed by the audit committee of the Company.

Summary of work performed by the Audit Committee

- To consider the final financial report for FY2022 and the financial budget of the Group for the Year to ensure the preparation of the final financial report and financial budget is scientific and reasonable;
- To consider the FY2022 financial statements, the representation letters and results announcement issued by the external auditor to ensure the truthfulness and completeness of the annual financial data of external disclosure;
- To consider and approve the re-appointment of the auditor for the Year and to determine the related audit fees;
- To consider the report on the Company's related party transactions for FY2022 and to ensure the truthfulness of the disclosure;
- To consider the Company's 2022 interim financial statements, statement and results announcement to ensure the truthfulness and integrity of the financial disclosure data;
- To consider the Company's 2022 interim report to ensure the truthfulness and reasonableness of the information in the interim report;
- To consider and approve the resolution of the Company not distribute the FY2022 final dividend and interim dividend within the Year;
- To review the reasonableness of the annual audit plan of the auditor and approve the implementation of the audit plan; and
- To invite auditors to the meeting to discuss the FY2022 annual results and the 2022 quarterly and interim results.

Auditors' Remuneration

For the Year, the remuneration in respect of the audit services provided by the auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to approximately HK$1,031,000.

Joint Company Secretaries

During the Year, Mr. Hong Kam Le ("Mr. Hong"), a solicitor in Hong Kong, was the joint company secretary of the Company until his resignation with effect from 28 February 2023. Following Mr. Hong's resignation, Mr. Au Yeung Ming Yin Gordon ("Mr. Au Yeung") has been appointed as the joint company secretary of the Company with effect from the same date. Mr. Au Yeung is responsible for advising the Board regarding corporate governance matters to ensure regulatory compliance and corporate governance functions of the Group to be carried out in an efficient and effective manner. Please refer to the announcement of the Company dated 28 Febuary 2023 for details as to the resignation of Mr. Hong and the appointment of Mr. Au Yeung (including his biographical details) as the joint company secretary of the Company.

During the Year, Mr. Bai Mingjun ("Mr. Bai"), having served as a deputy director of the Chairman's office (currently known as the head of Hong Kong headquarter) of the Company since May 2016, has been appointed as a joint company secretary of the Company with effect from 1 April 2022. Whilst Mr. Bai does not possess the requisite qualifications as a company secretary of a listed company on GEM of the Stock Exchange under Rule 5.14 of the GEM Listing Rules, the Company has applied to the Stock Exchange and has been granted waivers by the Stock Exchange from strict compliance with the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules in respect of Mr. Bai's appointment. Please refer to the announcements of the Company dated 1 April 2022 and 28 February 2023 for details as to Mr. Bai's appointment as a joint company secretary of the Company and the grant of the aforesaid waivers by the Stock Exchange. Mr. Bai's biographies are set out in the section headed "Profile of Directors – Senior Management" in this annual report. Mr. Bai has been the primary contact of Mr. Hong and Mr. Au Yeung in the Company since their respective appointment as the joint company secretary of the Company.

Mr. Au Yeung Ming Yin Gordon currently serves as a joint company secretary of the Company. Mr. Au Yeung has over 20 years of experience in the areas of accounting and auditing. He is a member of the Hong Kong Institute of Certified Public Accountants.

Each of Mr. Bai and Mr. Au Yeung has confirmed that he received not less than 15 hours of relevant professional training as required by according to the Rule 5.15 of the GEM Listing Rules for the Year.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Year.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in the securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director.

Directors' Preparation Responsibilities on Financial Statements

The Directors acknowledge their responsibilities to prepare the financial statements for the year ended 31 March 2023 and ensure these financial statements to give a true and fair view on the financial position of the Group.

Internal Control and Risk Management

The Board has overall responsibility for the internal control system and risk management of the Group and it has delegated to the executive management to carry out the risk identification and monitoring procedures. The objectives of the risk management are to enhance the governance and corporate management processes as well as to safeguard the interests of the shareholders and the assets of the Group.

The Board highly emphasized on internal control and adopted various initiatives to control and monitor the business of the Company and prevent potential risks. The Company has established internal audit function to conduct regular review on all the policies and procedures of material control, and report all material issues to the Board and audit committee at least once annually.

The Group adopted a three-line risk management approach to identify, analyze, assess, mitigate and handle risks. The first line of defence is that the Group's employees must understand that their roles and responsibilities to identify, assess and monitor risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the audit committee of the Company, with the advices and opinions from the external professional party (such as the auditor) and annual review by the internal audit function, ensures that the first and second lines of defence are effective.

Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the executive management have provided sufficient internal control and risk management for the Group.

The Board reviewed the risk management and internal control system adopted by the Group annually. For the Year, the Board is of the view that the systems are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system. The Board has received a confirmation from management on the effectiveness of the risk management and internal control systems.

To facilitate the management and standardization of internal operation, the Company has regulations in place that specify the responsibilities and scopes of anti-corruption works. Anti-corruption policy has been adopted and all employees of the Group have been required to strictly abide them. To encourage employees to report the improprieties they found or suspected, the Company has established appropriate protocols pursuant to its whistleblowing policy so as to provide a secure and fully confidential environment for employees to report the improprieties that they genuinely concerned.

Disclosure of Inside Information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (the "SFO") and the GEM Listing Rules and the overriding principle that Inside Information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of Inside Information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has strictly prohibited unauthorised use of confidential or Inside Information; and
- the Group regularly reminds its Directors and employees about due compliance with all policies regarding the Inside Information, as well as keeps them appraised of the latest regulatory updates.

Dividend Policy

The Company may distribute dividends by way of cash or by other means that the Company considers appropriate. Any proposed distribution of dividends shall be determined by the Board and will be subject to shareholders' approval. A decision to declare or to pay dividends, and the amount of dividends, will depend on a number of factors, including the Company's operating results, cash flow, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that the Directors may consider important.

Amendment of Constitutional Documents

The new bye-laws of the Company was adopted by way of a special resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 30 September 2022. The new bye-laws of the Company is available on the websites of the Stock Exchange and the Company.

Shareholders' Rights

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The commitment to fair disclosure and comprehensive and transparent reporting of the Company's activities can be reflected in many aspects.

In endeavouring to maintain an on-going dialogue with shareholders, the annual general meeting provides a useful forum for shareholders to exchange views with the Board.

The proceedings of the annual general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. An annual general meeting shall be called by notice of not less than twenty-one clear days. All other general meetings (including a special general meeting) must be called by notice of not less than fourteen clear days. The general meeting circular which is circulated to all Shareholders with the notice of the general meeting, sets out the details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the Company's 2022 annual general meeting, all the resolutions were put to the vote by poll and Tricor Secretaries Limited, the Company's Hong Kong branch share registrar, was engaged as scrutineer to ensure the votes were properly counted. The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting and procedures for shareholders to propose a person for election as a Director are contained in the Company's bye-laws.

Shareholders of the Company who hold not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so themselves.

The Company publishes its announcements, financial information and other relevant data on its website at http://www.dadi-international.com.hk, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business in Hong Kong of the Company, or via phone ((852) 2382 8588), fax ((852) 2382 8598) or email (ir@dadi-international.com.hk). The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company is set out on page 4 of this annual report.

Communication with Shareholders and Investor Relations

The Company recognises the importance of communications with the shareholders of the Company as well as potential investors. This shareholders communication policy is reviewed by the audit committee of the Board on an annual basis which aims to set out the provisions with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company. Accordingly, the Directors consider that the shareholders communication policy of the Company is satisfactory in terms of its implementation and effectiveness.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. There include annual and extraordinary meeting, annual report, interim report, quarterly report, various notices, announcement and circulars. Through the Company's website at http://www.dadi-international.com.hk, shareholders can obtain updated and key information on the major developments of the Group. Information, such as financial statements, results announcements, circulars, notices of general meetings and all announcements, released by the Company on the Stock Exchange's website at www.hkexnews.hk is also posted on the Company's website immediately thereafter.

Going Concern

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

Conclusion

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

Report of the Directors

The Directors present their annual report and the audited financial statements for the Year.

Principal activities and geographical analysis of operations

The principal activities of the Group for the Year included provision of environmental consultancy services, sales of healthcare products and publication, purchase and distribution of books. Details of the activities of its subsidiaries are set out in note 41 of the notes to the consolidated financial statements in this annual report. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis – Principal Risks and Uncertainties" in this annual report. The discussion forms part of this Directors' report.

An analysis of the Group's revenue for the Year by geographic segment is set out in note 10 of the notes to the consolidated financial statements in this annual report.

Results

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report. They form part of this Directors' report.

Financial summary

The summary of the financial results and the assets and liabilities of the Group for the past five financial years is set out in the section headed "Summary of Financial Information" in this annual report.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 18 of the notes to the consolidated financial statements in this annual report.

Share capital and share options

Details of the movements in the Company's share capital and share options during the Year are set out in notes 35 and 40 of the notes to the consolidated financial statements in this annual report, respectively. The share option scheme adopted by the Company on 25 September 2012 (the "Share Option Scheme") had expired on 25 September 2022.

Reserves

Details of the movement in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 42 of the notes to the consolidated financial statements in this annual report.

Purchase, sale or redemption of the Company's listed securities

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Convertible securities, options, warrants and similar rights

No convertible securities, options, warrants and similar rights were issued or granted by the Group during the Year.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Tax relief

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

Convertible bonds

There are no outstanding convertible bonds during the Year.

Distributable reserves

At 31 March 2023, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) was nil.

Charitable donations

Charitable donations made by the Group during the Year was nil (FY2022: nil).

Management Contract

No management contract was in force during the Year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the Year or at any time during the Year.

Events after the reporting period

The Investigation Against and Resignation of the Executive Directors

Reference is made to the announcement of the Company dated 6 January 2023 pursuant to which it was disclosed that Mr. Qu Zhongrang ("Mr. Qu") and Mr. Fu Yuanhong ("Mr. Fu") had been under disciplinary review and supervision investigation (the "Investigation") by the Shanxi Provincial Commission for Discipline Inspection and Supervision Commission.

Based on the information (the "Publication") on the website of the Communist Party of China ("CPC" or "Party") Central Commission for Discipline Inspection(中共中央紀律檢查委員會), upon investigation by the Shanxi Provincial Commission for Discipline Inspection and Supervision Commission, Mr. Qu was found to have seriously violated the Party's political discipline, organisational discipline, integrity discipline and work discipline through acceptance of gifts and gratuities and abuse of powers in his position in non-listed state-owned enterprises etc., thus constituting a serious violation of his duties in state-owned enterprises and was suspected of committing corruption and bribery offences. Pursuant to the relevant requirements under the Regulations on Disciplinary Punishment of the Communist Party of China (《中國共產黨紀律處分條例》), the Supervision Law of the People's Republic of China (《中華人民共和國監察法》) and the Law of the People's Republic of China on the Disciplinary Punishment of Public Officials (《中華人民共和國公職人員政務處分法》), upon research of the meeting of the Standing Committee of the Shanxi Discipline Inspection Commission(山西省紀委常委會)and approval from the CPC Shanxi Provincial Party Committee(中共山西省委員會), it was decided that Mr. Qu shall be disciplined by being removed by the CPC, and shall be implemented by the Shanxi Provincial Commission for Discipline Inspection and Supervision Commission. Meanwhile, his gain from illegal activities and conduct in violation of the disciplinary regulations shall be confiscated, and matters pertaining to his suspected criminal offences, alongside with the relevant monies and properties, shall be transferred to the procuratorial authorities for assessment and prosecution in accordance with the law.

On 28 June 2023, each of Mr. Qu and Mr. Fu has resigned as an executive Director due to the inability to continue to perform their duties as Directors in light of the Investigation. Accordingly. Mr. Fu has ceased to be the chairman of the Board, a member of the remuneration committee of the Board, the chairman of the nomination committee of the Board, the compliance officer (the "Compliance Officer") of the Company under Rule 5.19 of the GEM Listing Rules and the authorised representative (the "Authorised Representative") of the Company under Rule 5.24 of the GEM Listing Rules upon his resignation.

Each of Mr. Qu and Mr. Fu has confirmed that he has no disagreement with the Board and there are no other matters in relation to their resignation that need to be brought to the attention of the shareholders of the Company or the Stock Exchange.

Following the resignation of Mr. Fu, Mr. Wu Xiaoming, the executive vice chairman of the Board, the chief executive officer of the Company and an executive Director, has been appointed as the interim chairman of the Board with effect from 28 June 2023 to temporarily take over the duties of the chairman of the Board. Mr. Wu has also been appointed as the Compliance Officer, the Authorised Representative and the chairman of the nomination committee of the Board with effect from the same date.

For details, please refer to the announcements of the Company dated 6 January 2023 and 28 June 2023.

Save for the above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 and up to the date of this annual report.

Sufficiency of public float

The Company has maintained a sufficient public float throughout the Year.

Permitted Indemnity Provisions

At no time during the Year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise) or an associated company (if made by the Company).

Directors

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Qu Zhongrang	(resigned on 28 June 2023)
Mr. Fu Yuanhong	(resigned on 28 June 2023)
Mr. Wu Xiaoming	

Non-executive Directors

Mr. Ju Mengjun
Mr. Zhang Xiongfeng

Independent non-executive Directors

Dr. Zhang Wei
Mr. Law Yui Lun
Dr. Jin Lizuo

In accordance with bye-law 84(1) of the bye-laws of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Directors' service contracts

Mr. Qu Zhongrang was appointed as an executive Director and his service contract was renewed for a term of three years commencing from 23 April 2022, subject to retirement by rotation and re-election pursuant to the bye-laws of the Company. Mr. Qu's remuneration will be director's fee of HK$50,000 per month. Mr. Qu has resigned as executive Director on 28 June 2023.

Mr. Fu Yuanhong was appointed as an executive Director and his service contract was renewed for a term of three years commencing from 19 February 2022, subject to retirement by rotation and re-election pursuant to the bye-laws of the Company. Mr. Fu's remuneration will be director's fee of HK$50,000 per month. Mr. Fu has resigned as executive Director on 28 June 2023.

Mr. Wu Xiaoming was appointed as an executive Director and his service contract was renewed for a term of three years commencing from 1 October 2022, subject to retirement by rotation and re-election, in accordance with the bye-laws of the Company. Mr. Wu's remuneration will be director fee of HK$50,000 and salary of HK$170,000 per month.

Mr. Ju Mengjun was appointed as a non-executive Director for a term of three years commencing from 22 December 2020, subject to retirement by rotation and re-election pursuant to the bye-laws of the Company. Mr. Ju's remuneration will be director's fee of HK$30,000 per month.

Mr. Zhang Xiongfeng was appointed as a non-executive Director and his service contract was renewed for an initial term of three years commencing from 3 April 2021, subject to retirement by rotation and re-election pursuant to the bye-laws of the Company. Mr. Zhang's remuneration will be director's fee of HK$30,000 per month.

Dr. Zhang Wei was appointed as an independent non-executive Director and his service contract was renewed for an initial term of three years commencing from 1 November 2020, subject to retirement by rotation and other related provisions as stipulated in the bye-laws of the Company. Dr. Zhang Wei shall receive a remuneration of HK$30,000 per month.

Mr. Law Yui Lun was appointed as an independent non-executive Director and his service contract was renewed for an initial term of three years commencing from 1 November 2020, subject to retirement by rotation and other related provisions as stipulated in the bye-laws of the Company. Mr. Law shall receive a remuneration of HK$30,000 per month.

Dr. Jin Lizuo was appointed as an independent non-executive Director for an initial term of three years commencing from 11 February 2023, and is subject to retirement by rotation and other related provisions as stipulated in the bye-laws of the Company. Dr. Jin Lizuo shall receive a remuneration of HK$30,000 per month.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed, to have pursuant to such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, are as follows:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of Shares held	Percentage of the Company's issued share capital *(Note)*
Mr. Wu Xiaoming	Beneficial owner	41,240,000	1.13%
Mr. Zhang Xiongfeng	Beneficial owner	237,209,900	6.52%

Note: The percentage of shareholding was calculated based on the Company's total number of 3,640,627,457 Shares in issue as at 31 March 2023.

Share option scheme

The Group has adopted the Share Option Scheme pursuant to a resolution passed at the annual general meeting of the Company held on 25 September 2012. In accordance with the Share Option Scheme, the Company may grant the share options to individuals including employee or proposed employee, non-executive director and customer of the Company or any of its subsidiaries or entities in which the Group holds an equity interest and persons providing research, development or other technological support to the above in order to acquire shares of the Company. The Board considers that the Share Option Scheme enables the Group to provide incentives and rewards to the above participants for their contribution to the Group.

Save for the grant of share options by the Company on 13 January 2017, no share option has been granted since the adoption of the Share Option Scheme. The Share Option Scheme had expired on 25 September 2022. Accordingly, there was no share option outstanding as at 31 March 2023 and as at the date of this annual report.

Further particulars of the Share Option Scheme are set out in note 40 of the notes to the consolidated financial statements in this annual report.

Arrangement to purchase shares or debentures

Other than the Share Option Scheme as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interest in contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Competing interests

In respect of the Year, the Directors were not aware of any business or interest of the Directors, the substantial Shareholders and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Substantial shareholders' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2023, so far as it was known to any Directors or chief executive of the Company, the register of substantial shareholders maintained by the Company under section 336 of the SFO showed that the following shareholders (other than the Directors or chief executives of the Company) had an interest of 5% or more in the issued share capital of the Company:

Long position in ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of Shares held	Percentage of the Company's issued share capital (Note 2)
山西省國有資本運營有限公司	Interest in a controlled corporation	1,027,985,995 (Note 1)	28.24%
山西大地環境投資控股有限公司	Interest in a controlled corporation	1,027,985,995 (Note 1)	28.24%
山西省環境集團有限公司	Interest in a controlled corporation	1,027,985,995 (Note 1)	28.24%
Dadi International Holdings Co., Ltd	Beneficial owner	1,027,985,995	28.24%

Notes:

1. Dadi International Holdings Co., Ltd is beneficially and wholly-owned by 山西省環境集團有限公司, which is in turn beneficially and 90% owned by 山西大地環境投資控股有限公司, which is in turn beneficially and wholly-owned by 山西省國有資本運營有限公司. As such, each of 山西省環境集團有限公司, 山西大地環境投資控股有限公司 and 山西省國有資本運營有限公司 is deemed to be interested in the Shares held by Dadi International Holdings Co., Ltd.

   Save as disclosed above, as at 31 March 2023, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

2. The percentage of shareholding was calculated based on the Company's total number of 3,640,627,457 Shares in issue as at 31 March 2022.

Retirement benefits scheme

Particulars of the retirement benefits scheme of the Group are set out in note 39 of the notes to the consolidated financial statements in this annual report.

Audit committee

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. For the year ended 31 March 2023, the audit committee comprises of three independent non-executive Directors namely, Mr. Law Yui Lun who is the chairman of the audit committee, Dr. Zhang Wei and Dr. Jin Lizuo, and one non-executive Director, Mr. Zhang Xiongfeng. During the Year, the audit committee held four meetings to review the Group's annual report, half-year report and quarterly reports.

Remuneration committee

The Company has established a remuneration committee with written terms of reference in accordance with the requirements of the CG Code. For the year ended 31 March 2023, the remuneration committee comprises three independent non-executive Directors, namely Mr. Law Yui Lun, Dr. Jin Lizuo and Dr. Zhang Wei who is the chairman of the remuneration committee and two executive Directors, Mr. Fu Yuanhong and Mr. Wu Xiaoming. The principal responsibilities of the remuneration committee include recommendation to the Board on the Group's remuneration policy and structure for all remuneration of Directors and senior management of the Company, the determination of specific remuneration packages of all executive Directors and senior management of the Company, and to review and approve performance-based remuneration.

Nomination committee

The Company has established a nomination committee with written terms of reference in accordance with the requirements of the CG Code. For the year ended 31 March 2023, the nomination committee comprises three independent non-executive Directors, namely Dr. Zhang Wei, Mr. Law Yui Lun and Dr. Jin Lizuo and an executive Director, Mr. Fu Yuanhong who is the chairman of the nomination committee. The roles and functions of the nomination committee include nomination of potential candidates for directorship, reviewing the nomination of the Directors and making recommendations to the Board for ensuring that all nominations are fair and transparent.

Related party transactions

Details of the material related party transactions undertaken in the ordinary course of business by the Group during the Year, which constituted connected transactions of the Group but was fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules are set out in note 38 of the notes to the consolidated financial statements in this annual report.

Auditors

The accounts for the Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

There was no change of auditors of the Company in the past three years.

Compliance with relevant laws and regulations

The Company has been in compliance with relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board

Wu Xiaoming
Interim Chairman

Hong Kong, 30 June 2023

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

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

TO THE SHAREHOLDERS OF DADI INTERNATIONAL GROUP LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Dadi International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 155, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 4 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$332,903,000 for the year ended 31 March 2023 and, as of that date, the Group's current liabilities exceeded its total assets by HK$336,320,000. Further, the Group had defaulted borrowings of approximately HK$605,431,000. These events or conditions, along with other matters as set forth in note 4 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Key audit matter	How our audit address the key audit matter
Assessment of expected credit losses ("ECL") of trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights	
Refer to notes 6, 24 and 25 to the consolidated financial statements. At 31 March 2023, the Group had trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights of gross carrying amount of approximately HK$889,522,000, HK$106,745,000 and HK$14,279,000 respectively, with provision of ECL of HK$512,746,000, HK$106,745,000 and HK$14,279,000 respectively. The Group assessed whether the credit risk of trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights have increased significantly since their initial recognitions, and applied a three-stage impairment model to calculate their ECLs. In assessing the provision of ECLs, management exercises significant judgment on the selection of unobservable data inputs to the three-stage impairment model including probability of default, exposure at default and loss given default. We focused on ECL assessment due to the significance of the balances of trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights and the provision of ECL, and the assessment of ECL involves critical accounting estimates and judgments.	Our procedures in relation to management's ECL assessment of trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights included but not limited to: • Understanding and evaluating the modeling methodologies used by management for measuring ECL; assessing key parameters and assumptions made by management with reference to the relevant historical credit loss data of the Group, observable external economic data and discussion with independent qualified professional valuers; • For historical information, discussing with management to understand their process of assessing risk of default and identifying significant increase in credit risk and corroborating management's explanation with supporting evidence; and • For forward-looking information, reviewing the appropriateness of economic indicators selected by management's expert and testing the resulting calculation of the economic indicators determined thereby. Based on the procedures performed, we found management's assessment of ECL of trade, bills and other receivables and deposits, deposit for film production and deposit for purchase of film rights to be supportable by available evidences.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement on financial assets at fair value through other comprehensive income ("FVTOCI")	
Refer to notes 6 and 28 to the consolidated financial statements. At 31 March 2023, the Group had unlisted equity securities classified as financial assets at FVTOCI with the carrying amounts of approximately HK$16,346,000. The valuations of the Group's unlisted equity securities are based on a combination of market data and different valuation models which may require to consider numbers of input. The inputs to the valuation techniques used to measure fair value are classified into level 3 fair value hierarchy in HKFRS 13 *Fair Value Measurement*. We focused on fair value measurement on financial assets at FVTOCI as it involved the use of significant judgements and estimation uncertainty.	Our procedures in relation to management's fair value measurement on financial assets at FVTOCI included but not limited to: • Enquiring the management and assessing the methodologies used in fair value measurement and the appropriateness of the key assumptions and parameters; • Checking, on sample basis, the accuracy and relevance of the input data used by comparing key underlying financial data inputs to external sources and investee companies' financial information; • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuers; and • Checking the arithmetical accuracy on the valuation model. Based on the procedures performed, we found management's fair value measurement on financial assets at FVTOCI to be supportable by available evidences.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exits. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 30 June 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	8	**36,482**	37,961
Cost of sales		**(24,841)**	(19,492)
Gross profit		**11,641**	18,469
Other gains or losses, net	9	**3,987**	3,057
Administrative expenses		**(30,775)**	(44,908)
Allowance for expected credit losses, net		**(265,377)**	(300,716)
Impairment loss recognised in respect of property, plant and equipment	18	**–**	(260)
Impairment loss recognised in respect of right-of-use assets	19	**(82)**	(397)
Impairment loss recognised in respect of goodwill	20	**(2,840)**	–
Share of profit of an associate		**–**	139
Loss from operations	11	**(283,446)**	(324,616)
Finance costs	12	**(49,329)**	(52,527)
Loss before taxation		**(332,775)**	(377,143)
Income tax expense	13	**(128)**	(1,337)
Loss for the year		**(332,903)**	(378,480)
Other comprehensive (expense)/income for the year			
Item that will not be reclassified to profit or loss:			
Fair value (loss)/gain on financial assets at fair value through other comprehensive income		**(26,994)**	6,900
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(3,159)**	29,640
Share of other comprehensive income of an associate, net of income tax		**–**	12
Other comprehensive (expense)/income for the year, net of income tax		**(30,153)**	36,552
Total comprehensive expense for the year		**(363,056)**	(341,928)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(287,148)**	(217,838)
Non-controlling interests		**(45,755)**	(160,642)
		(332,903)	(378,480)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(327,440)**	(184,505)
Non-controlling interests		**(35,616)**	(157,423)
		(363,056)	(341,928)
Loss per share			
Basic and diluted	17	**HK(7.89) cents**	HK(5.98) cents

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

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	18	**565**	272
Right-of-use assets	19	**1,586**	2,462
Goodwill	20	**3,362**	6,688
Financial assets at fair value through other comprehensive income	28	**16,346**	46,737
		21,859	56,159
Current assets			
Inventories	23	**274**	1,745
Trade, bills and other receivables, deposits and prepayments	24	**680,137**	975,203
Deposit for film production	25	**–**	30,879
Deposit for purchase of film rights	25	**–**	4,131
Financial assets at fair value through profit or loss	27	**1,344**	2
Tax recoverable		**786**	–
Bank balances and cash	29	**8,880**	16,854
		691,421	1,028,814
Current liabilities			
Trade and other payables	30	**402,369**	361,323
Contract liabilities	31	**1,547**	–
Borrowings	32	**605,431**	652,660
Lease liabilities	33	**1,426**	2,776
Tax payable		**38,827**	41,912
		1,049,600	1,058,671
Net current liabilities		**(358,179)**	(29,857)
Total assets less current liabilities		**(336,320)**	26,302
Non-current liabilities			
Lease liabilities	33	**653**	219
Net (liabilities)/assets		**(336,973)**	26,083

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	35	**36,406**	36,406
Reserves		**(168,973)**	158,467
(Capital deficiency)/equity attributable to owners of the Company		**(132,567)**	194,873
Non-controlling interests	41	**(204,406)**	(168,790)
Total (capital deficiency)/equity		**(336,973)**	26,083

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2023 and signed on its behalf by:

Wu Xiaoming
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to the owners of the Company										
	Share capital	Share premium	Contributed surplus	Capital contribution reserve	Statutory reserve	Revaluation reserve	Translation reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
		Note (i)	Note (ii)	Note (iii)	Note (iv)	Note (v)	Note (vi)				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2021	36,406	1,828,573	311,538	–	7,706	12,616	33,736	(1,851,232)	379,343	(8,855)	370,488
Loss for the year	–	–	–	–	–	–	–	(217,838)	(217,838)	(160,642)	(378,480)
Other comprehensive income for the year, net of income tax:											
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	6,900	–	–	6,900	–	6,900
Exchange differences on translation of foreign operations	–	–	–	–	–	–	26,426	–	26,426	3,214	29,640
Share of other comprehensive income of an associate, net of income tax	–	–	–	–	–	–	7	–	7	5	12
Total comprehensive expense for the year	–	–	–	–	–	6,900	26,433	(217,838)	(184,505)	(157,423)	(341,928)
Release of revaluation reserve upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	30	–	(30)	–	–	–
Disposal of a subsidiary (note 34)	–	–	–	295	–	–	(260)	–	35	(2,512)	(2,477)
As at 31 March 2022 and 1 April 2022	**36,406**	**1,828,573**	**311,538**	**295**	**7,706**	**19,546**	**59,909**	**(2,069,100)**	**194,873**	**(168,790)**	**26,083**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(287,148)**	**(287,148)**	**(45,755)**	**(332,903)**
Other comprehensive (expense)/income for the year, net of income tax:											
Fair value loss on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(26,994)**	**–**	**–**	**(26,994)**	**–**	**(26,994)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(13,298)**	**–**	**(13,298)**	**10,139**	**(3,159)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(26,994)**	**(13,298)**	**(287,148)**	**(327,440)**	**(35,616)**	**(363,056)**
As at 31 March 2023	**36,406**	**1,828,573**	**311,538**	**295**	**7,706**	**(7,448)**	**46,611**	**(2,356,248)**	**(132,567)**	**(204,406)**	**(336,973)**

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

Notes:

(i) Share premium

After the change of domicile, the application of share premium account is governed by the relevant provisions set out in the Company's Bye-laws and the Companies Act.

(ii) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares of the Company issued for the acquisition at the time of the reorganisation of the Group.

The contributed surplus of the Company represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange pursuant to the reorganisation of the Group.

(iii) Capital contribution reserve

Capital contribution reserve represents the differences between the deemed consideration received and the proportionate share of the carrying amount of the net assets attributable to the owners of the Company upon the deemed disposal of a subsidiary.

(iv) Statutory reserve

The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

(v) Revaluation reserve

Revaluation reserve of the Group comprises all differences arising from the fair value changes of the financial assets at fair value through other comprehensive income. The reserve is dealt with in accordance with the accounting policies set out in note 4.

(vi) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Operating activities			
Loss before taxation		**(332,775)**	(377,143)
Adjustments for:			
Interest income	9	**(87)**	(93)
Dividend income	9	**–**	(3,135)
Unrealised foreign exchange gain		**(1,875)**	(118)
Interest expenses	12	**49,329**	52,527
Depreciation of property, plant and equipment	11	**138**	320
Depreciation of right-of-use assets	11	**1,849**	3,522
Loss on written off of property, plant and equipment	9	**–**	76
Gain on lease termination	9	**(165)**	–
Gain arising on change in fair value of financial assets at fair value through profit or loss	9	**(1,342)**	–
Allowance for expected credit losses, net	11	**265,377**	300,716
Impairment loss recognised in respect of goodwill	20	**2,840**	–
Impairment loss recognised in respect of property, plant and equipment	18	**–**	260
Impairment loss recognised in respect of right-of-use assets	19	**82**	397
Share of profit of an associate		**–**	(139)
Operating cash flows before movements in working capital		**(16,629)**	(22,810)
Decrease/(increase) in inventories		**1,471**	(1,716)
Increase in trade, bills and other receivables, deposits and prepayments		**(9,384)**	(39,841)
Increase in trade and other payables		**19,461**	49,754
Increase in contract liabilities		**1,551**	–
Cash used in operating activities		**(3,530)**	(14,613)
Tax paid		**(977)**	(3,088)
Net cash used in operating activities		**(4,507)**	(17,701)

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Investing activities			
Interest received		**87**	93
Dividend received		**–**	2,680
Net cash outflow from disposal of subsidiaries	34	**–**	(3,247)
Acquisition of financial asset at fair value through other comprehensive income		**–**	(622)
Proceeds from disposal of financial asset at fair value through other comprehensive income		**–**	6,088
Acquisition of property, plant and equipment	18	**(446)**	(288)
Net cash (used in)/generated from investing activities		**(359)**	4,704
Financing activities			
Interest paid		**–**	(6,465)
Proceeds from borrowings		**–**	608,386
Repayment of borrowings		**–**	(604,404)
Repayment of lease liabilities		**(1,926)**	(4,995)
Net cash used in financing activities		**(1,926)**	(7,478)
Net decrease in cash and cash equivalents		**(6,792)**	(20,475)
Cash and cash equivalents at beginning of the year		**16,854**	36,196
Effect of foreign exchange rate changes		**(1,182)**	1,133
Cash and cash equivalents at end of the year			
Bank balances and cash	29	**8,880**	16,854

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

1. GENERAL INFORMATION

Dadi International Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 9 November 2001 and continued in Bermuda on 20 April 2009. The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 August 2002. Its immediate holding company is Dadi International Holdings Co., Ltd and ultimate holding company is 山西省國有資本運營有限公司, a company incorporated in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are publication, purchase and distributing of books, provision of environmental consultancy services, provision of financial leasing and other financial services, provision of advertising and media related services and sale of healthcare products.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

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

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

3. NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-Current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and by disclosure requirements of the Hong Kong Companies Ordinance.

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation of consolidated financial statements *(continued)*

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

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

Going concern

For the year ended 31 March 2023, the Group incurred a net loss of approximately HK$332,903,000, and as of that date, the Group's current liabilities exceeded its total assets by HK$336,320,000. Further, the Group had defaulted borrowings of approximately HK$605,431,000. The directors of the Company adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group. In view of such circumstances, the directors of the Company have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and finance requirements. Certain measures have been and will be taken to manage its liquidity need and to improve its financial position which include, but are not limited to, the followings:

(i) The Company has actively negotiated with financial institutions to secure the renewals of the Group's borrowings and the financial institutions have agreed to waive defaulted interests;

(ii) The Group has obtained a written confirmation from 山西省環境集團有限公司, a substantial shareholder of the Company, which confirms to provide continuing financial support to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future, and not to demand repayment of any of the amounts due to them by the Group in the next twelve months from the date of confirmation;

(iii) The Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations;

(iv) The Group may consider to dispose non-core business and/or financial assets if required; and

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation of consolidated financial statements *(continued)*

Going concern *(continued)*

(v) The Company has actively negotiated with investors for obtaining further financing when necessary including but not limited to shareholder's loan, equity financing and bank borrowings to improve the liquidity of the Group.

In the opinion of the directors of the Company, in light of the various measures or arrangements implemented after the end of reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

Business combination

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination *(continued)*

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

For business combinations in which the acquisition date is on or after 1 April 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination *(continued)*

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the groups of CGUs) retained.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of an associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in an associate *(continued)*

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in an associate is included in the determination of the gain or loss on disposal of an associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value represents the estimated selling prices for inventories less all costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms or 20%
Furniture and fixtures	20% – 33%
Showroom equipment	33%
Office equipment	20% – 33%
Motor vehicles	20% – 25%

Residual values, estimated useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

Definition of a lease

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Right-of-use assets *(continued)*

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities *(continued)*

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Financial instruments

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

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

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

Amortised cost and interest income

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains or losses, net" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains or losses, net" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade, bills and other receivables and deposits, deposit for film production, deposit for purchase of film rights and bank balances and cash which are subject to impairment assessment under HKFRS 9). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets *(continued)*

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL *(continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments through a loss allowance account.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of property, plant and equipment, right-of-use assets, and intangible asset are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill *(continued)*

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

Film rights

Film rights represent films produced by the Group or acquired by the Group which are initially recognised at cost.

Film rights purchased through acquisition are initially measured as the fair value of the consideration given for the recognition of the film rights.

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses. The cost of film rights are amortised over their estimated useful lives upon release of the film. Film rights not ready for release are not subject to amortisation and are tested annually for impairment.

The carrying amount of film rights is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Revenue from contracts with customers

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

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

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

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

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

Principal versus agent

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

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

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

Revenue recognition policies

(i) Environmental consultancy service

Revenue from environmental assessment service is recognised at a point in time when the environmental assessment report is completed and delivered.

Revenue from environmental consulting and monitoring service is recognised over time using output method, over the period of services provided. Revenue is recognised on the basis of direct measurement of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

(ii) Financial services

Revenue from financial services is recognised over time using output method, over the period of services provide. Revenue is recognised on the basis of direct measurement of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

(iii) Sale of healthcare products

Revenue from sale of healthcare products is recognised at a point in time when control of the healthcare products has been transferred, being when the healthcare products have been delivered to the customer.

(iv) Publication, purchase and distribution of books

Revenue from publication, purchase and distribution of books is recognised at a point in time when control of the books has been transferred, being when the books have been delivered to the wholesaler's specific location (delivery).

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong.

Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's subsidiaries operating in the PRC are members of retirement benefits schemes (the "PRC RB Schemes") managed by the local municipal governments. The PRC subsidiaries are required to contribute to the PRC RB Schemes to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligation of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the PRC RB Schemes is to meet the required contributions under the PRC RB Schemes. The contribution are charged to the profit or loss as they become payable in accordance with the relevant laws and regulations of the PRC.

Share-based payments

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

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated statement of profit or loss and other comprehensive income for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payments *(continued)*

On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

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

Current tax

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

Deferred tax

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax *(continued)*

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Related parties

A related party is a person or entity that is considered to be related to the Group if:

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Segment reporting

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

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

5. CAPITAL MANAGEMENT

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

The directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

Gearing ratio

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The gearing ratios at 31 March 2023 and 2022 were as follows:

	2023 **HK$'000**	2022 HK$'000
Total debt (Note a)	**607,510**	655,655
Less: cash and cash equivalents	**(8,880)**	(16,854)
Net debt	**598,630**	638,801
(Capital deficiency)/equity (Note b)	**(336,973)**	26,083
Net debt to equity ratio	**N/A**	2,449.1%
Total debt to equity ratio	**N/A**	2,513.7%

Notes:

(a) Debt included borrowings and lease liabilities, as detailed in notes 32 and 33, respectively.

(b) Equity included all capital and reserves of the Group.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at FVTOCI	**16,346**	46,737
Financial assets at FVTPL	**1,344**	2
Financial assets at amortised cost	**385,656**	701,355
	403,346	748,094
Financial liabilities		
Financial liabilities at amortised cost	**1,009,879**	1,016,978

Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2023				
Assets				
Financial assets at FVTOCI	–	–	**16,346**	**16,346**
Financial assets at FVTPL	–	–	**1,344**	**1,344**
	–	–	**17,690**	**17,690**
At 31 March 2022				
Assets				
Financial assets at FVTOCI	–	–	46,737	46,737
Financial assets at FVTPL	2	–	–	2
	2	–	46,737	46,739

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurement *(continued)*

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs	Sensitivity analysis
Financial assets				
Financial assets at FVTOCI				
Unlisted equity securities 2023: HK$15,879,000 (2022: HK$46,115,000)	Level 3	Market approach The price to earnings ratio of the comparable companies are considered in the valuation to reflect the condition that there may be premium or discount on its carrying value Discount for lack of marketability, determined with reference to the market research performed by Stout Risius Ross, LLC.	Price-to-earnings multiple 2023: 7.17 times to 11.8 times (2022: 11.7 times to 19.1 times) Discount for lack of marketability 2023: 20.6% (2022: 20.6%)	Note (i) and (ii)
Unlisted equity securities 2023: HK$467,000 (2022: HK$622,000)	Level 3	Asset-based approach	Net asset value	
Financial assets at FVTPL				
Listed equity securities 2023: nil (2022: HK$2,000)	Level 1	Quoted bid price in an active market	N/A	
Derivative financial instrument 2023: HK$1,344,000 (2022: nil)	Level 3	Discounted cash flow	Discount rate of 6.93% (2022: N/A)	Note (iii)

Notes:

(i) An increase in the price-to-earnings multiple used in isolation would result in a increase in the fair value measurement of the unlisted equity securities, and vice versa. A 5% change in the price-to-earnings multiple holding all other variables constant would change the fair values of the unlisted equity securities by approximately HK$685,000 at 31 March 2023 (2022: HK$2,343,000).

(ii) An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the unlisted equity securities, and vice versa. A 5% change in the discount for lack of marketability holding all other variables constant would change the fair values of the unlisted equity securities by approximately HK$114,000 at 31 March 2023 (2022: HK$493,000).

(iii) An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the derivative financial instrument, and vice versa. A 1% increase in the discount rate holding all other variables constant would decrease the fair values of the derivative financial instrument by approximately HK$12,000 while a 1% decrease in the discount rate holding all other variables constant would increase the fair values of the derivative financial instrument by approximately HK$13,000 at 31 March 2023.

6. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurement *(continued)*

The reconciliation of Level 3 fair value measurements is as following:

	Trust guarantee fund	Unlisted equity securities	Derivative financial instrument	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2021	5,832	33,957	–	39,789
Disposal	(6,088)	–	–	(6,088)
Addition	–	4,425	–	4,425
Gain arising on change in fair value recognised in OCI	–	6,900	–	6,900
Exchange alignment	256	1,455	–	1,711
As at 31 March 2022 and 1 April 2022	–	46,737	–	46,737
Gain arising on change in fair value recognised in profit or loss	–	–	1,344	1,344
Loss arising on change in fair value recognised in OCI	–	(26,994)	–	(26,994)
Exchange alignment	–	(3,397)	–	(3,397)
As at 31 March 2023	**–**	**16,346**	**1,344**	**17,690**

Included in OCI was a loss of HK$26,994,000 (2022: gain of HK$6,900,000) relating to financial assets at FVTOCI held at the end of the reporting period and was accumulated in the revaluation reserve.

During the years ended 31 March 2023 and 2022, there were no transfers between Levels 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The directors considered that the carrying amounts of financial assets and financial liabilities at amortised cost approximate their fair values as at 31 March 2023 and 2022.

Financial risk management objectives and policies

Details of the financial instruments for both the Group are disclosed in respective notes to the financial statements. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

The Group's major financial instruments include financial assets at FVTOCI, financial assets at FVTPL, trade, bills and other receivables and deposits, deposit for film production, deposit for purchase of film rights, bank balances, trade and other payables, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

Credit risk

The Group's credit risk is primarily attributable to trade, bills and other receivables and deposits, deposit for film production, deposit for purchase of film rights and bank balances. Management of the Company has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In relation to the Group's bank balance, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors of the Company consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change.

In respect of trade receivables, the credit periods usually vary from one month to three months depending on the nature of the business. Extension may be granted to major customers and each customer is granted a maximum credit limit. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and also taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted and all overdue balances are reviewed regularly by the management of the Company. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry and country in which customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group has certain concentration of credit risk as 94.62% (2022: 95.62%) and 96.74% (2022: 97.53%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

For deposits and other receivables, the Group applies either a 12m ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition then impairment is measured as lifetime ECL.

For deposit for film production and deposit for purchase of films rights relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for allowance for ECL. The Group recognised allowance for ECL by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 March 2023 and 2022:

As at 31 March 2023	**Expected loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Less than 1 month past due	**1.77**	**2,338**	**41**
1 to 3 months past due	**2.04**	**1,971**	**40**
More than 3 months	**42.59**	**636,332**	**270,997**
		640,641	**271,078**

As at 31 March 2022	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Less than 1 month past due	0.31	1,593	5
1 to 3 months past due	1.43	1,956	28
More than 3 months	41.80	680,718	284,522
		684,267	284,555

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The following table shows the movement of allowances for ECL of trade and bills receivables as at 31 March 2023 and 2022:

	Lifetime ECL (non credit-Impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
Trade and bills receivables			
As at 1 April 2021	6,107	824	6,931
– Transfer to credit-impaired	(5,515)	5,515	–
– Allowance for ECL, net	12,188	265,436	277,624
As at 31 March 2022 and 1 April 2022	12,780	271,775	284,555
– Transfer to credit-impaired	(12,711)	12,711	–
– Allowance for ECL, net	124	7,319	7,443
– Exchange alignment	(6)	(20,914)	(20,920)
As at 31 March 2023	187	270,891	271,078

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group uses three categories for those receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Company definition of category	Basis for recognition of loss allowance
Performing	Receivables whose credit risk is in line with original expectations	12m ECL. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its lifetime ECL (stage 1)
Underperforming	Receivables for which a significant increase has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL (stage 2)
Non-performing (credit-impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Lifetime ECL (stage 3)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery	Amount is written off

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of customers. No significant changes to estimation techniques or assumptions were made during the reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The loss allowance for other receivables and deposits, deposit for film production and deposit for purchase of film rights as at 31 March 2023 and 2022 was determined as follows:

	2023				2022			
Other receivables and deposits	**Performing HK$'000**	**Under-performing HK$'000**	**Non-performing (credit-impaired) HK$'000**	**Total HK$'000**	Performing HK$'000	Under-performing HK$'000	Non-performing (credit-impaired) HK$'000	Total HK$'000
Expected loss rate	**2.53%**	**–**	**100.00%**		3.02%	–	79.18%	
Gross carrying amount	**7,400**	**–**	**241,481**	**248,881**	238,483	–	88,894	327,377
Loss allowance	**187**	**–**	**241,481**	**241,668**	7,210	–	70,388	77,598

	2023		2022	
Deposit for film production	**Non-performing (credit-impaired) HK$'000**	**Total HK$'000**	Non-performing (credit-impaired) HK$'000	Total HK$'000
Expected loss rate	**100.00%**		73.20%	
Gross carrying amount	**106,745**	**106,745**	115,221	115,221
Loss allowance	**106,745**	**106,745**	84,342	84,342

	2023		2022	
Deposit for purchase of film rights	**Non-performing (credit-impaired) HK$'000**	**Total HK$'000**	Non-performing (credit-impaired) HK$'000	Total HK$'000
Expected loss rate	**100.00%**		73.20%	
Gross carrying amount	**14,279**	**14,279**	15,413	15,413
Loss allowance	**14,279**	**14,279**	11,282	11,282

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The following tables show the movement of allowances for ECL of other receivables and deposits, deposit for film production and deposit for purchase of film rights as at 31 March 2023 and 2022:

	12m ECL	Lifetime ECL (non credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Other receivables and deposits				
As at 1 April 2021	6,189	4,581	48,190	58,960
– Transfer to credit-impaired	(176)	–	176	–
– Allowance for ECL, net	1,197	(4,581)	22,022	18,638
As at 31 March 2022 and 1 April 2022	7,210	–	70,388	77,598
– Transfer to credit-impaired	(5,421)	–	5,421	–
– Allowance for ECL, net	(1,476)	–	226,897	225,421
– Written off	–	–	(55,541)	(55,541)
– Exchange alignment	(126)	–	(5,684)	(5,810)
As at 31 March 2023	187	–	241,481	241,668

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

	Lifetime ECL (non credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000
Deposit for film production			
As at 1 April 2021	–	80,413	80,413
– Allowance for ECL, net	–	3,929	3,929
As at 31 March 2022 and 1 April 2022	–	84,342	84,342
– Allowance for ECL, net	–	28,677	28,677
– Exchange alignment	–	(6,274)	(6,274)
As at 31 March 2023	–	106,745	106,745
Deposit for purchase of film rights			
As at 1 April 2021	–	10,757	10,757
– Allowance for ECL, net	–	525	525
As at 31 March 2022 and 1 April 2022	–	11,282	11,282
– Allowance for ECL, net	–	3,836	3,836
– Exchange alignment	–	(839)	(839)
As at 31 March 2023	–	14,279	14,279

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group held cash and cash equivalents amounting to approximately HK$8,880,000 at 31 March 2023 (2022: HK$16,854,000).

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which the Group was required to pay. The analysis is performed on the same basis for 2022.

	Weighted average effective Interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023						
Trade and other payables	**–**	**402,369**	**–**	**–**	**402,369**	**402,369**
Borrowings	**8.0**	**605,431**	**–**	**–**	**605,431**	**605,431**
Lease liabilities	**10.0**	**1,558**	**674**	**–**	**2,232**	**2,079**
		1,009,358	**674**	**–**	**1,010,032**	**1,009,879**
2022						
Trade and other payables	–	361,323	–	–	361,323	361,323
Borrowings	8.0	652,660	–	–	652,660	652,660
Lease liabilities	5.9	2,864	220	–	3,084	2,995
		1,016,847	220	–	1,017,067	1,016,978

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in the banks. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

6. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC and is exposed to currency risk primarily through bank balances and cash that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transaction relate. The currencies giving rise to this risk are primarily Renminbi ("RMB") and United States Dollars ("USD"). Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group is exposed to foreign exchange risk in respect of exchange fluctuation of HK$ against RMB and USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

There is no material foreign exchange risk noted for the Group as:

– as HK$ are pegged to USD, it is assumed that there would be no material currency risk exposure between these two currencies;

– the transactions of the Company are mainly denominated in HK$, which is the functional currencies of the Company; and

– the operations and customers of the Group's subsidiaries are mainly located in Hong Kong and the PRC with most of the operating assets and transactions denominated and settled in their functional currencies of the Group's subsidiaries.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL and FVTOCI. For equity securities measured at FVTPL quoted in active market, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unlisted equity securities for investees operating in finance industry sector for long term strategic purposes which had been designated as FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

Please refer to fair value measurement as above for more details on sensitivity analysis.

7. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

Critical judgements in applying accounting policies

Power to exercise control over Shanxi Dadi Holdings Equity Investment Fund Management Co., Ltd* ("Shanxi Dadi EIF")（山西大地控股股權投資基金管理有限公司）

The Group's investment in Shanxi Dadi EIF is classified as a financial asset at FVTOCI as disclosed in note 28 although the Group has 60% equity interest in Shanxi Dadi EIF. The Group lacks direct or indirect involvement at board level and does not participate in policy-making related processes or activities of Shanxi Dadi EIF. With these facts and circumstances, the directors concluded that the Group does not have control over Shanxi Dadi EIF.

Key sources of estimation uncertainty

Provision of ECL for financial assets carried at amortised costs

The Group determined the provision of ECL for financial assets carried at amortised costs based on the ECL of these financial assets. The Group applies significant judgement in the determination of the impairment model and the use of parameters. The Group also uses significant judgement in its assessment on whether there is any significant increase in credit risk of these receivables. The Group makes assumptions on the economic indicators for forward-looking information and the application of economic scenarios and probability weightings.

* *For identification purposes only*

7. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES *(continued)*

Key sources of estimation uncertainty *(continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in notes 18 and 19.

Fair value measurement of financial instruments under Level 3 of the fair value hierarchy

As at 31 March 2023, the Group's financial assets at FVTOCI and financial assets at FVTPL are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 6 for further details.

8. REVENUE

	2023 HK$'000	2022 HK$'000
Revenue from contract with customers		
Over time		
Environmental consultancy services	**15,542**	16,824
Financial services	**–**	230
	15,542	17,054
At a point in time		
Environmental consultancy services	**19,184**	17,924
Sale of healthcare products	**1,636**	274
Sale of books and publications	**120**	2,709
	20,940	20,907
Total	**36,482**	37,961

All services are for a period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

9. OTHER GAINS OR LOSSES, NET

	2023 HK$'000	2022 HK$'000
Interest income on bank deposits	**87**	93
Dividend income	**–**	3,135
Government grants (note)	**229**	–
Loss on written off of property, plant and equipment	**–**	(76)
Gain on termination of lease	**165**	–
Gain arising on change in fair value of financial assets at FVTPL	**1,342**	–
Exchange gain	**1,865**	118
Others	**299**	(213)
Total	**3,987**	3,057

Note: For the year ended 31 March 2023, the Group recognised government grants of HK$229,000 of which HK$44,000 relates to Employment Support Scheme provided by the Hong Kong government and HK$101,000 relates to enterprise support fund provided by the PRC government.

10. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical locations. In a manner consistent with the way in which information is reported internally to the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i)	Advertising and media related services:	Engaged in designing, production, acting as agency and placement of advertisements, information consulting and marketing planning in Hong Kong and the PRC.
(ii)	Financial leasing and other financial services:	Provision of financial leasing and other financial services in the PRC.
(iii)	Publication, purchase and distribution of books:	Engaged in publication, purchase and distribution of books in the PRC.
(iv)	Environmental consultancy services:	Provision of environmental consultancy services in the PRC.
(v)	Healthcare products:	Engaged in sales of healthcare products in the PRC.

Segment revenues and results

Information regarding the Group's reportable segments as provided to CODM for the purposes of resources allocation and assessments of segment performance for the years ended 31 March 2023 and 2022 is set out below:

	Advertising and media related services		Financial leasing and other financial services		Publication, purchase and distribution of books		Environmental consultancy services		Healthcare products		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
Sales to external customers	**–**	–	**–**	230	**120**	2,709	**34,726**	34,748	**1,636**	274	**36,482**	37,961
Segment results	**(49,685)**	(19,525)	**(150,205)**	(29,729)	**(50,124)**	(312,756)	**(9,485)**	7,731	**(870)**	(1,502)	**(260,369)**	(355,781)
Share of profit of an associate											**–**	139
Unallocated other gains or losses, net											**3,483**	(257)
Unallocated expenses											**(73,002)**	(18,781)
Loss from operations											**(329,888)**	(374,680)
Unallocated finance costs											**(2,887)**	(2,463)
Loss before taxation											**(332,775)**	(377,143)
Income tax expense											**(128)**	(1,337)
Loss for the year											**(332,903)**	(378,480)

10. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in note 4. Segment results represent the profit/(loss) of each segment without allocation of central administrative expenses including directors' remuneration, certain other gains or losses, net, certain allowance for ECL, net, certain finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Advertising and media related services		Financial leasing and other financial services		Publication, purchase and distribution of books		Environmental consultancy services		Healthcare products		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**4,885**	59,582	**6,203**	166,896	**642,091**	695,233	**28,899**	41,218	**6,197**	7,002	**688,275**	969,931
Unallocated assets											**25,005**	115,042
Total assets											**713,280**	1,084,973
Segment liabilities	**27,009**	32,786	**31,168**	30,025	**903,041**	919,471	**7,208**	7,404	**7,437**	6,886	**975,863**	996,572
Unallocated liabilities											**74,390**	62,318
Total liabilities											**1,050,253**	1,058,890

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than certain property, plant and equipments, right-of-use assets, financial assets at FVTOCI, financial assets at FVTPL and corporate financial assets; and

– all liabilities are allocated to reportable segments other than certain lease liabilities, certain borrowings and corporate financial liabilities.

10. SEGMENT INFORMATION *(continued)*

Other segment information

	Advertising and media related services		Financial leasing and other financial services		Publication, purchase and distribution of books		Environmental consultancy services		Healthcare products		Unallocated		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest expenses	**–**	–	**–**	–	**(46,442)**	(50,064)	**–**	–	**–**	–	**(2,887)**	(2,463)	**(49,329)**	(52,527)
Addition to non-current assets*	**–**	–	**–**	–	**–**	–	**425**	269	**–**	19	**2,022**	4,969	**2,447**	5,257
Allowances for ECL, net	**(49,685)**	(18,004)	**(147,804)**	(21,000)	**(2,028)**	(262,015)	**(7,417)**	(68)	**(8)**	(4)	**(58,435)**	375	**(265,377)**	(300,716)
Depreciation of property, plant and equipment	**–**	–	**–**	–	**–**	(122)	**(118)**	(149)	**–**	(25)	**(20)**	(24)	**(138)**	(320)
Depreciation of right-of-use assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1,849)**	(3,522)	**(1,849)**	(3,522)
Gain arising on change in fair value of financial asset at FVTPL	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,342**	–	**1,342**	–
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**(2,840)**	–	**–**	–	**–**	–	**(2,840)**	–
Impairment of property, plant and equipment	**–**	–	**–**	(20)	**–**	(224)	**–**	–	**–**	(16)	**–**	–	**–**	(260)
Impairment of right-of-use assets	**–**	–	**–**	–	**–**	(168)	**–**	–	**–**	–	**(82)**	(229)	**(82)**	(397)

* Non-current assets excluded financial instruments.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets* ("specified non-current assets"). The geographical location of customers is based on the location of the revenue derived, and the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of goodwill.

The Group operates in three principal geographical areas – Hong Kong, Japan and the PRC (excluding Hong Kong).

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**1,613**	2,479
Japan	**–**	–	**5**	15
The PRC	**36,482**	37,961	**3,895**	6,928
	36,482	37,961	**5,513**	9,422

* Non-current assets excluded financial instruments.

Information about major customers

During the years ended 31 March 2023 and 2022, the Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue.

11. LOSS FROM OPERATIONS

The Group's loss from operations has been arrived at after charging:

	2023 HK$'000	2022 HK$'000
Auditors' remuneration for audit services	**1,031**	1,096
Depreciation of property, plant and equipment (note 18)	**138**	320
Depreciation of right-of-use assets (note 19)	**1,849**	3,522
Total depreciation	**1,987**	3,842
Expenses relating to short-term leases	**1,109**	1,061
Allowance for ECL, net		
– Trade and bills receivables	**7,443**	277,624
– Other receivables and deposits	**225,421**	18,638
– Deposit for film production	**28,677**	3,929
– Deposit for purchase of film rights	**3,836**	525
Total allowance for ECL, net	**265,377**	300,716
Staff costs (including directors' remuneration)		
Salaries and allowances	**17,721**	19,648
Retirement benefits scheme contribution	**1,069**	1,083
	18,790	20,731

12. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on borrowings	**49,191**	52,181
Interest on lease liabilities	**138**	346
Total	**49,329**	52,527

13. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax:		
PRC Enterprise Income Tax	**164**	1,337
Over-provision in respect of prior years:		
PRC Enterprise Income Tax	**(36)**	–
Total tax charge	**128**	1,337

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

13. INCOME TAX EXPENSE *(continued)*

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for profits tax is made in other jurisdictions as the subsidiaries operating in other jurisdictions have no assessable profits for the both years.

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

	2023 HK$'000	2022 HK$'000
Loss before taxation	**(332,775)**	(377,143)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(60,032)**	(89,915)
Tax effect of income not taxable for tax purpose	**(172)**	(1,430)
Tax effect of expenses not deductible for tax purpose	**60,368**	91,593
Tax effect of share of profit of an associate	**–**	35
Over-provision in respect of prior years	**(36)**	–
Utilisation of tax losses previously not recognised	**–**	(16)
Tax effect of estimated tax losses not recognised	**–**	1,070
Income tax expense for the year	**128**	1,337

13. INCOME TAX EXPENSE *(continued)*

At 31 March 2023, the Group has unused tax losses of approximately HK$175,043,000 (2022: HK$200,701,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax loss due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$42,868,000 (2022: HK$68,526,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2023	2022
	HK$'000	HK$'000
2022	**–**	25,658
2023	**8,972**	8,972
2024	**11,251**	11,251
2025	**18,365**	18,365
2026	**4,280**	4,280
	42,868	68,526

14. DIRECTORS' REMUNERATION

Details of the remuneration paid to the directors of the Company are as follows:

	Directors' fees HK$'000	Salaries and other allowances HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 March 2023				
Executive directors:				
Mr. Qu Zhongrang (Note a)	**600**	**–**	**–**	**600**
Mr. Fu Yuanhong (Note b)	**600**	**–**	**–**	**600**
Mr. Wu Xiaoming (Note c)	**600**	**1,972**	**57**	**2,629**
Non-executive directors:				
Mr. Zhang Xiongfeng	**360**	**–**	**–**	**360**
Mr. Ju Meng Jun	**360**	**–**	**–**	**360**
Independent non-executive directors:				
Dr. Jin Lizuo	**360**	**–**	**–**	**360**
Mr. Law Yui Lun	**360**	**–**	**–**	**360**
Dr. Zhang Wei	**360**	**–**	**–**	**360**
Total	**3,600**	**1,972**	**57**	**5,629**

Notes:

(a) Mr. Qu Zhongrang resigned as executive director on 28 June 2023.

(b) Mr. Fu Yuanhong resigned as executive director and ceased to be the chairman of the board of directors on 28 June 2023.

(c) Mr. Wu Xiaoming was appointed as the interim chairman of the board of directors on 28 June 2023.

14. DIRECTORS' REMUNERATION *(continued)*

	Directors' fees HK$'000	Salaries and other allowances HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 March 2022				
Executive directors:				
Mr. Qu Zhongrang	600	–	–	600
Mr. Fu Yuanhong	600	–	–	600
Mr. Wu Xiaoming	600	1,977	209	2,786
Non-executive directors:				
Mr. Zhang Xiongfeng	360	–	–	360
Mr. Ju Meng Jun	360	–	–	360
Independent non-executive directors:				
Dr. Jin Lizuo	360	–	–	360
Mr. Law Yui Lun	360	–	–	360
Dr. Zhang Wei	360	–	–	360
Total	3,600	1,977	209	5,786

Mr. Fu Yuanhong is the chairman of the Company during the years ended 31 March 2023 and 2022 and his emoluments disclosed above include those for service rendered by him.

Mr. Wu Xiaoming is the executive vice chairman and chief executive officer of the Company during the years ended 31 March 2023 and 2022 and his emoluments disclosed above include those for service rendered by him.

During the years ended 31 March 2023 and 2022, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments for both years.

14. DIRECTORS' REMUNERATION *(continued)*

No transaction, arrangement and contract of significance in relation to the Group's business to which the Company was party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of the year or at any time for both years.

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Five highest paid individual

The five highest paid individuals during the year included one (2022: one) director. Details of their remuneration are set out in note 14 to the consolidated financial statements. The emoluments of the remaining four (2022: four) individuals with highest emoluments for the years ended 31 March 2023 and 2022 were as follows:

	2023	2022
	HK$'000	HK$'000
Salaries and allowances	**3,536**	5,810
Retirement benefits scheme contribution	**132**	318
Total	**3,668**	6,128

The number of non-director, highest paid individuals whose remuneration fell within the following bands, is as follows:

	Number of employees	
	2023	2022
HK$Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

During the years ended 31 March 2023 and 2022, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDEND

No final dividend was paid or proposed during the year ended 31 March 2023, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2022: nil).

17. LOSS PER SHARE

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

	2023	2022
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(287,148)**	(217,838)

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,640,627,457**	3,640,627,457

No diluted loss per share were presented as there were no potential ordinary shares in issue in both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Showroom equipment HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
As at 1 April 2021	4,239	745	2,400	1,604	4,947	13,935
Additions	–	–	–	288	–	288
Disposal of a subsidiary	–	(274)	–	(140)	–	(414)
Written off	(65)	(43)	–	(116)	(2,350)	(2,574)
Exchange alignment	12	12	–	53	17	94
As at 31 March 2022 and 1 April 2022	4,186	440	2,400	1,689	2,614	11,329
Additions	–	21	–	425	–	446
Exchange alignment	(145)	(8)	–	(76)	(51)	(280)
As at 31 March 2023	4,041	453	2,400	2,038	2,563	11,495
Accumulated depreciation and impairment						
As at 1 April 2021	4,027	485	2,400	1,232	4,902	13,046
Depreciation for the year	66	13	–	210	31	320
Impairment loss for the year	149	12	–	79	20	260
Eliminated on disposal of a subsidiary	–	(34)	–	(34)	–	(68)
Eliminated on written off	(65)	(41)	–	(42)	(2,350)	(2,498)
Exchange alignment	9	–	–	(23)	11	(3)
As at 31 March 2022 and 1 April 2022	4,186	435	2,400	1,422	2,614	11,057
Depreciation for the year	–	2	–	136	–	138
Exchange alignment	(145)	(8)	–	(61)	(51)	(265)
As at 31 March 2023	4,041	429	2,400	1,497	2,563	10,930
Net carrying amounts						
As at 31 March 2023	**–**	**24**	**–**	**541**	**–**	**565**
As at 31 March 2022	–	5	–	267	–	272

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Impairment assessment

For the year ended 31 March 2022

As at 31 March 2022, due to the bleak market prospect of the financial leasing and other financial services segment, publication, purchase and distribution of books segment and healthcare products segment resulting from continuing effect of Covid-19 pandemic, the management of the Group concluded that there was indication for impairment in relation to these segments and conducted impairment assessment on property, plant and equipment and right-of-use assets with carrying amount of approximately HK$260,000 and HK$397,000 respectively.

The Group estimates the recoverable amount of the CGUs of financial leasing and other financial services segment, publication, purchase and distribution of books segment and healthcare products segment to which the assets belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets on a reasonable and consistent basis.

The recoverable amounts of CGUs have been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group of the respective subsidiaries under these segments, covering the following 5 years with pre-tax rate ranged from 14% to 16%. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectation for the market prospect.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGUs is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets. Based on the value in use calculation and the allocation, an impairment loss of approximately HK$260,000 and HK$397,000 was recognised in respect of the property, plant and equipment and right-of-use assets respectively.

19. RIGHT-OF-USE ASSETS

The lease terms of the Group's offices range from 2 to 3 years for the year ended 31 March 2023 (2022: 2 to 3 years). Their useful lives are as follows:

Leased buildings	2 – 3 years

The Group does not have the option to purchase the right-of-use assets at the end of the lease terms.

	Leased buildings HK$'000
As at 1 April 2021	1,379
Addition (Note)	4,969
Depreciation for the year	(3,522)
Impairment loss for the year	(397)
Exchange alignment	33
As at 31 March 2022 and 1 April 2022	2,462
Addition (Note)	2,001
Depreciation for the year	(1,849)
Impairment loss for the year	(82)
Termination of lease	(946)
As at 31 March 2023	**1,586**

Note: During the year ended 31 March 2023, the Group entered into a new lease agreement for an office in Hong Kong. The new lease agreement is entered into for a fixed term of 2 years (2022: 2 years).

	For the year ended 31 March	
	2023 **HK$'000**	2022 HK$'000
Total cash outflow of leases	**3,035**	6,056

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. RIGHT-OF-USE ASSETS *(continued)*

Impairment assessment

For the year ended 31 March 2023

As at 31 March 2023, due to the continuing operating loss of the publication, purchase and distribution of books segment and healthcare products segment, the management of the Group concluded that there was indication for impairment in relation to these segments and conducted impairment assessment on corporate assets allocated to these segments which included right-of-use assets with carrying amount of approximately HK$82,000.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of these CGUs is nil and full impairment loss of approximately HK$82,000 was recognised in respect of right-of-use assets allocated to these CGUs.

Details of impairment assessment of right-of-use assets for the year ended 31 March 2022 are disclosed in note 18 to the consolidated financial statements.

20. GOODWILL

	2023	2022
	HK$'000	HK$'000
Cost		
As at 1 April	**53,936**	53,665
Exchange alignment	**(492)**	271
As at 31 March	**53,444**	53,936
Accumulated impairment losses		
As at 1 April	**47,248**	47,248
Impairment loss for the year	**2,840**	–
Exchange alignment	**(6)**	–
As at 31 March	**50,082**	47,248
Net carrying amount		
As at 31 March	**3,362**	6,688

* *For identification purpose only*

20. GOODWILL *(continued)*

Impairment test of goodwill

For the purpose of impairment testing, goodwill has been allocated to the following CGUs identified according to operating segment.

	2023	2022
	HK$'000	HK$'000
Advertising and media related services – Keen Renown Limited and its subsidiaries (the "Keen Renown Group")	**–**	–
Environmental consultancy services – Shanxi Jinxin Keyuan Environmental Protection Science and Technology Co., Ltd* ("Jinxin Keyuan")（山西晉新科源環保科技有限公司）	**3,362**	6,688

Advertising and media related services – Keen Renown Group

Full impairment loss was recognised in respect of the goodwill allocated to advertising and media related services as at 31 March 2023 and 2022.

Environmental consultancy services – Jinxin Keyuan

At 31 March 2023, the recoverable amount of goodwill allocated to CGU of environmental consultancy services has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 15% (2022: 13%). Cash flows of this CGU beyond the 5-year period are extrapolated using a steady 3% (2022: 3%) growth rate. This growth rate is based on domestic average consumer price index. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on past performance and management's expectations for the market development.

During the year ended 31 March 2023, as the carrying amount of the CGU exceeded its recoverable amount, an impairment loss of goodwill of HK$2,840,000 was recognised to reduce the carrying amount of the CGU to its recoverable amount. Any adverse change in the key assumptions used in the calculation of recoverable amount would result in further impairment losses.

During the year ended 31 March 2022, management of the Group determines that there is no impairment on CGU of environmental consultancy services. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

21. INTANGIBLE ASSET

	Software HK$'000
Cost	
As at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	10,852
Accumulated amortisation and impairment	
As at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	10,852
Net carrying amount	
As at 31 March 2023	**–**
As at 31 March 2022	–

The following estimated useful lives are used in the calculation of amortisation:

Software	10 years

22. INVESTMENT IN AN ASSOCIATE

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2023	2022	**2023**	2022	
Dadi Ecological Environment Investment Limited	Hong Kong	Hong Kong	**40%**	–	**40%**	–	Dormant
山西大地陽光科技服務有限公司	The PRC	The PRC	**N/A**	N/A	**N/A**	N/A	Operation of online sourcing and trading platform

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

22. INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information of material associate *(continued)*

山西大地陽光科技服務有限公司

	From 1 April 2021 to 31 May 2021 HK$'000
Revenue	558
Profit for the period	347
Other comprehensive income for the period	30
Profit and total comprehensive income for the period	377

On 31 May 2021, the Group ceased to have significant influence over 山西大地陽光科技服務有限公司 upon the deemed disposal of Shanxi Dadi EIF. Details are disclosed in note 34.

Unrecognised share of loss of an associate that is not individually material

	2023 HK$'000	2022 HK$'000
The unrecognised share of loss of an associate for the year	**(8)**	–
Cumulative unrecognised share of loss of an associate	**(8)**	–

23. INVENTORIES

	2023 HK$'000	2022 HK$'000
Healthcare products	**274**	1,745

All inventories were stated at the lower of cost and net realisable value.

24. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 HK$'000	2022 HK$'000
Trade and bills receivables (Note a)	**640,641**	684,267
Allowance for ECL	**(271,078)**	(284,555)
	369,563	399,712
Other receivables and deposits		
– Deposits (Note b)	**691**	1,452
– Other receivables	**236,578**	306,081
– Loan receivables	**11,612**	19,844
	248,881	327,377
Allowance for ECL	**(241,668)**	(77,598)
	7,213	249,779
Prepayments (Note c)	**303,361**	325,712
Total	**680,137**	975,203

Notes:

(a) An aged analysis of the Group's trade and bills receivables, based on the invoice date and net of allowance for ECL, at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
0 to 30 days	**2,297**	1,588
31 to 60 days	**1,307**	1,083
61 to 90 days	**624**	845
Over 90 days	**365,335**	396,196
	369,563	399,712

The Group generally allows credit period from 30 to 90 days to its customers.

Details of impairment assessment are set out in note 6.

(b) As at 31 March 2023 and 2022, deposits mainly consist of rental deposits for lease of offices.

(c) As at 31 March 2023, included in prepayments was an amount of approximately HK$285,580,000 (2022: HK$308,257,000) for prepayment of publishing services in relation to distribution of books.

25. DEPOSIT FOR FILM PRODUCTION AND DEPOSIT FOR PURCHASE OF FILM RIGHTS

	2023	2022
	HK$'000	HK$'000
Deposit for film production	**106,745**	115,221
Allowance for ECL	**(106,745)**	(84,342)
	–	30,879
Deposit for purchase of film rights	**14,279**	15,413
Allowance for ECL	**(14,279)**	(11,282)
	–	4,131

26. FILM RIGHTS

	2023	2022
	HK$'000	HK$'000
Cost		
As at 1 April	**15,413**	14,790
Exchange alignment	**(1,134)**	623
As at 31 March	**14,279**	15,413
Accumulated impairment		
As at 1 April	**15,413**	14,790
Exchange alignment	**(1,134)**	623
As at 31 March	**14,279**	15,413
Net carrying amount		
As at 31 March	**–**	–

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	HK$'000	HK$'000
Listed equity securities – the PRC	**–**	2
Derivative financial instrument	**1,344**	–
	1,344	2

Derivative financial instrument represents the option to repurchase the consideration shares pursuant to the profit guarantee given by the Vendors (as defined in the Company's announcement dated 28 December 2020) to the Group in relation to the acquisition of Jinxin Keyuan.

Pursuant to the acquisition agreement, the Vendors jointly and severally guarantee and undertake to the Company and Dadi Senrong Environment (Beijing) Co., Ltd.* ("Dadi Senrong")（大地森榮環境（北京）有限公司）(formerly known as Zhongtou Jinfu Technology Development (Beijing) Co., Ltd. *（眾投金服科技發展（北京）有限公司）), a wholly-owned subsidiary of the Company and the purchaser of Jinxin Keyuan, that (i) the revenue from Jinxin Keyuan's principal business will grow year by year; and (ii) the audited net profit after deducting all extraordinary items of the Jinxin Keyuan will be not less than the amounts set out below for the relevant years:

Relevant year	**Guaranteed profit**
Year ending 31 December 2021	RMB5,500,000
Year ending 31 December 2022	RMB6,050,000
Year ending 31 December 2023	RMB6,655,000

If Jinxin Keyuan does not meet the above performance targets, the initial consideration of the acquisition will be adjusted. Please refer to the Company's announcement dated 28 December 2020 for details.

Since the audited net profit after deducting all extraordinary items of Jinxin Keyuan for the year ended 31 December 2022 is less than RMB5 million, the Company is entitled to the option to repurchase 100% of the consideration shares allotted and issued to the Vendors pursuant to the acquisition agreement. The Company will carry out the share repurchase after the guaranteed period and obtaining all regulatory approval(s).

* *for identification purpose only*

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Unlisted equity securities – the PRC	**16,346**	46,737

The financial assets are analysed as:

	2023 HK$'000	2022 HK$'000
Non-current	**16,346**	46,737

The unlisted equity securities represent the Group's equity interests in companies established in the PRC. The directors of the Company have elected to designate this investment in unlisted equity securities as at FVTOCI as the Group's strategy of holding these investments is for long-term purposes and realising their performance potential in the long run.

As at 31 March 2023, included in unlisted equity securities above is the Group's investment in Shanxi Dadi EIF, a company established in the PRC, with a carrying amount of HK$3,427,000 (2022: HK$11,960,000). The investment represent a 60% equity interests in Shanxi Dadi EIF. Shanxi Dadi EIF is not regarded as a subsidiary of the Group because the Group lacks direct or indirect involvement at board level and does not participate in policy-making related processes or activities of Shanxi Dadi EIF.

29. BANK BALANCES AND CASH

	2023 HK$'000	2022 HK$'000
Cash on hand and at bank:		
HK$	**313**	544
RMB	**7,567**	16,241
Japanese Yen	**1**	32
USD	**999**	37
Total	**8,880**	16,854

Cash at bank earns interest at floating rates based on daily bank deposit rates for both years. Short-term time deposits are denominated in HK$, RMB and USD which made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates.

RMB of approximately HK$7,567,000 (2022: HK$16,241,000) is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

30. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	HK$'000
Trade payables (Note a)	**172,253**	181,218
Accruals and other payables (Note b)	**195,384**	142,392
Dividend payables to non-controlling interests	**33,584**	36,251
Security deposits received	**1,148**	1,462
	402,369	361,323

Note:

(a) An aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2023	2022
	HK$'000	HK$'000
0 to 30 days	**160**	326
31 to 60 days	**344**	9
61 to 90 days	**2,475**	15
Over 90 days	**169,274**	180,868
	172,253	181,218

The average credit period on trade payables is 60 days.

(b) Accruals and other payables mainly consist of interest payables of approximately HK$84,496,000 (2022: HK$49,855,000).

31. CONTRACT LIABILITIES

The contract liabilities represent the Group's obligations to transfer services to customers for which the Group has received consideration from the customers. The Group's contract liabilities are analysed as follows:

	2023	2022
	HK$'000	HK$'000
Environmental consultancy services contracts	**1,547**	–

32. BORROWINGS

The exposure of the Group's borrowings and the contractual maturity dates are as follows:

	2023	2022
	HK$'000	HK$'000
Entrusted loans (Note a)	**571,161**	616,515
Borrowings – unsecured (Note b)	**34,270**	36,145
	605,431	652,660

	2023	2022
	HK$'000	HK$'000
The carrying amounts of the above borrowings are repayable:		
Within one year	**605,431**	652,660

The range of interest rates per annum on the Group's borrowings were as follows:

	2023	2022
Fixed rate	**8.00%**	8.00%

Notes:

(a) Shanxi Environment Group Company Limited*（山西省環境集團有限公司，"Shanxi Environment"), a substantial shareholder of the Company entrusted a financial institution to provide the loan to Dadi Feichi Culture Development (Shanghai) Co., Limited*（大地飛馳文化發展（上海）有限公司，"Dadi Feichi"）to finance its publication, purchase and distributing of books operation. The entrusted loan was guaranteed by a major customer of the publication, purchase and distributing of books operation (the "Entrusted Loan Guarantor"). It was agreed by Shanxi Environment, Dadi Feichi and the Entrusted Loan Guarantor that any amount paid by the Entrusted Loan Guarantor for settlement of outstanding principal and interest of the entrusted loan would be set off against the accounts payable by the Entrusted Loan Guarantor to Dadi Feichi.

During the year ended 31 March 2022, Dadi Feichi defaulted in payments of interest which constitutes as an event of default and the entire loan became repayable on demand pursuant to the loan agreement. Accordingly, the entrusted loan had been classified as current liabilities at 31 March 2022 and 2023.

(b) The borrowing was granted by Shanxi Jin Tong Investment Management Company Limited*（山西金通投資管理有限公司，"Shanxi Jin Tong"), a related company of the Company, and was guaranteed by Shanxi Environment.

During the year ended 31 March 2022, the Group defaulted in payments of interest and principal at maturity date. The Group has been negotiating with Shanxi Jin Tong to secure the renewal of the borrowings and Shanxi Jin Tong has agreed to waive defaulted interests. The negotiation is still ongoing.

* *For identification purpose only*

33. LEASE LIABILITIES

The Group had lease liabilities repayable as follows:

	2023		2022	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**1,426**	**1,558**	2,776	2,864
After 1 year but within 2 years	**653**	**674**	219	220
Present value of lease obligations	**2,079**	**2,232**	2,995	3,084
Less: total future interest expenses		**(153)**		(89)
Present value of lease liabilities		**2,079**		2,995
Less: non-current portion		**(653)**		(219)
Current portion		**1,426**		2,776

The weighted average incremental borrowing rates applied to lease liabilities range from 10.0% to 10.6% (2022: 5.3% to 10.6%).

34. DISPOSAL OF SUBSIDIARY

For the year ended 31 March 2022

Deemed disposal of Shanxi Dadi EIF

Pursuant to a board resolution on 31 May 2021, Shanxi Dadi EIF re-appointed new directors who are delegated by Shanxi Environment, the minority shareholder of Shanxi Dadi EIF. Upon the change of board composition on 31 May 2021, the Group lost direct or indirect involvement at board level and will not participate in policy-making related processes or activities of Shanxi Dadi EIF. Accordingly, the Group lost its control over Shanxi Dadi EIF.

The Group holds 60% equity interest in Shanxi Dadi EIF and lost its control Shanxi Dadi EIF. As a result, Shanxi Dadi EIF ceased to be a subsidiary of the Group and is accounted for as financial assets at FVTOCI in the Group's consolidated financial statement as the Group's strategy of holding these investments is for long-term purposes and realising their performance potential in the long run.

34. DISPOSAL OF SUBSIDIARY *(continued)*

For the year ended 31 March 2022 (continued)

Deemed disposal of Shanxi Dadi EIF (continued)

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	346
Investment in associate	462
Other receivables and deposits	2,488
Bank balance and cash	3,247
Accruals and other payables	(263)
Net assets disposed of	6,280

Gain on deemed disposal of a subsidiary:

Deemed consideration received – fair value of retained interest	3,803
Net assets disposed of	(6,280)
Non-controlling interest	2,512
Reclassification of cumulative exchange reserves upon disposal of a subsidiary	260
Gain on deemed disposal recognised in capital contribution reserve	295

Note:

Gain on deemed disposal has been directly recognised in the reserve as it is deemed as the capital contribution from the Group's substantial shareholder, Shanxi Environment.

Net cash outflow arising from the deemed disposal of a subsidiary:

Cash consideration received	–
Bank balances and cash disposed of	(3,247)
Net cash outflow	(3,247)

35. SHARE CAPITAL

	2023		2022	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**20,000,000,000**	**200,000**	20,000,000,000	200,000
Issued and fully paid:				
As at 31 March, ordinary shares of HK$0.01 each	**3,640,627,457**	**36,406**	3,640,627,457	36,406

36. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2023

The Group entered into a new lease agreement for the office. The new lease agreement is entered into for a fixed term of 2 years. On the lease commencement, the Group recognised a right-of-use asset of HK$2,001,000 and a lease liability of HK$2,001,000.

During the year ended 31 March 2022

The Group entered into a new lease agreement for the office. The new lease agreement is entered into for a fixed term of 2 years. On the lease commencement, the Group recognised a right-of-use asset of HK$4,969,000 and a lease liability of HK$4,969,000.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000	**Borrowings** HK$'000	**Total** HK$'000
As at 1 April 2021	2,605	627,156	629,761
Cash flows:			
Proceeds from borrowings	–	608,386	608,386
Repayment of borrowings	–	(604,404)	(604,404)
Repayment of lease liabilities	(4,995)	–	(4,995)
Non-cash items:			
Interest accrued	346	–	346
New lease entered	4,969	–	4,969
Exchange alignments	70	21,522	21,592
As at 31 March 2022 and 1 April 2022	2,995	652,660	655,655
Cash flows:			
Repayment of lease liabilities	(1,926)	–	(1,926)
Non-cash items:			
Interest accrued	138	–	138
New lease entered	2,001	–	2,001
Termination of lease	(1,111)	–	(1,111)
Exchange alignments	(18)	(47,229)	(47,247)
As at 31 March 2023	**2,079**	**605,431**	**607,510**

38. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Transactions with related parties

	2023 HK$'000	2022 HK$'000
Finance costs incurred on the borrowings from Shanxi Jin Tong (note)	**2,748**	2,209

Note:

As Shanxi Dadi Environment Investment Holdings Co. Ltd*（山西大地環境投資控股有限公司）("Dadi Environment") is a substantial shareholder of the Company, and Shanxi Environment Protection Fund Company Limited*（山西省環境保護基金有限公司, "Shanxi Fund") is a subsidiary of Dadi Environment, Shanxi Fund is an associate of a substantial shareholder of the Company and hence a connected person of the Company under the GEM Listing Rules.

As Shanxi Jin Tong is a subsidiary of Shanxi Fund, Shanxi Jin Tong is an associate of a substantial shareholder of the Company and hence a connected person of the Company under GEM Listing Rules.

(b) Compensation to key management personnel

	2023 HK$'000	2022 HK$'000
Short-term benefits	**4,732**	5,577
Retirement benefits scheme contribution	**164**	209
	4,896	5,786

* *For identification purpose only*

38. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation to key management personnel *(continued)*

The remuneration of directors of the Company and key executives is determined by the remuneration committee with due regard to the performance of individuals and market trends. Further details of directors' emoluments are included in note 14 to the consolidated financial statements.

(c) Borrowings from related parties

	2023 HK$'000	2022 HK$'000
Borrowings from Shanxi Jin Tong (note)	**34,270**	36,145

Note:

As Shanxi Jin Tong is a subsidiary of Shanxi Fund, Shanxi Jin Tong is an associate of a substantial shareholder of the Company and hence a connected person of the Company under GEM Listing Rules. The borrowings were unsecured, interest bearing at 8.0% and repayable within one year.

(d) Corporate guarantee

Corporate guarantee is provided by Shanxi Environment, a substantial shareholder of the Company, for the unsecured borrowings amounted to HK$34,270,000 (2022: HK$36,145,000).

39. DEFINED BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in fund under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$30,000 per annum of each individual employee) to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

Employees employed by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

At the end of the reporting period, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contribution payable in the futures years.

40. SHARE OPTION SCHEME

Pursuant to a resolution passed at the annual general meeting of the Company held on 25 September 2012, a share option scheme (the "Share Option Scheme") was adopted by the Company.

The major terms of the Share Option Scheme are summarised as follows:

(a) The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group.

(b) The participants include:

(i) (1) any employee or proposed employee of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(2) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of the Group or any Invested Entity;

(5) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(7) any joint venture partner or counter-party to business transactions of the Group.

(ii) any company wholly owned by one or more persons belonging to any of the above classes of participants.

40. SHARE OPTION SCHEME *(continued)*

(c) The exercise price of a share option shall be a price determined by the directors and shall at least be the higher of:

(i) the closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(d) Maximum number of shares:

(i) The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time; and

(ii) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes must not in aggregate, exceed 10% of the shares in issue at the date of adoption of the Share Option Scheme (the "Limit") provided that share options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Limit.

(e) The total number of shares issued and to be issued upon the exercise of share options granted and to be granted to each participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant must not exceed 1% of the shares in issue.

(f) The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of grant of the share option.

The Share Option Scheme had been lapsed on 25 September 2022.

During the years ended 31 March 2023 and 2022, no share option under the Share Option Scheme was granted, exercised, lapsed or cancelled. At 31 March 2023 and 2022, there was no outstanding share options under the Share Option Scheme.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

41.1 General information of subsidiaries

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of ownership interest						Principal activities
			Group's effective interest		Directly held		Indirectly held		
			2023	2022	2023	2022	2023	2022	
First FinTech (Shanghai) Company Limited* (眾網金融科技(上海)有限公司) (note a)	The PRC/The PRC	RMB14,231,000	**100%**	100%	**–**	–	**100%**	100%	Financial leasing and other financial services
Dadi Feichi (note b)	The PRC/The PRC	RMB5,000,000	**51%**	51%	**–**	–	**51%**	51%	Publication, purchase and distribution of books
Jinxin Keyuan (note b)	The PRC/The PRC	RMB15,000,000	**60%**	60%	**–**	–	**60%**	60%	Environmental consultancy service
Hesting Bio Limited	Hong Kong/ Hong Kong	HK$3,000,000	**51%**	51%	**51%**	51%	**–**	–	Sale of healthcare products

Notes:

(a) These subsidiaries are wholly foreign owned enterprises in the PRC.

(b) These subsidiaries are domestic enterprise with limited liabilities established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

41.2 Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI")

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by NCI		Total comprehensive (expense)/income allocated to NCI		Accumulated NCI	
		2023	2022	**2023**	2022	**2023**	2022
				HK$'000	HK$'000	**HK$'000**	HK$'000
Keen Renown Group	The PRC	**40%**	40%	**(17,943)**	(5,241)	**(63,669)**	(45,726)
Dadi Feichi	The PRC	**49%**	49%	**(13,562)**	(153,584)	**(145,779)**	(132,217)
Jinxin Keyuan	The PRC	**40%**	40%	**(3,516)**	2,941	**7,332**	10,848
Individually immaterial subsidiaries with non-controlling interests						**(2,290)**	(1,695)
						(204,406)	(168,790)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

41.2 Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI") *(continued)*

The following table lists out the information relating to Keen Renown Group which has material NCI. The summarised financial information presented below represents the amounts before intergroup eliminations.

	2023	2022
	HK$'000	HK$'000
NCI percentage	**40%**	40%
Current assets	**107,499**	169,579
Current liabilities	**(266,672)**	(283,894)
Net liabilities	**(159,173)**	(114,315)
Carrying amount of NCI	**(63,669)**	(45,726)
Revenue	**–**	–
Loss for the year	**(47,631)**	(18,012)
Total comprehensive expense for the year	**(44,858)**	(13,102)
Total comprehensive expense for the year allocated to NCI	**(17,943)**	(5,241)
Net cash flows (used in)/generated from operating activities	**(46)**	8
Net cash (outflow)/inflow	**(46)**	8

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

41.2 Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI") *(continued)*

The following table lists out the information relating to Dadi Feichi which has material NCI. The summarised financial information presented below represents the amounts before intergroup eliminations.

	2023 **HK$'000**	2022 HK$'000
NCI percentage	**49%**	49%
Current assets	**653,785**	705,892
Current liabilities	**(951,293)**	(975,723)
Net liabilities	**(297,508)**	(269,831)
Carrying amount of NCI	**(145,779)**	(132,217)
Revenue	**–**	–
Loss for the year	**(47,560)**	(315,129)
Total comprehensive expense for the year	**(27,677)**	(313,437)
Total comprehensive expense for the year allocated to NCI	**(13,562)**	(153,584)
Net cash flows (used in)/generated from operating activities	**(2)**	1,100
Net cash flows used in financing activities	**–**	(2,649)
Net cash outflow	**(2)**	(1,549)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

41.2 Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI") *(continued)*

The following table lists out the information relating to Jinxin Keyuan which has material NCI. The summarised financial information presented below represents the amounts before intergroup eliminations.

	2023	2022
	HK$'000	HK$'000
NCI percentage	**40%**	40%
Current assets	**25,006**	34,286
Non-current assets	**533**	239
Current liabilities	**(7,210)**	(7,405)
Net assets	**18,329**	27,120
Carrying amount of NCI	**7,332**	10,848
Revenue	**34,727**	34,675
(Loss)/profit for the year	**(6,812)**	6,430
Total comprehensive (expense)/income for the year	**(8,791)**	7,352
Total comprehensive (expense)/income for the year allocated to NCI	**(3,516)**	2,941
Net cash flows used in operating activities	**(6,795)**	(4,637)
Net cash flows used in investing activities	**(425)**	(269)
Net cash outflow	**(7,220)**	(4,906)

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 HK$'000	2022 HK$'000
Non-current assets		
Property, plant and equipment	**27**	17
Right-of-use assets	**1,586**	2,462
Investments in subsidiaries	**–**	7,023
	1,613	9,502
Current assets		
Amounts due from subsidiaries	**–**	794
Other receivables, deposits and prepayment	**4,506**	66,017
Financial assets at fair value through profit or loss	**1,344**	–
Bank balances and cash	**77**	140
	5,927	66,951
Current liabilities		
Accruals and other payables	**32,158**	19,702
Borrowings	**34,270**	36,145
Lease liabilities	**1,217**	2,552
	67,645	58,399
Net current (liabilities)/assets	**(61,718)**	8,552
Total assets less current liabilities	**(60,105)**	18,054
Non-current liabilities		
Lease liabilities	**653**	219
Net (liabilities)/assets	**(60,758)**	17,835

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	Note	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	35	**36,406**	36,406
Reserves		**(97,164)**	(18,571)
Total (capital deficiency)/equity		**(60,758)**	17,835

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 June 2023 and signed on its behalf by:

Wu Xiaoming
Director

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's reserves

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2021	36,406	1,828,573	311,606	(2,103,562)	73,023
Loss and total comprehensive expense for the year	–	–	–	(55,188)	(55,188)
As at 31 March 2022 and 1 April 2022	36,406	1,828,573	311,606	(2,158,750)	17,835
Loss and total comprehensive expense for the year	–	–	–	(78,593)	(78,593)
As at 31 March 2023	**36,406**	**1,828,573**	**311,606**	**(2,237,343)**	**(60,758)**

43. CONTINGENT LIABILITIES

Shanxi Environment as plaintiff has filed a civil claim to the People's Court in Taiyuan, Shanxi Province, the PRC against Dadi Feichi and the Entrusted Loan Guarantor to recover the outstanding principal and interest of the entrusted loan. The court has handed down the enforcement ruling ordering the Entrusted Loan Guarantor to transfer the ownership of its assets to Shanxi Environment to partially settle the entrusted loan. The civil proceeding is still ongoing and Shanxi Environment will pursue enforcement of assets of the Entrusted Loan Guarantor to settle the remaining principal and interest of the entrusted loan. Any amount paid by the Entrusted Loan Guarantor for settlement of outstanding principal and interest of the entrusted loan would be set off against the account payables by the Entrusted Loan Guarantor to Dadi Feichi.

In order to settle the outstanding principal and interest of the entrusted loan, Dadi Feichi as plaintiff has also filed a civil claim to the People's Court in Taiyuan, Shanxi Province, the PRC against the Entrusted Loan Guarantor to recover account receivables due from the Entrusted Loan Guarantor in relation to sale of books and publications in prior years. The civil proceeding is still ongoing.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Summary of Financial Information

RESULTS

	For the year ended 31 March				
	2019	2020	2021	2022	**2023**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	107,159	1,225,016	615,941	37,961	**36,482**
(Loss)/profit before taxation	(46,169)	133,147	(184,643)	(377,143)	**(332,775)**
Income tax expenses	(1,618)	(40,986)	(11,485)	(1,337)	**(128)**
(Loss)/profit for the year	(47,787)	92,161	(196,128)	(378,480)	**(332,903)**
(Loss)/profit attributable to:					
Owners of the Company	(42,680)	34,588	(152,500)	(217,838)	**(287,148)**
Non-controlling interests	(5,107)	57,573	(43,628)	(160,642)	**(45,755)**
	(47,787)	92,161	(196,128)	(378,480)	**(332,903)**

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2020	2021	2022	**2023**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Non-current assets	23,193	53,733	48,786	56,159	**21,859**
Current assets	615,271	1,171,396	1,292,132	1,028,814	**691,421**
Current liabilities	148,151	139,659	970,215	1,058,671	**1,049,600**
Non-current liabilities	–	549,655	215	219	**653**