Alpha Professional Holdings Limited
阿爾法企業控股有限公司 *

(Incorporated in Bermuda with limited liability)
(Stock Code: 948)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of Alpha Professional Holdings Limited (the "**Company**") announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2020 with comparative audited figures for the year ended 31 March 2019 are as follows.

The Group's audited consolidated results for the year ended 31 March 2020 in this announcement was prepared on the basis of the consolidated financial statements which have been audited by the Company's independent auditor and reviewed by the Company's audit committee (the "**Audit Committee**"). The Group has agreed with the auditor as to the contents of this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations			
Revenue	4	**147,930**	351,448
Cost of sales		**(148,300)**	(302,408)
Gross (loss)/profit		**(370)**	49,040
Other income	5	**1,169**	5,147
Selling and distribution costs		**(1,311)**	(511)
Administrative expenses		**(30,833)**	(23,165)
(LOSS)/PROFIT FROM OPERATIONS		**(31,345)**	30,511
Finance costs	6 (a)	**(700)**	–
(LOSS)/PROFIT BEFORE TAXATION	6	**(32,045)**	30,511
Income tax expenses	7	**(18)**	(5,407)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(32,063)**	25,104
Discontinued operation			
(Loss)/profit for the year from discontinued operation	8	**(56,525)**	3,484
(LOSS)/PROFIT FOR THE YEAR		**(88,588)**	28,588
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(2,135)**	111
Reclassification adjustments relating to foreign operations disposed of during the year		**1,942**	–
Other comprehensive (loss)/income for the year, net of income tax		**(193)**	111
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		**(88,781)**	28,699

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2020

	Notes	2020 *HK$'000*	2019 *HK$'000* (restated)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(88,056)**	28,783
Non-controlling interests		**(532)**	(195)
		(88,588)	28,588
(Loss)/profit for the year attributable to owners of the Company:			
from continuing operations		**(31,531)**	25,299
from discontinued operation		**(56,525)**	3,484
		(88,056)	28,783
Total comprehensive (loss)/income for the year, net of income tax attributable to:			
Owners of the Company		**(88,249)**	28,894
Non-controlling interests		**(532)**	(195)
		(88,781)	28,699
Total comprehensive (loss)/income for the year, net of income tax attributable to owners of the Company:			
from continuing operations		**(31,625)**	25,311
from discontinued operation		**(56,624)**	3,583
		(88,249)	28,894
		HK cents	*HK cents* (restated)
(LOSS)/EARNINGS PER SHARE	*9*		
From continuing operations			
Basic and diluted		**(10.6)**	9.6
From discontinued operation			
Basic and diluted		**(19.0)**	1.3
From continuing and discontinued operation			
Basic and diluted		**(29.6)**	10.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**3,394**	11,065
Intangible asset		**–**	110,943
Goodwill		**2,161**	48,430
Rental deposit	*11*	**241**	–
		5,796	170,438
Current assets			
Inventories		**12,122**	6,568
Trade and other receivables	*11*	**119,916**	149,371
Tax recoverable		**537**	–
Cash and bank balances		**27,908**	34,421
		160,483	190,360
Current liabilities			
Trade and other payables	*12*	**32,445**	50,520
Contract liabilities		**8,943**	2,632
Other borrowing		**10,000**	–
Lease liabilities		**1,735**	–
Financial guarantee liabilities		**–**	22,214
Tax payable		**125**	1,120
		53,248	76,486
Net current assets		**107,235**	113,874
Total assets less current liabilities		**113,031**	284,312
Non-current liabilities			
Lease liabilities		**1,608**	–
Deferred tax liabilities		**–**	27,736
		1,608	27,736
Net assets		**111,423**	256,576

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Equity		
Share capital	**329,662**	380,298
Reserves	**(218,239)**	(124,031)
Equity attributable to owners of the Company	**111,423**	256,267
Non-controlling interests	**–**	309
Total equity	**111,423**	256,576

Notes:

1. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12
IFRIC 23	Uncertainty over Income Tax Treatments

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior year have been prepared or presented in the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current year.

IFRS 16 Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019.

The range of the incremental borrowing rates used for determination of the present value of the remaining lease payments ware 3% to 5%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments at 31 March 2019	893
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	2,724
	3,617
Less: total future interest expenses	(270)
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 April 2019	3,347

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 *HK$'000*	**Capitalisation of operating lease contracts** *HK$'000*	**Carrying amount at 1 April 2019** *HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	11,065	3,347	14,412
Total non-current assets	170,438	3,347	173,785
Lease liabilities (current)	–	(1,222)	(1,222)
Total current liabilities	(76,486)	(1,222)	(77,708)
Net current assets	113,874	(1,222)	112,652
Total assets less current liabilities	284,312	2,125	286,437
Lease liabilities (non-current)	–	(2,125)	(2,125)
Total non-current liabilities	(27,736)	(2,125)	(29,861)
Net assets	256,576	–	256,576

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

3. SEGMENT INFORMATION

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

1. The provision of mobile handset solution (the "**Mobile Business**"); and

2. The trading of milk powder and baby foods (the "**Milk Products Business**").

The provision of biotechnology and biological gene technology technical services (the "**Biological Business**") was discontinued during the current year. The following segment information does not include any amounts for the discontinued operation which is described in more detail in note 8.

In view of the intense competition in the communication technology industry, the Group has been exploring different business opportunities in other sectors in order to broaden the sources of income and to boost the business performance of the Group. The Group commenced and developed the Milk Products Business during the year ended 31 March 2020 and thus one new segment is resulted and included in the segment reporting and no comparative information for this new segment for the year ended 31 March 2019 is presented.

The Mobile Business derives revenue primarily from the sale and distribution of mobile handsets and their components.

The Milk Products Business derives revenue primarily from the sale of milk powder and baby foods.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables, lease liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

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

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the Company's executive directors are provided with segment information concerning revenue (including inter–segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses, gain on disposal of a subsidiary and additions to non-current segment assets used by the segments in their operations.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Company's executive directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below.

Continuing operations

	2020		
	Mobile Business	**Milk Products Business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Reportable segment revenue			
Disaggregated by timing of revenue recognition			
Point in time	**117,343**	**30,481**	**147,824**
Over time	**–**	**106**	**106**
Revenue from external customers and reportable segment revenue	**117,343**	**30,587**	**147,930**
Reportable segment (loss)/profit (adjusted EBITDA)	**(17,802)**	**1,101**	**(16,701)**
Interest income from bank deposits	**2**	**–**	**2**
Finance costs	**–**	**(6)**	**(6)**
Impairment loss of trade receivables	**(9,547)**	**–**	**(9,547)**
Depreciation	**–**	**(131)**	**(131)**
Gain on disposal of a subsidiary	**1,051**	**–**	**1,051**
Reportable segment assets	**118,007**	**28,295**	**146,302**
Additions to non-current segment assets during the year	**–**	**3,681**	**3,681**
Reportable segment liabilities	**5,678**	**23,815**	**29,493**

	2019 Mobile Business *HK$'000*
Reportable segment revenue	
Disaggregated by timing of revenue recognition	
Point in time	351,448
Revenue from external customers and reportable segment revenue	351,448
Reportable segment profit (adjusted EBITDA)	42,605
Interest income from bank deposits	4
Depreciation	(142)
Reportable segment assets	139,736
Additions to non-current segment assets during the year	–
Reportable segment liabilities	9,136

There are no inter-segment revenue during the years ended 31 March 2020 and 2019.

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

Continuing operations

	2020 **HK$'000**	2019 *HK$'000* (restated)
Revenue		
Reportable segment revenue	**147,930**	351,448
Elimination of inter-segment revenue	**–**	–
Consolidated revenue *(note 4)*	**147,930**	351,448
Profit or loss		
Reportable segment (loss)/profit (adjusted EBITDA)	**(16,701)**	42,605
Interest income from bank deposits	**3**	20
Other income	**–**	116
Depreciation	**(1,605)**	(614)
Finance costs	**(700)**	–
Unallocated head office and corporate interest and expenses other than interest income, depreciation and finance costs	**(13,042)**	(11,616)
Consolidated (loss)/profit before taxation from continuing operations	**(32,045)**	30,511

Continuing and discontinued operations

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Assets		
Reportable segment assets	**146,302**	139,736
Unallocated head office and corporate assets	**19,977**	6,394
Assets relating to discontinued operation	**–**	214,668
Consolidated total assets	**166,279**	360,798
Liabilities		
Reportable segment liabilities	**29,493**	9,136
Unallocated head office and corporate liabilities	**25,363**	12,441
Liabilities relating to discontinued operation	**–**	82,645
Consolidated total liabilities	**54,856**	104,222

Continuing operations

	2020	2019
Other items		
Interest income from bank deposits:		
Reportable segment total	**2**	4
Unallocated head office and corporate total	**1**	16
Consolidated total	**3**	20
Finance costs:		
Reportable segment total	**6**	–
Unallocated head office and corporate total	**694**	–
Consolidated total	**700**	–
Depreciation:		
Reportable segment total	**131**	142
Unallocated head office and corporate total	**1,474**	472
Consolidated total	**1,605**	614
Loss on disposal of property, plant and equipment:		
Reportable segment total	**–**	–
Unallocated head office and corporate total	**50**	–
Consolidated total	**50**	–
Additions to non-current assets during the year:		
Reportable segment total	**3,681**	–
Unallocated head office and corporate total	**–**	5
Consolidated total	**3,681**	5

(c) Revenue from major products and services

Continuing operations

	2020 *HK$'000*	2019 *HK$'000* (restated)
Mobile handsets and their components	**117,343**	351,448
Milk powder and baby foods	**30,481**	–
Franchise fee income	**106**	–
	147,930	351,448

(d) Geographical information

Continuing operations

The following is an analysis of geographical location of (i) the Group's revenue from continuing operations from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and non-current rental deposit from continuing operations. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of property, plant and equipment and non-current rental deposit is based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which they are allocated.

	Revenue from external customers Year ended 31 March		Non-current assets	
			At 31 March	At 31 March
	2020 *HK$'000*	2019 *HK$'000* (restated)	2020 *HK$'000*	2019 *HK$'000* (restated)
Hong Kong (place of domicile)	**13,235**	126,020	**3,644**	310
The People's Republic of China (the "**PRC**")	**12,033**	–	**2,152**	259
Bangladesh	**30,819**	7,110	**–**	–
Dubai	**20,202**	100,138	**–**	–
Cyprus	**1,090**	1,424	**–**	–
Ethiopia	**–**	1,764	**–**	–
Mexico	**–**	2,621	**–**	–
Poland	**885**	2,030	**–**	–
Romania	**–**	2	**–**	–
India	**10,148**	52,460	**–**	–
Pakistan	**–**	5,733	**–**	–
South Africa	**15,453**	38,298	**–**	–
Russia	**3,130**	6,699	**–**	–
Vietnam	**16,450**	5,350	**–**	–
Greece	**–**	9	**–**	–
Australia	**18,553**	–	–	–
Italy	**2,922**	–	–	–
Others	**3,010**	1,790	**–**	–
	147,930	351,448	**5,796**	569

(e) **Information about major customers**

Revenue from customers contributing 10% or more of the Group's revenue from continuing operations are as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from sale and distribution of mobile handsets and their components		
– Customer A	**30,321**	N/A*
– Customer B	**20,202**	100,138
– Customer C	**N/A***	89,402
– Customer D	**15,453**	38,298
– Customer E	**–**	36,617
Revenue from sale of milk powder and baby foods		
– Customer F	**18,553**	–

* The corresponding revenue did not contribute 10% or more of the Group's revenue from continuing operations during the corresponding year.

4. REVENUE

(a) Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020	2019
Continuing operations	***HK$'000***	*HK$'000*
		(restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sale and distribution of mobile handsets and their components	**117,343**	351,448
– Sale of milk powder and baby foods	**30,481**	–
– Franchise fee income	**106**	–
	147,930	351,448

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 3(a) and 3(d) respectively.

(b) The following table shows the amounts of revenue from continuing operations recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale and distribution of mobile handsets and their components	**2,118**	3,852

(c) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

All sales contracts with customers within the scope of IFRS 15 are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these contracts for the remaining unsatisfied performance obligations is not disclosed.

5. OTHER INCOME

	2020	2019
Continuing operations	***HK$'000***	*HK$'000*
		(restated)
Interest income on financial assets measured at amortised cost		
– bank interest income	**3**	20
Service income	**–**	5,008
Gain on disposal of a subsidiary	**1,051**	–
Foreign exchange gain, net	**27**	108
Sundry income	**88**	11
	1,169	5,147

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging the following:

Continuing operations	**2020** **HK$'000**	2019 HK$'000 (restated)
(a) Finance costs:		
Interest on borrowing	**557**	–
Interest on lease liabilities	**143**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**700**	–
(b) Staff costs (including directors' emoluments):		
Contributions to defined contribution retirement plans	**275**	352
Salaries, wages and other benefits	**9,755**	11,501
	10,030	11,853
(c) Other items:		
Cost of inventories	**148,300**	302,408
Auditors' remuneration		
– audit services	**1,050**	1,200
– non-audit services	**690**	870
Depreciation charges		
– owned property, plant and equipment *(note (i))*	**307**	614
– right-of-use assets *(note (i))*	**1,298**	–
Impairment loss of trade receivables	**9,547**	–
Loss on disposal of property, plant and equipment	**50**	–
Total minimum lease payments for lease previously classified as operating leases under IAS 17 *(note (i))*	**–**	2,646
Short-term lease expense	**818**	–

Note:

(i) The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated, see note 2.

7. INCOME TAX

Amounts recognised in profit or loss:

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax		
– Hong Kong Profits Tax for the year	**–**	5,274
– PRC Enterprise Income Tax ("**EIT**") for the year	**–**	133
Under-provision in respect of prior years		
– PRC EIT	**18**	–
Income tax expenses on continuing operations	**18**	5,407

Notes:

(i) No Hong Kong Profits Tax has been provided for in the consolidated financial statements as the Group had no assessable profits for the year ended 31 March 2020.

The provision for Hong Kong Profits Tax for 2019 was calculated at 16.5% of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of HK$20,000 for each business.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime (the "**Two-tiered Profits Tax Rate Regime**"). The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the Two-tiered Profits Tax Rate Regime, the first HK$2 million of the assessable profits of the qualifying group entity is taxed at 8.25% and the assessable profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the Two-tiered Profits Tax Rate Regime continue to be taxed at a flat rate of 16.5%.

(ii) No PRC EIT has been provided for in the consolidated financial statements as the Group had no assessable profits for the year ended 31 March 2020. The Group's subsidiary established in China was subject to the PRC EIT at 25% for the year ended 31 March 2019.

(iii) The Group is not subject to any taxation under the jurisdiction of Bermuda and the British Virgin Islands for the years ended 31 March 2020 and 2019.

8. DISCONTINUED OPERATION

Disposal of operation of Biological Business

On 24 December 2018, a sale and purchase agreement (the "**Sale and Purchase Agreement**") was entered into among the Company, Starways Global Holding Inc. ("**Starways Global**") and Mr. Wang Bin ("**Mr. Wang**"), an individual who is beneficially interested in approximately 51% of the issued capital of Starways Global and being the guarantor of the obligations of Starways Global and the provider of certain warranties and undertakings under the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Company completed the acquisition (the "**Acquisition**") of the entire issued share capital of Great Empire International Group Limited ("**GE International**"), on 29 January 2019 and 50,842,000 shares of the Company (the "**Shares**") were issued and allotted as fully paid Shares for the settlement of the consideration for the Acquisition. GE International and its subsidiaries (collectively, the "**GE Group**") is engaged in the Biological Business.

Subsequent to the completion of the Acquisition, it came to the attention of the Board that Starways Global and Mr. Wang were in potential breaches of certain warranties and undertakings in the Sale and Purchase Agreement and both Starways Global and Mr. Wang have not remedied any of the potential breaches.

In order to safeguard the interest of the Company and shareholders (the "**Shareholders**") of the Company as a whole, the Board considered that the best way was to unwind the Acquisition (the "**Unwinding**"). As such, on 17 September 2019, the Company, Starways Global, Mr. Wang and GE International entered into a settlement agreement (the "**Settlement Agreement**"), pursuant to which, (i) the Sale and Purchase Agreement shall be rescinded and void from its inception; (ii) Starways Global shall transfer the 40,716,000 Shares (the "**Settlement Shares**") currently held by it to the Company for cancellation; (iii) Starways Global shall pay the Company the cash in the amount of HK$18,803,982 (the "**Settlement Cash**"); (iv) the Company shall transfer the entire issued share capital of GE International to Starways Global; and (v) each of the parties to the Settlement Agreement shall be discharged from all liability and/or further liability, demands, claims and proceedings arising out of or in connection with the Sale and Purchase Agreement.

A special general meeting of the Company was held on 3 January 2020, in which the Settlement Agreement and the transactions contemplated thereunder were approved by the Shareholders, and the disposal of the GE Group is completed on 23 January 2020, on which date control of the GE Group was passed to Starways Global.

The results of the discontinued operation, which have been included in the loss for the year, are set out below. The financial information of the Biological Business is prepared based on the latest management accounts of the GE Group obtained by the Board. Since then, GE International failed to provide sufficient accounting records to the Group. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Biological Business as a discontinued operation.

	2020	2019
	HK\$'000	*HK\$'000*
Revenue	**13,928**	13,904
Cost of sales	**(4,864)**	(4,409)
Gross profit	**9,064**	9,495
Other income	**–**	10
Selling and distribution costs	**(3,314)**	(438)
Administrative expenses	**(9,523)**	(6,053)
(Loss)/profit before taxation	**(3,773)**	3,014
Attributable income tax credit	**1,410**	470
	(2,363)	3,484
Loss on disposal of subsidiaries from discontinued operation *(note (i))*	**(54,162)**	–
(Loss)/profit for the year from discontinued operation and attributable to owners of the Company	**(56,525)**	3,484

Note:

(i) **Loss on disposal of subsidiaries from discontinued operation**

	HK\$'000
Return of 40,716,000 Settlement Shares at the fair value of HK\$1.39 per Share	56,595
Cash consideration	18,804
Consideration received	75,399
Net assets disposed of	(127,619)
Cumulative exchange loss reclassified from equity to profit or loss upon disposal of subsidiary	(1,942)
Loss on disposal of subsidiaries from discontinued operation	(54,162)

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Continuing operations

The calculation of basic (loss)/earnings per share from continuing operations is based on the loss for the year attributable to owners of the Company from continuing operations of approximately HK$31,531,000 (2019: profit of approximately HK$25,299,000) and the weighted average number of approximately 297,491,000 (2019: 262,871,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2020	2019
	'000	*'000*
Issued ordinary shares at 1 April	**305,076**	254,234
Effect of Settlement Shares repurchased upon the Unwinding	**(7,585)**	–
Effect of Shares issued upon Acquisition	**–**	8,637
Weighted average number of ordinary shares	**297,491**	262,871
Basic (loss)/earnings per share *(HK cents per share)*	**(10.6)**	9.6

Discontinued operation

The calculation of basic (loss)/earnings per share from discontinued operation is based on the loss for the year attributable to owners of the Company from discontinued operation of approximately HK$56,525,000 (2019: profit of approximately HK$3,484,000) and the weighted average number of approximately 297,491,000 (2019: 262,871,000) ordinary shares in issue during the year.

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares	**297,491**	262,871
Basic (loss)/earnings per share *(HK cents per share)*	**(19.0)**	1.3

Continuing and discontinued operations

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK$88,056,000 (2019: profit of approximately HK$28,783,000) and the weighted average number of approximately 297,491,000 (2019: 262,871,000) ordinary shares in issue during the year.

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares	**297,491**	262,871
Basic (loss)/earnings per share *(HK cents per share)*	**(29.6)**	10.9

(b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares in issue during the years ended 31 March 2020 and 2019. The diluted (loss)/earning per share is the same as the basic (loss)/earning per share for the year ended 31 March 2020 and 2019.

10. DIVIDEND

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

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, net of loss allowance *(notes i and ii)*	**42,565**	68,532
Other receivables	**150**	6,051
Amount due from a related party	**239**	–
Undertaking receivable from Mr. Wang	**–**	3,944
Financial assets measured at amortised cost	**42,954**	78,527
Prepayments to suppliers	**76,585**	69,003
Other prepaid expenses	**81**	495
Rental deposits	**414**	1,296
Other deposits	**123**	50
	120,157	149,371
Representing:		
Current	**119,916**	149,371
Non-current	**241**	–
	120,157	149,371

Except for the rental deposit of HK$241,000 (2019: Nil) which is expected to be recovered after more than one year, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Notes:

(i) Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables based on invoice date and net of loss allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**12,163**	27,789
31-60 days	**–**	17,253
61-90 days	**–**	8,033
Over 90 days	**30,402**	15,457
	42,565	68,532

Trade receivables are due within 0 to 90 days (2019: 60 to 90 days) from the date of billing.

(ii) Disposal of trade receivables

On 24 June 2020, the Group entered into a disposal agreement with an independent third party for disposal of trade receivables (before impairment) of approximately US$5,051,000 (equivalent to approximately HK$39,401,000) that are due from two customers at a cash consideration of HK$30,000,000. The consideration is fully received on 26 June 2020 and the disposal is completed on the same day. The disposal of trade receivables is without recourse against of the Group.

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(note (i))*	**13,209**	1,934
Other payables	**3,559**	10,987
Accruals	**1,629**	1,255
Interest payable	**63**	–
Salary payable	**2,441**	6,005
Financial liabilities measured at amortised cost	**20,901**	20,181
Other tax payable	**11,544**	30,339
	32,445	50,520

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Note:

(i) Aging analysis

As of the end of the reporting period, the ageing analysis of trade payables based on invoice date were as follows:

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**12,310**	1,654
31-60 days	**–**	–
61-90 days	**–**	–
Over 90 days	**899**	280
	13,209	1,934

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has issued the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 March 2020, an extract of which is as follows:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for disclaimer of opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements of the Group have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Opening balances and corresponding figures

The corresponding figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group for the year ended 31 March 2019. The auditor did not express an opinion on the consolidated financial statements for the year ended 31 March 2019.

On 29 January 2019, the Group had acquired the entire equity interests in Great Empire International Group Limited ("**GE International**") and its subsidiaries (collectively the "**GE Group**") (the "**Acquisition**"), whose principal activity was engaged in the provision of biotechnology and biological gene technology technical services (the "**Biological Business**"). The details of the Acquisition are set out in note 34 to the consolidated financial statements. Revenue generated from the Biological Business during the year ended 31 March 2019 amounted to approximately HK$13,904,000 (the "**Revenue of Biological Business**").

During the course of our audit for the year ended 31 March 2019, we noticed certain inconsistencies between third parties documents and information provided by the Group and that we have obtained directly for revenue transactions under the Biological Business. We were unable to perform practicable audit procedures to verify the inconsistencies in the documents and information available to us, and to carry out satisfactory audit procedures to obtain reasonable assurance regarding the occurrence, completeness and accuracy of the Revenue of Biological Business, and the corresponding trade receivables balances of HK$14,751,000 as at 31 March 2019. Furthermore, the intangible assets and goodwill arising from the Acquisition of the GE Group, amounted to HK$110,943,000 and HK$48,430,000, respectively, had been allocated to the Biological Business cash generating units. The fair values has been estimated using the cash flows projections from the Biological Business. Due to the inconsistencies in documents and information available to us mentioned above and limitation in the scope of work, we were unable to assess whether the fair values as at the acquisition date and the recoverable amount of these assets as at 31 March 2019 are reliably measured. There are no alternative audit procedures that we could perform to satisfy ourselves as to whether the carrying amounts of the intangible assets and goodwill, the associated amortisation expenses attributed to the intangible assets and tax relating to the Biological Business were free from material misstatement.

In addition, because of the inconsistencies in the documents and information described above, there were no alternative audit procedures we could perform to satisfy ourselves as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions and the assets and liabilities related to the Biological Business. Accordingly, we were not able to obtain sufficient appropriate audit evidence to determine whether any adjustments to the consolidated financial statements as at and for the year ended 31 March 2019 were necessary.

As a result, in performing our audit of the consolidated financial statements of the Group for the year ended 31 March 2020, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of assets, liabilities and reserves as at 1 April 2019 and the corresponding figures were fairly stated.

Any adjustments that might have been found to be necessary in respect of the above had we obtained sufficient appropriate audit evidence would have a consequential effect on the net assets of the Group as at 1 April 2019, and of its financial performance and cash flows for the current and prior years, and the related disclosures thereof in the consolidated financial statements.

Disposal of Biological Business

During the year ended 31 March 2020, the Company entered into a settlement agreement with the vendor to the Acquisition (the "**Vendor**"), the guarantor to the Acquisition and GE International to unwind the Acquisition by the return of 40,716,000 settlement shares from the Vendor plus the settlement cash in the amount of approximately HK$18,804,000 to be paid by the Vendor to the Company, and the Company shall transfer its entire legal and beneficial interest in GE International to the Vendor (the "**Unwinding**").

Upon completion of the Unwinding during the year ended 31 March 2020, the Group recognised a loss on disposal of subsidiaries of HK$54,162,000 for the year ended 31 March 2020. Together with the loss of HK$2,363,000 for the year ended 31 March 2020 reported by the Biological Business, the loss from discontinued operation of Biological Business amounted to HK$56,525,000. As mentioned above, due to the inconsistencies in the documents and information provided, there were no alternative audit procedures we could perform to satisfy ourselves as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions for the year ended 31 March 2020 and the assets and liabilities related to the Biological Business as at the date of disposal. As a result, we were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy and valuation in respect of the loss from discontinued operation during the year.

Any adjustments that might have been found to be necessary in respect of the above had we obtained sufficient appropriate audit evidence would have a consequential effect on the Group's financial performance and cash flows for the year ended 31 March 2020, and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31 March 2020 from continuing operations was approximately HK$147.9 million (2019: approximately HK$351.4 million), representing a decrease of 57.9% compared to the previous year. The loss attributable to the owners of the Company (including continuing and discontinued operations) was approximately HK$88.1 million (2019: profit attributable to the owners of the Company was approximately HK$28.8 million). The basic loss per share (including continuing and discontinued operations) amounted to HK29.6 cents (2019: basic earnings per share HK10.9 cents).

The Group recorded a significant loss for the year ended 31 March 2020 as compared to the net profit for the year ended 31 March 2019. Such loss was primarily attributable to: (i) a non-recurring loss of approximately HK$54.2 million recognised for the disposal of GE International; (ii) a decline in the sales volume and average selling prices of the Group's mobile handset products as compared to the previous year; and (iii) an impairment loss of approximately HK$9.5 million recognised for trade receivables.

For the year ended 31 March 2020, the administrative expenses of the Group for continuing operations amounted to approximately HK$30.8 million (2019: approximately HK$23.2 million), representing an increase of 32.8% as compared to the previous year. This was mainly due to the increase of an impairment loss of trade receivables recognised in administrative expenses.

Business Review

The Group is engaged principally in the Mobile Business and the Biological Business which was discontinued during the year ended 31 March 2020 after the completion of the Unwinding (the "**Unwinding Completion**"). Since February 2020, the Group has also started to engage in the Milk Products Business to diversify its revenue stream and bring additional revenue to the Group.

Mobile Business – Continuing operations

For the year ended 31 March 2020, India, Dubai, Vietnam, Bangladesh and South Africa continued to remain as the major markets of the Mobile Business. In recent years, the market competition in the mobile handset industry has become increasingly intense which has weakened the lebensraum of the small and medium-sized manufacturers and processors of mobile handsets. The fluctuations in the market environment, the changes in the international economic and political situation, and the outbreak of Coronavirus disease ("**COVID-19**") worldwide in early 2020 have all impacted the operation and business of the Group's Mobile Business in the year. Under this severe situation, the Mobile Business only secured a small number of smartphone orders in the first half of the year ended 31 March 2020 and few smartphone orders in the second half of the year ended 31 March 2020. The orders for the year ended 31 March 2020 were mainly concentrated on medium and low-end mobile phones with a low profit margin. The revenue of the Group's Mobile Business for the year ended 31 March 2020 was approximately HK$117.3 million (2019: approximately HK$351.4 million), representing a drastic decrease of 66.6% as compared to the previous year. Regionally, the revenue of Mobile Business attributed from Hong Kong, Dubai and India have fallen by about 80% or more, respectively, as compared to the previous year.

Milk Products Business – Continuing operations

As the Group expected that the Milk Products Business would become an opportunity, the Group acquired subsidiaries principally engaged in the trading of milk powder and baby foods in February 2020, with the initial business focus in cross-border milk powder trading in Australia, Hong Kong and the PRC. During the period from the completion of the acquisition on 6 February 2020 to 31 March 2020, the Group's revenue and gross profit in its Milk Products Business were approximately HK$30.6 million and approximately HK$1.8 million, respectively and the reportable segment profit was approximately HK$1.1 million. Looking forward, the management of the Group would continue to develop the Milk Products Business to bring more returns to the Group and its Shareholders.

Biological Business – Discontinued operation

Subsequent to the completion of the acquisition of the 10,000 shares of GE International, representing the entire issued share capital of GE International by the Company pursuant to the Sale and Purchase Agreement dated 24 December 2018 and entered into among the Company (as purchaser), Starways Global (as vendor) and Mr. Wang (as guarantor) in respect of the Acquisition and in around June 2019, it came to the attention of the Board that GE International failed to provide sufficient accounting records and incidental documents, which resulted in potential breaches by Starways Global and Mr. Wang of certain warranties and undertakings in the Sale and Purchase Agreement. As a result, a disclaimer of opinion has been issued by the auditor in the 2019 annual report of the Company in relation to the Acquisition for the year ended 31 March 2019 as the auditor was unable to obtain reasonable assurance on the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions and the assets and liabilities related to the GE Group for the year ended 31 March 2019.

In order to safeguard the interest of the Company and its Shareholders as a whole, the Board considered that the best way was to unwind the Acquisition by entering into the Settlement Agreement dated 17 September 2019. Pursuant to the Settlement Agreement, (i) the Sale and Purchase Agreement shall be rescinded and void from its inception; (ii) all the Settlement Shares shall be transferred by Starways Global to the Company for cancellation; (iii) Starways Global shall pay to the Company the Settlement Cash in the amount of approximately HK$18.8 million; (iv) the Company shall transfer the 10,000 shares in GE International to Starways Global; and (v) each of the parties shall be discharged from all liability and/or further liability, demands, claims and proceedings arising out of or in connection with the Sale and Purchase Agreement. The Unwinding Completion took place on 23 January 2020 after all the conditions precedent under the Settlement Agreement have been fulfilled. Details of the Unwinding were set out in the announcements of the Company dated 18 September 2019, 3 January 2020 and 24 January 2020, respectively and the circular of the Company dated 12 December 2019.

The loss on disposal of GE International resulting from the Unwinding amounted to approximately HK$54.2 million, which is calculated by the net of the book value of the GE Group as at the date of the Unwinding Completion and the fair value of the consideration received from the Settlement Cash together with the Settlement Shares valued at HK$1.39 per Share, the closing price of the Shares on the date of Unwinding Completion.

For the year ended 31 March 2020, the loss attributable to owners of the Company from the discontinued operation of Biological Business amounted to approximately HK$56.5 million which represented the results of the operation included in the profit and loss from 1 April 2019 to the date of the Unwinding Completion and the abovementioned loss on disposal of GE International.

Financial Review

Financial Resources, Liquidity and Capital Structure

The Group's capital expenditure, daily operations and investments during the year ended 31 March 2020 are mainly funded by cash generated from its operations and loan from a financial institution. The liquidity and financing requirements of the Group are reviewed on a regular basis. During the year ended 31 March 2020, the Group was granted a loan amounting to HK$10.0 million from a financial institution.

As at 31 March 2020, the Group had current assets of approximately HK$160.5 million (2019: approximately HK$190.4 million) and current liabilities of approximately HK$53.2 million (2019: approximately HK$76.5 million). The liquidity of the Group as evidenced by the current ratio (current assets over current liabilities) was 3.02 times (2019: 2.49 times).

As at 31 March 2020, the Group maintained cash and bank balances of approximately HK$27.9 million (2019: approximately HK$34.4 million), of which 79.5% (2019: 53.6%) were denominated in Hong Kong dollars ("**HK$**") or United States dollars ("**US$**").

As at 31 March 2020, the Group had outstanding borrowing of HK$10.0 million (2019: Nil) repayable within one year. There was no outstanding borrowing repayable after one year (2019: Nil). The Group's outstanding borrowing was denominated in HK$ and was charged with interest at the fixed rate.

The Group's strategy was to maintain the gearing ratio at the lowest as possible. The gearing ratio (calculated by net debt over total equity) of the Group as at 31 March 2020 was as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Total debt	**54,856**	76,486
Less: cash and bank balances	**(27,908)**	(34,421)
Net debt	**26,948**	42,065
Total equity	**111,423**	256,576
Gearing ratio	**24.2%**	16.4%

Treasury Policy and Financial Management

The Group's treasury policy aims to ensure that (i) the funding requirements for capital commitments, investments and operations of the Group can be fulfilled; and (ii) liquidity can be managed to ensure that fund inflows are matched against all maturing repayment obligations to enhance cash flow management.

The Group aims to minimise its financial risk exposure. The Group's policy is not to engage in speculative derivative financial transactions and not to invest its existing capital resources in financial products with significant risks.

Risk of Foreign Exchange Fluctuation

As the Group's cash and bank balances and transactions are mainly denominated in HK$, renminbi ("**RMB**"), Australian dollars and US$, the Directors considered the Group was exposed to exchange risk. During the year ended 31 March 2020, the Group did not use any financial instruments for hedging purpose and the Group did not have any hedging instruments outstanding as at 31 March 2020.

The Group will monitor closely the exchange rate risk arising from the Group's existing operations and potential new investments in the future, and will implement necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Charge on Group Assets

As at 31 March 2020, the Group did not have any charge on its assets (2019: Nil).

Contingent Liabilities

The Group had no contingent liability as at 31 March 2020 (2019: approximately RMB41.1 million).

Material Capital Commitments

The Group had no material capital commitments as at 31 March 2020 (2019: Nil).

Material Acquisitions and Disposals

The Company entered into the Settlement Agreement on 17 September 2019 to unwind the Acquisition of GE International. The Unwinding Completion took place on 23 January 2020 and the Company disposed of the entire equity interests in GE International. Details of the disposal were set out in the section headed "Biological Business – Discontinued operation" of this announcement.

On 6 February 2020, the Group completed the acquisition of the entire issued share capital of Golden Ant Investment Limited, the subsidiaries of which are engaged in the Milk Products Business, for a consideration of HK$3.5 million.

Save as disclosed above, the Group had no other material acquisitions and disposal of subsidiaries, associates or joint ventures for the year ended 31 March 2020.

Event after the End of the Reporting Period

In order to place up to 50,000,000 Shares (the "**Placing Shares**"), the Company had entered into the placing agreement (the "**Placing Agreement**") with Morton Securities Limited (the "**Placing Agent**") on 26 March 2020 (the "**Placing**"). The Placing was completed on 17 April 2020 and the details were set out in the section headed "The Placing and Use of Proceeds" of this announcement.

On 4 May 2020, the Company received an enforcement notice（（2020）粵03執恢150號）dated 29 April 2020 (the "**2020 Enforcement Notice**") and two enforcement judgments（（2020）粵03執恢150號 and（2020）粵03執恢150號之一）dated 28 April 2020 and 29 April 2020, respectively (the "**2020 Enforcement Judgments**"), the details were set out in the section headed "Litigation Update" of this announcement.

On 24 June 2020, H K Rich Technology International Company Limited ("**HK Rich**"), a direct wholly-owned subsidiary of the Company, as vendor and BH Management Company Limited ("**BH Management**") as purchaser entered into the disposal agreement, pursuant to which HK Rich agreed to sell, and BH Management agreed to acquire, the accounts receivables amounting to approximately US$5.1 million at the consideration of HK$30.0 million. The transaction was completed on 26 June 2020. Details of the transaction were set out in the announcements of the Company dated 24 June 2020 and 26 June 2020.

Litigation Update

On 7 May 2019, the Company received an enforcement notice（（2018）粵03執2033號）dated 29 April 2019 (the "**2019 Enforcement Notice**") and an enforcement judgment（（2018）粵03執2033號之二）dated 28 April 2019 (the "**2019 Enforcement Judgment**") issued by the Shenzhen Intermediate People's Court of Guangdong Province (the "**Court**") of the PRC in relation to, among other things, the following ruling:

(a) the application made by 深圳市楚潤實業有限公司 (the "**Applicant**") to compulsorily enforce a judgment（（2014）深中法涉外初字第190號）(the "**2014 Judgment**") issued by the Court against 深圳市杰特電信控股有限公司 (Zeus Telecommunication Technology Holdings Limited) ("**Zeus**") and 統慶通信設備（深圳）有限公司 ("**Tong Qing**"), each a former indirect wholly-owned subsidiary of the Company and the Company (collectively, the "**Relevant Parties**") was allowed; and

(b) assets with the equivalent value of the sum of approximately RMB41.1 million and the interest accrued thereon, costs of the said application, enforcement costs, etc. of the Relevant Parties were to be seized and frozen or transferred to the Applicant.

On 4 May 2020, the Company received the 2020 Enforcement Notice and 2020 Enforcement Judgments, in relation to, among other things, the following:

(a) an application (the "**Application**") has been made by 熊艷麗 (Ms. Xiong Yanli*, "**Ms. Xiong**") to the Court to:

    (i) replace the Applicant with Ms. Xiong as the new applicant in the 2019 Enforcement Notice and the 2019 Enforcement Judgment; and

    (ii) resume the relevant enforcement procedures under the 2019 Enforcement Notice and the 2019 Enforcement Judgment;

(b) the Application was made as a result of an assignment by the Applicant of all its rights under the 2019 Enforcement Notice, the 2019 Enforcement Judgment and the 2014 Judgment to Ms. Xiong; and

(c) the Application has been approved by the Court on 28 April 2020 and 29 April 2020.

As advised by the PRC legal advisers to the Company, the Application and in turn the issue of the 2020 Enforcement Notice and the 2020 Enforcement Judgments, which resulted from the assignment of the rights under the 2019 Enforcement Notice, the 2019 Enforcement Judgment and the 2014 Judgment, would not incur any additional liability to be borne by the Company under the 2019 Enforcement Notice and the 2019 Enforcement Judgment (if any).

The 2014 Judgment happened prior to the resumption of trading of the Shares on the Stock Exchange on 30 November 2017 (the "**Resumption**") and Zeus and Tong Qing ceased to be subsidiaries of the Company prior to the Resumption. As at 31 March 2020, the Company has made an appeal against the 2019 Enforcement Notice and the 2019 Enforcement Judgment, and none of the assets of the Company has been seized or frozen. Details of the receipt of these enforcement notices were set out in the announcements of the Company dated 10 May 2019 and 11 May 2020, respectively.

As advised by the Hong Kong legal adviser to the Company, in the event that Ms. Xiong applies to enforce these PRC judgements in Hong Kong after such judgements had become final, the Company may attempt to raise objection and seek to oppose or set aside the registration of such PRC judgements. Given that successful registration will allow Ms. Xiong to circumvent the terms of the scheme of arrangement for the Company (which has previously been sanctioned by the Hong Kong court), the Hong Kong legal adviser is optimistic that it is more likely than not that in light of an objection on this basis, the Hong Kong court will refuse or set aside the registration of the PRC judgements.

Employees

As at 31 March 2020, the Group had 34 (2019: 178) employees. The net decrease in the number of employees is mainly due to the disposal of the GE Group. Total staff cost from continuing operations, including Director's emoluments, amounted to approximately HK$10.0 million (2019: approximately HK$11.9 million) was incurred during the year ended 31 March 2020. The Group maintains a policy of paying competitive remuneration. Remuneration of employees which included salary and discretionary performance bonus are decided with reference to the results of the Group, the market level as well as individual performance and contributions. Remuneration packages (including performance bonus) are reviewed on a regular basis.

The Placing and Use of Proceeds

On 26 March 2020, the Company entered into the Placing Agreement with the Placing Agent, pursuant to the which, the Placing Agent has conditionally agreed, as the placing agent of the Company, to procure, on a best effort basis, not less than six placees to subscribe for up to 50,000,000 Placing Shares at the placing price of HK$1.10 per Placing Share. The Placing Shares would be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company convened on 28 August 2019. The Placing was completed on 17 April 2020, a total of 50,000,000 Placing Shares have been successfully placed and gross proceeds from the Placing was HK$55.0 million. It is intended that the net proceeds amounting to approximately HK$53.8 million (after deduction of commission and other expenses of the Placing) would be used by the Group for (i) general working capital; and (ii) financing future investment or new business development as and when opportunities arise. The Group currently does not have any intention to change its plan for the use of proceeds. Details of the Placing were set out in the announcements of the Company dated 26 March 2020 and 17 April 2020, respectively.

As at the date of this announcement, a total of approximately HK$10.0 million of the net proceeds from the Placing had been utilised by the Group as general working capital for Milk Products Business.

Business Development

The year ended 31 March 2020 was full of challenges for the Group.

Internally, in around June 2019, it came to the attention of the Group that GE International failed to provide sufficient accounting records and incidental documents, and on 17 September 2019, in order to safeguard the interest of the Company and its Shareholders as a whole, the Settlement Agreement was entered into to unwind the Acquisition of GE International. The Unwinding was completed on 23 January 2020 at last. The Group is required to recognise loss on the disposal of subsidiaries of approximately HK$54.2 million in the consolidated profit or loss during the year ended 31 March 2020 due to the Unwinding. The loss is primarily attributable to the fact that, according to the current accounting standards, the Company is required to account for the values of the Shares issued for the Acquisition (being HK$2.30 per Share, the closing price of the Shares on 29 January 2019) and the values of the Shares repurchased for the Unwinding based on the market prices of the Shares on their respective trading days (being HK$1.39 per Share on 23 January 2020).

Externally, the Sino-US trade dispute, the social unrest in Hong Kong, and the rapid spread of the COVID-19 around the globe at the beginning of 2020, have adversely affected the economy of Hong Kong, mainland China and the world. During the year ended 31 March 2020, the operations of the Group were inevitably affected by these events. The Mobile Business of the Group had been affected by the uncertainties of the Sino-US trade dispute and the social unrest in Hong Kong in the first half of the financial year, resulting in a decrease in the sales orders of the Mobile Business, and in the second half of the financial year, the outbreak of the COVID-19 had further worsened the performance of the Mobile Business.

The Group's business strategy has been to (i) to reinforce the existing business foundation; (ii) actively explore business opportunities in the communication technology industry; (iii) strengthen the Group's competitive edge in telecommunication products and solutions; and (iv) actively seek opportunities of business development and diversification. However, the consumer electronics market is highly sensitive to global economic changes.

The dairy products and milk powder products market is less sensitive to such global economic changes and has maintained a stable performance over the past. In February 2020, the Company has acquired Golden Ant Investment Limited, the subsidiaries of which are principally engaged in the trading of milk powder and baby foods. This acquisition marks the beginning of the Group's expansion in the Milk Products Business. Although the acquired group has a relatively small business scale, the Group is confident that the Milk Products Business will contribute more returns to the Group and its Shareholders in the future. The Group is keen to invest time and effort in its Milk Products Business, and to drive forward the Group's overall business performance.

Corporate strategies

The Group is dedicated to maximising Shareholders' values through persistent improvement in its business performance and commitment to its core values, which emphasises on fulfilling social responsibilities, satisfying customers' needs, and promoting employees' development.

The Group aims to sustain the development of its Mobile Business by continuing to explore business opportunities in the communication technology industry and to strengthen its competitive edge in telecommunication products and solutions. Meanwhile, the Group will devote more effort in developing the Milk Products Business as its new growth point.

Outlook

In early 2020, the COVID-19 has swept over the world and many countries were on lockdown to prevent a widespread outbreak. The world economy is facing a retrogression. Under the economic recession, consumers have less disposable income and would inevitably reduce their expenditure on non-essential goods.

Due to the advancement in 5G wireless communications network, wireless applications has become increasingly relevant to the development of mobile handset products, and various applications have been gradually integrated to mobile handsets. Major mobile handset operators around the world have been continuously making changes to the components and specifications of the mobile handsets. All these will pose significant challenges to manufacturers and processors of mobile handsets. In addition, over the past few years, mobile handsets manufacturers of a larger scale in mainland China have been speeding up its overseas expansion, which in turn affected the production costs of other small and medium scale mobile handset manufacturers. The centralisation of larger mobile handset brands in mainland China have directly impacted the sales in overseas market. After such centralisation, mobile handset brands have initiated price wars, and the manufacturers and processors of mobile handsets have gradually lost their competitive edge in the market. The development of the OEM and ODM products could only shift the focus towards the mid-low end mobile handset markets, resulting in a decrease in profit margin in the industry. Moreover, the mobile handset brands have gradually achieved self-procurement of key materials, including chips, memories and screens, which reduced opportunities for manufacturers and processors of mobile handsets to secure profits through supply chain.

The Mobile Business of the Group is facing certain pressure from the adverse environment of existing market competition and expected economic downturn. In the future, the Group will embrace difficulties and continue to explore new projects and new resources while maintaining and exploring the current market, aiming to actively and continuously expand its foothold in the target markets including Southeast Asia, Africa, South America and Europe. Our subsidiaries which engage in the Mobile Business will also further strengthen its internal management, shorten the turnover time of the supply chain, increase income and reduce expenditure so as to overcome the external challenges.

Compared to the service industry or luxury products market, the Group's Milk Products Business would face less pressure. Dairy products and milk powder products are typical consumption goods. In the past, the market performance of such products has remained stable and satisfactory, and so their future performance is to be anticipated for. The Group will seek to expand its Milk Products Business in Asia markets, specifically the PRC market. The rising disposable income of Chinese residents has resulted in continuous improvement of people's living standards, Chinese consumers now pay more attention to product quality and safety. With the implementation of the "Universal Two-Child Policy", China's infant formula milk market, especially the demand for imported products, is expected to grow. The Group expects that in 2020, the Group's Milk Products Business will achieve sustained growth in both existing and new markets by insisting on high product quality.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2020, save and except for the deviation as follows:

Following the resignation of Mr. Cui Songhe as an independent non-executive Director, who ceased to act as the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company with effect from 3 May 2020, the number of independent non-executive Directors is less than three. Therefore, the Company has not met the requirement under Rule 3.10(1) of the Listing Rules. In addition, the Company has not met the composition requirement of the audit committee under Rule 3.21 of the Listing Rules, the chairman and composition requirement of the remuneration committee under Rule 3.25 of the Listing Rules, and the composition requirement of the nomination committee under code provision A.5.1 of the CG Code. The Company is endeavouring to identify suitable candidate(s) to fill the vacancies as soon as practicable.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to each of the Directors and all Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 March 2020.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 March 2020.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for the repurchase of Shares on the off-market for a total of 40,716,000 Shares at HK$1.857 per Share on 21 January 2020 and the cancellation of such Shares on 23 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 March 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Tuesday, 8 September 2020 and the notice of AGM will be published and issued to the Shareholders as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 3 September 2020 to Tuesday, 8 September 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of the Shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited of level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 September 2020.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The 2020 annual report of the Company will be despatched to the Shareholders and made available on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (http://www.hk-alpha.com) in due course. The audited consolidated results of the Group for the year ended 31 March 2020 set out above does not constitute the Company's statutory financial statements but is extracted from the consolidated financial statements for the year ended 31 March 2020 to be included in the 2020 annual report of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my gratitude to the Company's management team and all staff for their continuous effort and contributions to the Group. Their excellence and commitment are of vital importance in enhancing the Company's sustainability. I also take this opportunity to extend my thanks to the Shareholders for their support and confidence in us.

On behalf of the Board of
Alpha Professional Holdings Limited
XIONG Jianrui
Chairman

Hong Kong, 29 June 2020

As at the date of this announcement, the executive Directors are Mr. Xiong Jianrui, Mr. Yi Peijian and Mr. Chen Zeyu and the independent non-executive Directors are Mr. Li Chak Hung and Mr. Choi Kin Man.

* *For identification purpose only*