长城汇理
GREAT WALLE

# ANNUAL REPORT
2022 / 23

# GREATWALLE INC.
# 長城匯理公司

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

*Stock Code: 8315*

**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.**

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*This report, for which the directors (the "**Directors**") of Greatwalle Inc. (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 other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## DIRECTORS

*Executive Directors:*
Mr. Song Xiaoming *(Chairman)*
Ms. Song Shiqing
Mr. Su Congyue *(Appointed on 22 July 2022)*
Mr. Lyu Xingyuan *(Appointed on 27 April 2022 and resigned on 22 July 2022)*
Ms. Lin Shuxian *(Resigned on 8 April 2022)*

*Non-executive Director:*
Mr. Chung Man Lai

*Independent Non-executive Directors:*
Mr. Li Zhongfei
Mr. Zhao Jinsong
Mr. Liu Chengwei

## AUDIT COMMITTEE

Mr. Zhao Jinsong *(Chairman)*
Mr. Li Zhongfei
Mr. Liu Chengwei

## REMUNERATION COMMITTEE

Mr. Li Zhongfei *(Chairman)*
Mr. Zhao Jinsong
Mr. Liu Chengwei

## NOMINATION COMMITTEE

Mr. Song Xiaoming *(Chairman)*
Mr. Zhao Jinsong
Mr. Li Zhongfei

## COMPANY SECRETARY

Ms. Li Yan

## AUTHORISED REPRESENTATIVES

Ms. Song Shiqing
Mr. Song Xiaoming

## COMPLIANCE OFFICER

Ms. Song Shiqing

## INDEPENDENT AUDITOR

BDO Limited

## REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1112, 11/F.,
The Metropolis Tower
No. 10 Metropolis Drive,
Hung Hom, Kowloon,
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F., Far East Financial Centre
16 Harcourt Road,
Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

## COMPANY WEBSITE

www.kingforce.com.hk

## STOCK CODE

8315

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Greatwalle Inc. (the "**Company**") and its subsidiaries (collectively as the "**Group**"), it is my great pleasure to present to the shareholders the annual report of the Company for the year ended 31 March 2023 (the "**Year**").

During the Year, facing the challenges from the COVID-19 pandemic, the Group adhered to the general keynote of seeking progress while maintaining stability. After two years of vigorous development, the security guarding and property management business in the mainland China has gradually stabilised, and efforts have been made to enhance extensive cooperation in industrial parks, schools and other areas. Accordingly, the revenue for the business increased by 42.1% while the loss decreased by 58.0% as compared with the corresponding period last year. The Group's asset management business made steady progress, laying a solid foundation for the business development in future.

To further enhance the Group's core competitiveness, in the long run, the Group has the plan to extend its security guarding, property management services and hotel business in the mainland China through various ways, and establish an education industry investment fund to focus on the upstream and downstream educational industrial chains and build a comprehensive educational industry investment and post-investment management system, so as to transform the Group into a boutique asset management vehicle.

I would like to take this opportunity to express my sincere gratitude to the management team and all employees for their valuable contributions and dedicated service, especially in the tough times of the epidemic. In addition, I am grateful for the strong support of all business partners and shareholders of the Group. Looking forward, the Group will start a new journey for development amidst opportunities and challenges. Despite the challenges, the Group will forge ahead, steadily promote the transformation of its principal business, and build Greatwalle into a renowned investment holding company in the industry, so as to reward our customers, society and shareholders with better performance.

**Song Xiaoming**
*Chairman*

26 June 2023

## BUSINESS REVIEW

During the Year, the subsidiaries of the Group principally engaged in (i) the provision of security guarding and property management services (the "**Security Guarding and Property Management Services**"); and (ii) the provision of business advisory and asset management services (the "**Asset Management Services**").

### (a) Security Guarding and Property Management Services

For the Group's Security Guarding and Property Management Services, the Group operates in both the People's Republic of China (the "**PRC**") and Hong Kong. Compared to corresponding period, revenue increase by approximately HK$25.4 million from HK$55.0 million for the year ended 31 March 2022 to approximately HK$80.4 million for the Year.

Most of the Group's revenue was generated in the PRC (approximately 83% of the Security Guarding and Property Management Services of the Group), the Group's Security Guarding and Property Management Services has continued to grow and its client base has gradually expanded from government departments to schools and industrial parks. The Group has successfully expanded its Security Guarding and Property Management Services business Shandong Province in the PRC in the second half of 2021 and it became the largest source of revenue to the Group. As a result, revenue from Security Guarding and Property Management Services in the PRC recorded a consecutive growth of approximately HK$19.4 million from approximately HK$46.9 million for the year ended 31 March 2022 to approximately HK$66.3 million for the Year. The Group has fully realised its comprehensive advantages in brand, operation and management system, and will continue to expand the scale of its security guarding and property management business in the PRC to achieve sustained growth in operating revenue, with a view to building the Company into a prominent security guarding and property management enterprise in the PRC. Security Guarding and Property Management Services revenue in Hong Kong increased from approximately HK$8.1 million for the year ended 31 March 2022 to approximately HK$14.1 million for the year ended 31 March 2023.

### (b) Asset Management Services

Since 2019, the Company has begun to gradually develop its Asset Management Services. In the PRC, the Group holds a private equity investment fund manager licence from the Asset Management Association of China. The Greater China asset management industry is facing both new challenges and new opportunities under the influence of policies such as China's economic structural transformation and dual circulation.

As at 31 March 2023, the Group managed privately offered funds in the PRC where these funds invested in promising companies listed or unlisted. Asset Management Services revenue during the Year decreased by approximately HK$1.4 million from approximately HK$2.0 million for the year ended 31 March 2022 to approximately HK$0.6 million for the Year. The decrease was mainly due to the completion of continuing connected transaction in November 2021. The Group targets to invest in (i) buyout or leveraged buyout funds; (ii) medium to long-term investments towards companies with long-term development value and have a leading position in a particular market segment; (iii) bonds; and (iv) providing corporate relief consultation services. The asset management team has been committed to exploring business and investment opportunities, aiming for quality and long-term investments and to increasing the scale of funds. We believe that the economy of the PRC will rebound after the epidemic and over the next few years, the Group will drive the asset management business into the high-quality development phase.

## BUSINESS OUTLOOK

The Group will continue to increase its transparency and present a better corporate image to both existing and potential customers in order to capture the rich potential in the Security Guarding and Property Management Services in the PRC. This potential is driven by the continuous increase in real estate projects and large-scale events, increase in demand for more sophisticated facility management services. The Group has a plan to extend its Security Guarding and Property Management Services in the PRC through establishing its own vocational schools, production and education integration bases and to provide Security Guarding and Property Management Service to such properties.

As the negative impact of the COVID-19 pandemic on the business environment of domestic enterprises continues to expand, it is expected that the scale of non-performing loans for enterprises will continue to increase against the backdrop of mounting downward pressure on the macro economy after the exposure of non-performing loan risks. There is an increasing demand in the market for introducing professional teams to provide non-performing asset disposal services. Leveraging on its extensive experience in the asset management market, technical expertise and sound brand reputation, the Group plans to provide advisory services on alleviating difficulties to certain enterprises and provide one-stop transaction advisory and value analysis services for enterprises in need. The advisory services cover bulk transfer of non-performing retail bonds, disposal of assets in satisfaction of debts, debt-to-equity swaps, debt restructuring and other transactions, in both domestic and overseas markets. Meanwhile, the Group intends to establish investment funds through our asset management platform, connecting the upstream and downstream educational industrial chains with portfolio investment management, as such to transform the Group into a boutique asset management vehicle.

The Board believes that the Group's strategy to extension of businesses could provide a better return to the shareholders of the Company (the "**Shareholders**").

## FINANCIAL REVIEW

### Revenue

For the Year and the corresponding period in 2022, the Group's revenue was generated from the provision of Security Guarding and Property Management Services in the PRC and Hong Kong and provision of Asset Management Services. Total revenue of the Group increased by approximately HK$24.0 million or 42.3% from approximately HK$57.0 million for the year ended 31 March 2022 to approximately HK$81.0 million for the Year. The following table sets forth the breakdown of the Group's revenue by business segment for the Year and the corresponding period in 2022:

| | **Year ended 31 March** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **HK$'000** | **Percentage** | HK$'000 | Percentage |
| Security Guarding and Property Management Services | **80,412** | **99.2%** | 54,985 | 96.6% |
| Asset Management Services | **609** | **0.8%** | 1,961 | 3.4% |
| Total | **81,021** | **100%** | 56,946 | 100% |

***(a) Security Guarding and Property Management Services***

Total revenue of Security Guarding and Property Management Services for the Year amounted to approximately HK$80.4 million, it represented an increase of approximately HK$25.4 million or approximately 46.2%, as compared with total revenue of approximately HK$55.0 million for the year ended 31 March 2022.

Since second half of 2021, the Group has expanded its Security Guarding and Property Management Services in Shandong Province in the PRC. As a result, revenue generated from Security Guarding and Property Management Services in the PRC recorded an increase of approximately HK$19.4 million or approximately 41.4% from HK$46.9 million for the year ended 31 March 2022 to approximately HK$66.3 million for the Year. In addition, revenue of Hong Kong's Security Guarding and Property Management Services increased by approximately HK$6.0 million or approximately 74.1% from approximately HK$8.1 million for the year ended 31 March 2022 to approximately HK$14.1 million for the Year, which resulting from increase in secondment services. Despite the increase in revenue business in Hong Kong was still under pressure and remain challenging.

***(b) Asset Management Services***

Total revenue of Asset Management Services for the Year amounted to approximately HK$0.6 million, it represented a decrease of approximately HK$1.4 million, as compared with total revenue of approximately HK$2.0 million for the ended 31 March 2022. The decrease in revenue was mainly due to the completion of the continuing connected transaction in November 2021. Revenue from external customers remained steady for the year ended 31 March 2023 and 2022.

**Cost of services rendered**

For the years ended 31 March 2022 and 2023, the cost of services rendered amounted to approximately HK$55.7 million and HK$76.7 million respectively.

***(a) Security Guarding and Property Management Services***

The cost of services rendered mainly consists of direct guard costs amounted to approximately HK$55.7 million and HK$76.7 million for the year ended 31 March 2022 and 2023 respectively, representing approximately 97.7% and 94.7% of the Group's revenue respectively. Such improvement in the cost of services in the percentage of revenue was primarily attributable to better cost control by the implementation of better staff allocation and planning, as well as adjustment in business based upon the Group's resource advantage during the Year.

As at 31 March 2023, the Group had a total of 1,001 employees (31 March 2022: 1,347 employees), of which 960 were full-time and part-time guards providing manned security guarding and related services (31 March 2022: 1,203). Despite the increase in revenue, the Group has implemented a better cost control measure to increase its staff efficiency, which lead to a slight decrease in number of employees.

***(b) Asset Management Services***

In contrast to the labour-intensive character in the Security Guarding and Property Management Services, cost of services rendered of Asset Management Services mainly consists of business surcharge amounted to approximately HK$2,000 (2022: approximately HK$6,000).

### Gross profit and gross profit margin

The Group's gross profit increased by approximately HK$3.0 million or 230.8% from approximately HK$1.3 million for the year ended 31 March 2022 to approximately HK$4.3 million for the year ended 31 March 2023. The improvement in the Group's gross profit and gross profit margin was in line with the increase in revenue and mainly due to the better cost control by the implementation of measures such as lowering cost and adjustment of market structure during the Year.

### Other income and losses, net

Other income mainly included a one-off government grant from the Employment Support Scheme under the second round of the Anti-epidemic launched by the Government of Hong Kong Special Administrative Region to provide time-limited financial support to employers of approximately HK$1.9 million being recognised for the Year.

### Administrative expenses

The Group's administrative expenses decreased by approximately HK$3.3 million or 13.8% from approximately HK$24.0 million for the year ended 31 March 2022 to approximately HK$20.7 million for the Year. The decrease in the Group's administrative expenses was mainly due to an expense of approximately of HK$2.4 million in relation to share options granted by the company was recognised in the corresponding period.

### Impairment loss on right-of-use assets

The Group entered into a lease (as a lessee) of an office premise in the PRC in October 2021 for a term of 5 years, subsequently right-of-use assets (the "**ROU Assets**") were recognised at the commencement date of the lease and were tested at least annually for impairment. For the purpose of assessing impairment, ROU assets were grouped at the lowest level for which there were separately identified cash-generating units ("**CGU(s)**"), and in our case the ROU assets have been allocated to the Security Guarding and Property Management Services. Management made an estimate of the expected future cash flows from CGU(s) and chose a suitable discount rate in order to calculate the present value of those cash flow and reviewed the impairment of ROU assets whenever events or changes in circumstances indicate that the carrying amount may not be recovered. The recoverable amount for the CGUs has been determined based on value-in-use calculations estimated by the management with reference to the valuation performed by an independent firm of professional valuer.

There is no impairment loss on ROU Assets from the lease was recognised for the Year (2022: approximately HK$12.8 million). The improvement in impairment loss on ROU Assets was mainly attributable to the improvement in the Group's financial performance. As the Group is actively expanding its Security Guarding and Property Management Services in the PRC and exploring potential investment opportunities, in addition a stringent cost control is under implementation, it is believed that the results of CGUs would be improved gradually. ROU Assets suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Further details of the impairment loss are set out in notes 4.12 (accounting policies) and 35 (credit risk) to the consolidated financial statements in this annual report.

### Impairment loss on trade and other receivables, net

An impairment loss on trade and other receivables (net) of approximately HK$0.3 million was recognised for the Year compared with approximately HK$1.3 million for the year ended 31 March 2022.

In accordance with HKFRS 9, the Group makes allowances on items subject to expected credit losses ("**ECL**") (including trade and other receivables) based on assumptions about the risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. An ECL assessment is performed at each reporting date using a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group also performs ECL assessment of whether a financial instrument's credit risk has increased significantly since initial recognition.

The Group has implemented a credit policy to monitor the performance of its customers by performing an ageing analysis and reviewing the past history of payments made and the customers' financial position.

Further details of the impairment loss are set out in notes 4.7 (accounting policies), 19 (movements and staging) and 35 (credit risk) to the consolidated financial statements in this annual report.

### Finance costs

The Group's finance costs mainly consisted of interest on promissory notes and interest on unsecured debenture and they remained steady for the year ended 31 March 2023 and 2022.

### Loss for the period

Loss attributable to owners of the Company for the Year amounted to approximately HK$16.3 million, as compared to approximately HK$35.5 million for the year ended 31 March 2022. The decrease in the Group's loss for the Year was mainly due to (i) increase in gross profit; (ii) increase in other income; (iii) decrease in administrative expenses; and (iv) significant decrease in impairment loss on right-of-use assets.

### Income tax credit/(expense)

Income tax expense of approximately HK$20,000 was recognised for the Year in contrast to income tax credit of approximately HK$8,000 for the year ended 31 March 2022 as a result of the absent of over-provision in the income tax.

### Final dividend

The Board did not recommend the payment of final dividend for the Year (2022: nil).

**Liquidity, financial resources and capital structure**

The management reviews the capital structure regularly. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

As at 31 March 2023, the share capital and total equity attributable to owners of the Company amounted to approximately HK$29.1 million and HK$12.8 million respectively (2022: HK$29.1 million and HK$33.8 million respectively). As at 31 March 2023, the cash at banks and in the hand of the Group amounted to approximately HK$40.9 million (31 March 2022: approximately HK$70.0 million). The Group has a promissory note which is payable to a former director of the Company. For details, please refer to note 22 to the consolidated financial statements. The interest rate on lease liabilities were charged at fixed rate with effective rate of 4.9% (2022: 4.9%). The Group did not carry out any interest rate hedging policy.

**Treasury policy**

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

**Charges over assets of the Group**

As at 31 March 2022 and 2023, none of the Group's assets had been charged.

**Gearing ratio**

As at 31 March 2023, the gearing ratio of the Group was 338.7% (31 March 2022: 109.4%). The gearing ratio is calculated based on the total debt divided by the total equity at the year-end date and multiplied by 100%. Total debt includes the promissory note payable, loan from related parties, amounts due to related parties and borrowings. As at 31 March 2023, the Group did not have any bank borrowings, bank overdrafts, obligations under finance leases and other borrowings (31 March 2022: nil).

**Capital expenditure**

The Group acquired property, plant and equipment and right-of-use assets amounted to approximately HK$1.5 million from direct purchases for the year ended 31 March 2023, which mainly comprises of addition of right-of-use assets under leaseland and buildings and motor vehicles (for the year ended 31 March 2022: approximately HK$22.2 million mainly comprises of direct purchases of right-of-use assets under leaseland and buildings).

**Capital commitments**

As at 31 March 2023, the Group had no capital commitments (31 March 2022: nil).

**Foreign exchange risk**

The Group's business operations are primarily conducted in the PRC and Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in RMB and Hong Kong dollars. During the Year, there was no material impact on the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year (2022: nil).

**Contingent liabilities**

As at 31 March 2022 and 2023, the Group had no material contingent liabilities.

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

During the Year, the Company did not have any significant investment and had no material acquisition or disposal of subsidiaries or affiliated companies. As at 31 March 2023 the Company did not have any plans for material investments or capital assets.

**Future plans for material investment or capital assets**

Saved as disclosed under the section headed "Fund raising activity – 2020 Rights Issue" and "Fund raising activity – Share Consolidation" in this annual report, the Group did not have other future plans for material investments or capital assets as at 31 March 2023.

**Employees and remuneration policy**

The Group had 1,001 employees as at 31 March 2023 (31 March 2022: 1,347 employees). The total staff costs (including Directors' remuneration) for the Year amounted to approximately HK$88.7 million (2022: approximately HK$69.8 million). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high-quality staff and enable smooth operations within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The Group's remuneration policy is revised periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are employed.

On 14 December 2018, 18 April 2019, 5 September 2019 and 11 October 2021, the Group granted the share options to the eligible participants including employees within the Group and certain Directors under the share option scheme adopted by the Company on 31 July 2014 (the "**Share Option Scheme**") to motivate and compensate their contributions to the Group. Details of the grant of the share options are set out in the Company's announcements dated 14 December 2018, 18 April 2019, 5 September 2019 and 11 October 2021 respectively. The movements in the share options granted under the Share Option Scheme during the Year are set out in the section headed "Share Option Scheme" in this annual report.

**Training and development**

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

### Fund raising activity – 2020 Rights Issue

Net proceeds from the 2020 Rights Issue (after deducting the related expenses) amounted to approximately HK$19,835,000 and as at 1 April 2022, approximately HK$0.7 million of the net proceeds remained unused. During the Year, the unused net proceeds were fully utilised to paid for the main campus of the vocational education centre in accordance with the intended use of net proceeds.

### Fund raising activity – Share Consolidation and connected transaction involving subscription of new shares under specific mandate on 2 August 2021

The gross proceeds and the net proceeds from the Subscription (after deduction professional fees and other related expenses) were approximately HK$68.5 million and HK$67.5 million respectively. As at 31 March 2023, a total amount of approximately HK$28.2 million out of the net proceeds had been used by the Group and approximately HK$39.2 million remain unused. As at 31 March 2023, the unused amount of net proceeds from the Subscription was placed with licensed banks in the PRC. With the all-around impact of the outbreak of Covid-19 in the PRC, especially the tightened implementation of Zero-Covid policy in 2022, the Group took into account its business needs and the hostile economic environment when it applied the proceeds from the Subscription. After assessment, management decided to adjust the pace of the construction of campus of vocational educational centre, resulting in the further delay in the use of such proceeds. The Group expects to gradually apply the remaining net proceeds from the Subscription (being consistent with the purposes as set out in the Company's circular dated 9 July 2021 and the adjusted timeline as disclosed in the 2021/22 annual report of the Company) in accordance with actual business needs and use up the remaining net proceeds with one year (i.e. on or before the end of fiscal year 2024). As at the date of this report, the Directors do not anticipate any change to the principal plan as to the use of the net proceeds.

| | **Allocation in respect of the intended use of the net proceeds of Subscription** HK$'000 | **Actual use of net proceeds during the Year** HK$'000 | **Unused amount of net proceeds as at 31 March 2023** HK$'000 | **Expected timeline for full utilisation of the remaining proceeds** |
|---|---|---|---|---|
| Payment for the construction of main campus of the vocational educational centre | 29,700 | – | 29,700 | By end of 31 March 2024 |
| Investment funds funding | 35,775 | 28,235 | 7,540 | By end of 31 March 2024 |
| Payment of employee salaries and staff training costs for setting up and maintaining the investment research team for the investment funds | 2,025 | – | 2,025 | By end of 31 March 2024 |
| | 67,500 | 28,235 | 39,265 | |

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining corporate governance of high standards and quality procedures. The Company believes that an effective corporate governance practice is fundamental to enhancing shareholders value and safeguarding the interests of shareholders and other stakeholders. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The code provision set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules have been adopted as the Company's corporate governance practices.

## CORPORATE GOVERNANCE CODE

### Compliance with the corporate governance code

The Company has adopted and complied with applicable code provision (the "**Code Provision(s)**") in the CG Code contained in Appendix 15 to the GEM Listing Rules during the Year except for Code Provision C.2.1. Code Provision C.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of chief executive officer but the Company has appointed several staff at the subsidiary level for each business segment who were responsible for the oversight of each business segment's operation. The Directors will periodically review the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code from time to time.

### Compliance with the required standard of dealings by Directors

The Company has adopted rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. The Company issued notices to the Directors reminding them to the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. A specific enquiry has been made to all Directors and they have confirmed that they have complied with the required standard of dealings during the Year.

Our Group's vision is to be a leading boutique cross-border fund house, and to provide our stakeholders with sustainable and outstanding returns from operations through strategic planning and collaboration, leverage of professionals and enhancement of services.

Our corporate culture is moulded by the abovementioned vision and mission. We value the growth of the Company as well as our employees and communication with our shareholders. We strive to optimise our operations and enhance our technical expertise with an aim to provide excellent service to our clients. We support our employees by creating a harmonious working environment. We will provide multiple channels for stakeholders to maintain effective communication, allowing us to continuously seek feedback from our stakeholders to evaluation our business performance and goals.

In order to promptly respond to market needs and to attain long-term sustainability of the Group, the Board is committed to regularly reviewing and adjusting its business strategies based on the market circumstances from time to time.

## THE BOARD OF DIRECTORS

### Role and function

The Board is primarily responsible for leading and controlling the Company, overseeing as well as supervising the Group's business, approval of strategic plans and monitoring the Group's performance.

The Board reserves for its decision on major strategic and business matters, including the approval and monitoring of all policy matters, overall strategic and budgets, internal control and risk management system, material transactions (in particular those that may involve conflict interests), financial information, Board composition and remuneration, corporate governance matters and other significant financial and operational matters.

The management is responsible for the day-to-day operations of the Group. To oversee particular aspects of the Company's affairs, the Board has established Board committees (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. Further details of these committees are set out in the sections headed "AUDIT COMMITTEE", "NOMINATION COMMITTEE" and "REMUNERATION COMMITTEE" below.

### Composition

As at the date of this annual report, the Board is chaired by Mr. Song Xiaoming and comprises seven members, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors. The list of Directors is set out in the section headed "DIRECTORS' REPORT" in this annual report. Biographical details of Directors are set out in the section headed "Biographies of Directors" in this annual report.

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which are sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Company will continue to review and enhance the Board Diversity Policy to ensure compliance with CG Code and align with the latest developments.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, cultural and education background, experience, skills, knowledge and length of services.

For the Year, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. As at the date of this annual report, the Board consists of six male members and one female member, aging from 30 to 60 years old. The Board places emphasis on diversity (including gender diversity) across all levels of the Group. As at 31 March 2023, the Group had 72.0% male staff and 28.0% female staff. The Board considers that the gender diversity in respect of the Board and the Group's employees taking into account the business model and specific needs of the Company is satisfactory. The Board targets by the ends of year to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity by the end of 2025. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

The Board sets measurable objectives to implement the Board Diversity Policy and reviews such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. During the Year, the Nomination Committee has considered a number of factors including but limited to age, education background and experience when reviewing the structure, size composition of the Board.

The Nomination Committee reviewed the Board Diversity Policy during the Year, and consider the said policy as appropriate and effective. Such review will be performed annually, as appropriate, to ensure the effectiveness of the said policy from time to time.

During the Year, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

### Nomination policy

The Company has adopted a nomination policy, which establishes written guidelines for the nomination committee of the Company (the "**Nomination Committee**") to identify individuals suitably qualified to become Board members and make recommendations to the Board to the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for the 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 the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

### Dividend Policy

The Company has adopted a dividend policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

- the Group's financial results;
- the Group's cashflow, liquidity and capital requirements;
- the Group's debt to equity ratios and the debt level;
- the retained earnings and distributable reserves of the Group;
- the Group's shareholders' interest;
- the Group's current and future business operations, conditions, cycle and strategies;
- the general market conditions;
- the shareholders and investors' expectation and industry's norm;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- statutory and regulatory restrictions;
- past dividend records; and
- any other factors the Board may deem relevant.

The Board has complete discretion on whether to pay a dividend and the form to pay, subject to any restrictions under the Companies Act of Cayman Islands and any other applicable laws, rules and the Articles. Any final dividends declared by the Company must be approved by an ordinary resolution of the shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. There is no assurance that dividends will be paid in any particular amount for any given period.

The Company shall review and reassess the Dividend Policy and its effectiveness from time to time. Any revision to the Dividend Policy shall be considered and approved by the Board.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role in setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda.

Under the CG Code provision C.2.1, the role of the chairman and chief executive officer should be separate and should not be performed by the same individual. After the resignation of Ms. Pang Xiaoli as the chief executive officer of the Company on 25 August 2020, the Company does not have any officer with the title of the chief executive officer but the Company has appointed several staff at the subsidiary level for each business segment, who was responsible for the oversight of the respective business segment's operations.

## NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied at all times with rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting or related financial management expertise. The terms of the independent non-executive Director are also subject to retirement by rotation and re-election under the Articles.

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that materially interferes with the exercise of their independent judgements. The Board considered that each of the independent non-executive Directors bring his own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests with the Group nor has any relationship with other Directors.

The Company has received annual confirmations of all independent non-executive Directors, in accordance with rule 5.09 of the GEM Listing Rules. The board has assessed their independence and conclude that all independent non-executive Directors are independent.

## APPOINTMENTS AND RE-ELECTIONS OF DIRECTORS

Each of the non-executive Director and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years and thereafter shall continue year to year subject to termination provisions therein, provisions on retirement by rotation and re-election of Directors are set out in the Articles.

At each annual general meeting (the "**AGM**"), one-third of the Directors for the timing being (or if their number is not a multiple of three, then the number neared to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement. A retiring Director shall be eligible for re-election.

Any Director appointed by the Board to fill a casual vacancy shall hold the office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this Article 112 shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, every newly appointed director is provided formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure proper understanding of the business and operations of the Company and full awareness of the director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged at the expense of the Company where necessary. During the Year, each of the Directors has participated in continuous professional development by attending seminars and/or studying materials relevant to the director's duties and responsibilities.

The Directors are required to provide the Company with details of the training records. Board on those training records, the Directors received the following training during the Year:

| Name of Director | Type of training<br>Reading and/or on-line training | Seminars and/or workshop |
|---|---|---|
| **Executive Directors** | | |
| Mr. Song Xiaoming | ✓ | – |
| Ms. Song Shiqing | ✓ | – |
| Mr. Su Congyue *(Appointed on 22 July 2022)* | ✓ | – |
| Ms. Lin Shuxian *(Resigned on 8 April 2022)* | – | – |
| Mr. Lyu Xingyuan *(Appointed on 27 April 2022 and resigned on 22 July 2022)* | – | – |
| **Non-executive Director** | | |
| Mr. Chung Man Lai | – | ✓ |
| **Independent non-executive Director** | | |
| Mr. Li Zhongfei | ✓ | |
| Mr. Zhao Jinsong | ✓ | |
| Mr. Liu Chengwei | | ✓ |

## CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is responsible for performing the corporate governance functions set out in the Code Provision A.2.1 of the CG Code. As at the date of this annual report, the Board has reviewed and monitored (i) the Company's corporate governance policies and practices; (ii) training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the Company's code of conduct; and (v) the Company's compliance with the CG Code disclosure requirements.

## DIRECTORS' INSURANCE

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibility.

## BOARD MEETINGS

Code Provision C.5.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active anticipation of a majority of directors, either in person or through other electronic means of communication.

Members of the Board met on a regular basis and on an ad hoc basis to discuss the overall strategy as well as the operation and financial performance of the Group. The management is committed to providing to the Board with appropriate and sufficient explanation and information of the Group's affair through financial reports and business and operational reports in a timely manner, enabling them to make informed decisions. The Directors are also provided access to the Group's management and the secretary of the Company (the "**Company Secretary**") at all times to obtain relevant information for carrying out their duties as Directors.

There were seven Board meetings held during the Year. Notice of at least 14 days should be given of a regular Board meeting to allow all Directors to attend. For all other Board meetings, reasonable notice should be given. Minutes of the Board and committee meetings are prepared and kept by the Company Secretary, and are open for inspection by Directors upon request. All Directors have access to the advice and services of the company secretary, and are allowed to ask for external professional advice if needed.

Details of the attendance of the Board meeting, the Audit Committee meetings, the Remuneration Committee meetings and Nomination Committee meetings and general meetings of the Company held during the Year are summarised as follows:

| | Meetings attended/meetings eligible to attend | | | | |
|---|---|---|---|---|---|
| | **Board meetings** | **Audit Committee meetings** | **Remuneration Committee meetings** | **Nomination Committee meetings** | **General meetings** |
| **Executive Directors** | | | | | |
| Mr. Song Xiaoming | 7/7 | N/A | N/A | 2/2 | 1/1 |
| Ms. Song Shiqing | 7/7 | N/A | N/A | N/A | 1/1 |
| Mr. Su Congyue *(Appointed on 22 July 2022)* | 3/7 | N/A | N/A | N/A | 1/1 |
| Ms. Lin Shuxian *(Resigned on 8 April 2022)* | N/A | N/A | N/A | N/A | N/A |
| Mr. Lyu Xingyuan *(Appointed on 27 April 2022 and Resigned on 22 July 2022)* | 1/7 | N/A | N/A | N/A | N/A |
| **Non-executive Directors** | | | | | |
| Mr. Chung Man Lai | 4/7 | N/A | N/A | N/A | 1/1 |
| **Independent non-executive Directors** | | | | | |
| Mr. Li Zhongfei | 4/7 | 4/4 | 2/2 | 2/2 | 1/1 |
| Mr. Zhao Jinsong | 5/7 | 4/4 | 1/2 | 1/2 | 1/1 |
| Mr. Liu Chengwei | 4/7 | 3/4 | N/A | N/A | 1/1 |

Besides the above Board meeting, the chairman of the Board, Mr. Song Xiaoming held one Directors' meeting with all independent non-executive Directors without the presence of other Directors during the Year.

Apart from the said meeting, matters requiring Board approval were also arranged by means of circulation of written resolutions of all Board members.

## BOARD COMMITTEES

The Board is entrusted with the duty to put in place a proper corporate governance structure for the Company. It is primarily responsible for setting directions, formulating strategies, monitoring performance and managing the risks of the Group. Under the Board, there are currently three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee and Remuneration Committee perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. The Nomination Committee assists the Board in nominating candidates for directorship, reviewing the size and composition and board diversity of the Board and making a recommendation to the Board on the appointment of directors. Each of the committees is established with defined written terms of reference which are available on the Company's website and The Stock Exchange website. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Details of the membership of each of the three committees during the Year and up to the date of this annual report are as follows:

| | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|
| **Executive Directors** | | | |
| Mr. Song Xiaoming | – | – | C |
| Ms. Song Shiqing | – | – | – |
| Mr. Su Congyue *(appointed on 22 July 2022)* | – | – | – |
| Ms. Lin Shuxian *(resigned on 8 April 2022)* | – | – | – |
| Mr. Lyu Xingyuan *(appointed on 27 April 2022 and resigned on 22 July 2022)* | – | – | – |
| **Non-executive Director** | | | |
| Mr. Chung Man Lai | – | – | – |
| **Independent non-executive Directors** | | | |
| Mr. Li Zhongfei | M | C | M |
| Mr. Zhao Jinsong | C | M | M |
| Mr. Liu Chengwei | M | M | – |

*Notes:*

C: Chairman of the relevant Board Committees

M: Member of the relevant Board Committees

**Audit Committee**

The Company established the Audit Committee with terms of reference adopted on 31 July 2014 with terms of reference aligned with the Code Provision as set out in Appendix 15 of the GEM Listing Rules. Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of The Stock Exchange. As at the date of this annual report, the Audit Committee comprised three members, namely Mr. Zhao Jinsong (chairman), Mr. Li Zhongfei and Mr. Liu Chengwei. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

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

During the Year, the Audit Committee held four meetings. The Audit Committee reviewed (i) the annual financial statements, results and report of the Group for the Year; (ii) the quarterly financial statements, results and report of the Group for the three months ended 30 June and 31 December 2022 respectively; (iii) the interim result and report of the Group for the nine months ended 30 September 2022; (iv) the significant issue on the financial reporting and compliance procedures, internal control and risk management and its effectiveness. The Audit Committee also held a meeting with the Company's external auditor, in the absence of management, to discuss matters relevant to the audit and no matter of significance arose from the meeting.

During the Year, the Board had no disagreement with the Audit Committee's view on the appointment of the external auditors. The consolidated financial statements for the Year and this annual report have been reviewed by the Audit Committee.

## AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment and re-election of the Company's external auditor. For the Year, the Group engaged BDO Limited as the Group's external auditor. During the Year, the fee paid/payable to the auditor in respect of audit service provided by the auditor to the Group were as follows:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Audit services | **650** | 630 |

## DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL REPORTING

The Board acknowledged its responsibility for preparing the Group's financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and their responsibilities stated on a statement by the auditors in the auditors' report on the financial statements. In preparing the financial statements for the Year, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements of the Company is set out in the section "Independent Auditor's Report" of this report.

**Remuneration Committee**

The Company established the Remuneration Committee with terms of reference adopted on 31 July 2014 with terms of reference aligned with the Code Provision as set out in Appendix 15 of the GEM Listing Rules. Details of the terms of reference of the Remuneration Committee are set out on the Company's website and the website of The Stock Exchange. The primary duty of the Remuneration Committee is to make recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and to determine the specific remuneration packages of Directors and senior management of the Company. As at the date of this annual report, the Remuneration Committee comprises three members, namely Mr. Li Zhongfei (chairman), Mr. Zhao Jinsong and Mr. Liu Chengwei.

Under the Group's remuneration policy, the remuneration of the Directors and senior management is determined with reference to their responsibilities, workloads, individual performance, the time devoted to the Group and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his or her own remuneration.

During the Year, two Remuneration Committee meetings were held to make recommendations to the Board on the remuneration packages of individual Directors and newly appointed Director Mr. Lyu Xingyuan and Mr. Su Congyue. Details of the Directors' remuneration for the Year were set out in note 31 to the consolidated financial statements. There were no new shares schemes nor material matters relating to the Share Option Scheme during the Year.

The remuneration for the Director comprises Directors' fees, salaries, allowances and benefits, equity-settled share options expenses and retirement scheme contributions. Salary adjustments are made where the Remuneration Committee takes into account the performance, contribution and responsibilities of the individual. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the Year.

**Nomination Committee**

The Company established the Nomination Committee with terms of reference adopted on 31 July 2014 with terms of reference aligned with the Code Provision as set out in Appendix 15 of the GEM Listing Rules. Details of the terms of reference of the Nomination Committee are set out on the Company's website and the website of The Stock Exchange. The primary function of the Nomination Committee is to make recommendations to the Board regarding the appointment of Directors and candidates to fill vacancies on the Board. As at the date of this annual report, the Nomination Committee comprises three members, namely Mr. Song Xiaoming (chairman), Mr. Li Zhongfei and Mr. Zhao Jinsong.

During the Year, two Nomination Committee Meetings are held to review the structure, size and composition (including the skills, knowledge and experience) of the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment of new Directors and composition of the Board Committees.

In considering the nomination of new Directors, the Company has proposed the candidate to the Nomination Committee which reviewed and made a recommendation to the Board based on the expertise, skills and experience of the candidate appropriate to the requirements of the business of the Company. The composition of the Board has a significant element of diversity in terms of skills, regional and industry experience and background.

The Board is of the view that the Nomination Committee had properly discharged its duties and responsibilities during the Year and up to the date of this report.

## COMPANY SECRETARY

Ms. Li Yan was appointed as Company Secretary with effect from 1 February 2022. Company Secretary is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

She holds a bachelor's degree in Accountancy from Macquarie University. Ms. Li is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Prior to joining the Company, Ms. Li had worked for an international accounting firm and as an internal auditor, financial controller and company secretary for a number of listed companies in Hong Kong with over 10 years of experience in accounting, auditing, finance and company secretarial matters.

During the year ended 31 March 2023, the Company Secretary has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

## CHANGE OF DIRECTORS' INFORMATION

Changes in the composition of the Board and Board Committee during the Year and up to the date of this annual report are as follows:

- Ms. Lin Shuxian resigned as an executive Director with effect from 8 April 2022;

- Mr. Lyu Xingyuan entered into a three-year service contract with the Company and has been appointed as an executive Director with effect from 27 April 2022 and subsequently resigned his position with effect from 22 July 2022;

- Mr. Su Congyue entered into a three-year service contract with the Company and been appointed as an executive Director with effect from 22 July 2022;

- the service contract of Mr. Song, an executive Director entered with the Company expired on 5 August 2022 and his service contract had been extended on 6 August 2022 and remains effective or otherwise terminated pursuant to the terms of the service contract. Pursuant to the service contract extended on 6 August 2022, Mr. Song would be entitled to an annual remuneration of HK$450,000 which determined with reference to the prevailing market conditions and his roles and responsibilities in the Group;

- the service contracts of Mr. Chung Man Lai, the non-executive Director, entered with the Company expired on 16 March 2023 and his service contract has been extended for one year commencing on 17 March 2023.

## SENIOR MANAGEMENT REMUNERATION

The remuneration of the members of the senior management excluding Directors of the Group by the band for the Year and the year ended 31 March 2022 are set out as below:

| | **2023 Number of individuals** | 2022 Number of individuals |
|---|---|---|
| HK$2,000,001 to HK$3,000,000 | **1** | 1 |
| HK$1,000,001 to HK$2,000,000 | **1** | 1 |
| Nil to HK$1,000,000 | **3** | 3 |
| | **5** | 5 |

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and compliance with applicable laws and regulations. Whist these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material misstatement, errors, losses, fraud and non-compliance.

The Board, through the Audit Committee, has reviewed effectiveness of both design and implementation of the risk management and internal control system of the Group for the Year, covering all material controls, including financial, operational and compliance controls. Such review will be made at least annually to monitor the adequacy and the effectiveness of the risk management and internal control system of the Group. In this respect, the Audit Committee communicates any material issue to the Board.

The Group has not established a standalone internal audit department. However, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects including (i) the Board has established formal policies to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations; and (ii) the Group engaged an independent consultant to perform an internal review on certain scope covered major operational, financial and compliance controls, as well as risk management functions of different systems been performed on a systematic rotational basis on the risk assessment of the operations and controls. The internal audit review report is submitted to the Audit Committee for review. No major issues with the internal control systems have been identified during the Year.

The Group considers that the existing organisation structure and close supervision by management and the abovementioned engagement of the independent consultant can maintain sufficient risk management and internal control of the Group. The Board will review the need to set up an internal audit function by assessing the size, nature and complexity of the business of the Group from time to time and may set up an internal audit team if the need arises.

### Inside information policy

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

The policy provides guidelines on the reporting system and handling procedures of potential inside information. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. Only designated staff are allowed to access the inside information. Information contained in announcements are reviewed and approved by the senior management of the Group to ensure that no false or misleading information presents. In case the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would disclose the information to the public as soon as reasonably practicable.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR AND INVESTOR RELATIONS

The Company uses two-way communication channels to shareholders and investors for the performance, business and strategies of the Company. In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings at which Directors are available to answer questions on the business. The Company has adopted the shareholders' communication policy 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 (including the financial performance, strategic goals and plans, material development, governance and risk profiles). Extensive information about the Group's activities is provided in its annual report, interim report and quarterly reports which are sent to shareholders and investors. The Company's announcements, press releases and publications are published and available on the GEM website and on the Company's website at www.kingforce.com.hk.

Separate resolutions will be proposed at the general meetings for substantial separate issues, including the re-election of retiring Directors. The Company's notice to the shareholders of the Company for the AGM will be sent to shareholders at least 20 clear business days before the meeting and notices of all other general meetings will be sent to the shareholders at least 10 clear business days before the meetings.

The Board has reviewed the implementation and effectiveness of the shareholders' communication policy including steps taken at the general meetings, the handling of queries received (if any) and the channel of communication and engagement in place and considered that the shareholders' communication policy has been properly implemented during the Year under review and is effective.

The 2023 AGM of the Company will be held on 8 September 2023, the notice of which shall be sent to the Company's shareholders in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

## SHAREHOLDERS' RIGHTS

### Procedures for convening general meetings by shareholders

The general meeting of the Company provides an opportunity for communication between the Shareholders and the Board. Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting (the "**EGM**").

EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for putting forward proposals at shareholders' meetings

Shareholders can also send enquiries and proposals to be put forward at general meetings for shareholders' consideration to the Board or Company Secretary by mail to the headquarters of the Company at Unit 1112, 11/F., The Metropolis Tower, No. 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong.

### Procedures for shareholders nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgement of the notices required under the Articles will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

### Information disclosure

The Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public, to make rational and informed decisions.

### Shareholders' enquiries

For matters in relation to the Board, all enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificate or dividends warrant, the registered shareholders of the Company can contact the branch registrar and transfers in Hong Kong.

## CONSTITUTIONAL DOCUMENTS

There has been no significant change in the Company's constitutional documents during the Year.

## BIOGRAPHIES OF DIRECTORS

As at the date of this annual report, the biographies of Directors are set out as below:

### EXECUTIVE DIRECTORS

**Mr. Song Xiaoming** ("**Mr. Song**"), aged 49, was appointed as an executive Director on 6 August 2019. He is also the chairman of the Board and controlling shareholder of the Company and the chairman of Nomination Committee of the Company. Mr. Song is the founder of Shenzhen Great Walle Capital Management Co., Ltd.*（深圳長城匯理資產管理有限公司）, a company incorporated in May 2013 and principally engaged in the provision of asset management service. In 2015 it became a subsidiary of Shenzhen Great Walle Investment Corp., Ltd.*（深圳長城匯理投資股份有限公司）("**Great Walle Investment**"), one of the controlling shareholders of the Company. Since June 2015, Mr. Song has become the director of Walle Holding Limited, one of the controlling shareholders of the Company. He has been the chief executive officer of Shenzhen Great Walle Capital Management Co., Ltd. since May 2013 and the president of Great Walle Investment since July 2015.

Mr. Song graduated from Sun Yat-sen University with a bachelor degree in economics in June 1997 and obtained an executive master of business administration degree from Tsinghua University, the PRC in January 2014. In June 2021, he obtained an executive master of business administration degree from Singapore Management University.

Mr. Song is the elder brother of Ms. Song, an executive Director.

**Ms. Song Shiqing** ("**Ms. Song**"), aged 33, was appointed as an executive Director, the compliance officer and an authorised representative of the Company on 25 August 2020. She joined Great Walle Investment, one of the controlling shareholders of the Company in July 2015 and holds the position of supervisor at Great Walle Investment since. Currently she is the director of certain subsidiaries of the Company. Ms. Song was a director of Star Lake Bioscience Co., Inc. Zhaoqing Guangdong (the shares of which are listed on the Shanghai Stock Exchange, stock code: 600866) from August 2020 to September 2021. She was an editor for CCTV-2 (Business Channel) from May 2012 to July 2014. Ms. Song obtained a master degree of business administration from Sun Yat-sen University in 2019.

Ms. Song is the younger sister of Mr. Song.

**Mr. Su Congyue** ("**Mr. Su**"), aged 52, was appointed as an executive Director on 22 July 2022. Since November 2015, Mr. Su worked in Great Walle Investment as director and the deputy general manager. From October 2018 to May 2022, Mr. Su worked in Shenzhen Guanhui Jiye Property Management Limited*（深圳冠輝基業物業管理有限公司）, a subsidiary of the Company, as an executive manager. Mr. Su commenced his career in China Southern Airlines in July 1994 and subsequently held senior executive position thereto until November 2015.

Mr. Su obtained a degree of master of business administration in the City University of Seattle (formerly known as City College) in December 2005 and obtained a degree of bachelor of politics in Jilin University*（吉林大學）in July 1994.

* *For identification purpose only*

## NON-EXECUTIVE DIRECTOR

**Mr. Chung Man Lai** ("**Mr. Chung**"), aged 46, was appointed as a non-executive Director on 17 March 2020. He has over 21 years of experience in auditing and accounting. Prior to joining the Company, he worked in a reputable international accounting firm and was the chief financial officers of CMIC Ocean En-Tech Holding Co., Ltd. (formerly known as TSC Group Holdings Limited (Stock code: 206)（華商國際海洋能源科技控股有限公司）and IDT International Limited (Stock code: 167)（萬威國際有限公司*）, both are companies listed on the Main Board of The Stock Exchange. Mr. Chung was re-designated as an executive director of Aurum Pacific (China) Group Limited (the shares of which are listed on GEM of The Stock Exchange, Stock code: 8148) from the position of independent non-executive director with effect from 15 September 2020. Mr. Chung is currently the chief financial officer, company secretary, member of the risk management committee and authorised representative of D&G Technology Holding Company Limited (the shares of which are listed on the Main Board of The Stock Exchange, Stock code: 1301). He is also the independent non-executive director of Century Group International Holdings Limited（世紀集團國際控股有限公司）(the shares of which are listed on the Main Board of The Stock Exchange, Stock code: 2113) and Roma Group Limited（羅馬集團有限公司*) (the shares of which are listed on GEM of The Stock Exchange, Stock Code: 8072).

Mr. Chung obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 1998 and a master of business administration degree with a major in international business from EU Business School in December 2018. Mr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Li Zhongfei** ("**Mr. Li**"), aged 59, was appointed as an independent non-executive Director on 12 July 2018. He is also the chairman of the Remuneration Committee of the Company and a member of the Audit Committee and Nomination Committee of the Company. He is currently a chair professor of Department of Finance of College of Business of Southern University of Science and Technology and director of the Center for Financial Engineering and Risk Management of Sun Yat-sen University in the PRC.

Mr. Li obtained a bachelor of science from Lanzhou University in the PRC in July 1985, and then a master of science from Inner Mongolia University in the PRC in June 1990. He further obtained a Ph.D. in Management from the Academy of Mathematics and Systems Science of the Chinese Academy of Science in the PRC in August 2000.

**Mr. Zhao Jinsong** ("**Mr. Zhao**"), aged 47, was appointed as an independent non-executive Director on 12 July 2018. He is also the chairman of the Audit Committee of the Company and a member of the Nomination Committee and Remuneration Committee of the Company. He worked in 中華人民共和國審計署駐深圳特派員辦事處 (Shenzhen Branch, National Audit Office of the People's Republic of China*) from July 2000 to June 2017, and his last position was the Commissioner of that office.

Mr. Zhao obtained a bachelor's degree in International Finance from Sun Yat-sen University in the PRC in June 1997. He further obtained a master of Finance degree from Sun Yat-sen University in the PRC in June 2000. Mr. Zhao was accredited as a member of The Association of Chartered Certified Accountants in November 2006, a fellow member of The Association of Chartered Certified Accountants in April 2012 and was granted the designation of Financial Risk Manager from the Global Association of Risk Professionals in March 2017.

**Mr. Liu Chengwei** ("**Mr. Liu**"), aged 45, was appointed as an independent non-executive Director on 10 September 2021, he is also a member of Nomination Committee and Remuneration Committee. Mr Liu, is a professor, doctoral supervisor and deputy dean at the College of Comparative Law of China University of Political Science and Law. Mr. Liu obtained a bachelor of law degree from Hunan University in July 1999 and a master of law degree from Northwest University of Political Science and Law in June 2002, and then subsequently obtained a doctorate of law degree from the Institute of Law of Chinese Academy of Social Sciences in June 2005.

* *For identification purpose only*

The Board is pleased to present the annual report together with the audited consolidated financial statements for the Year.

## PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company is located at Room 1112, 11/F., The Metropolis Tower, No. 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are set out in notes 1 and 29 to the consolidated financial statements respectively.

## BUSINESS REVIEW

The business review of the Group for the Year and discussion on the Group's future business development are set out in the section headed "CHAIRMAN'S STATEMENT" and "MANAGEMENT DISCUSSION AND ANALYSIS" on page 4 and pages 5 to 12 respectively in this annual report. The description of key risks and uncertainties facing the Group and financial risk management and fair value measurement are set out in this Directors' Report on pages 28 to 41 in this annual report and note 35 to the consolidated financial statements. These discussion forms an integral part of this Report of the Directors.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at 31 March 2023 are set forth in the consolidated financial statements on pages 46 to 48 of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2022: nil).

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years are set out on page 116.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group realises the importance of environmental protection in pursuing long-term sustainability. The Group is committed to improving environmental sustainability and will closely monitor its performance. In accordance with Appendix 20 to the GEM Listing Rules, the Company's environmental, social and governance report will be available on its website at the same time of publication of this annual report.

## LITIGATIONS

The Group was not involved in any material litigation and no material litigation or claim was pending or threatened or made against the Group as far as the Board was aware of during the Year and up to the date of this annual report.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights to attend and vote at the AGM to be held on 8 September 2023, the register of members of the Company will be closed from 4 September 2023 to 8 September 2023 (both days inclusive), during which period no transfer of shares of the Company ("**Shares**") will be effected. In order to be entitled to attend and vote at the AGM, non-registered holders of Shares 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 Investor Services Limited at Room 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on 1 September 2023.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year and up to the date of this annual report, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

### Employees

The Group has maintained a good relationship with employees. In addition, the Group offers employees competitive salaries, bonuses and other cash subsidies. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of employees, which forms the basis of the decisions with respect to salary increments, bonuses and promotions.

### Customers

The Group has established stable relationship with its customers, especially in the PRC. The Group's clients ranged from property management companies, warehouses, operators, retailers and schools. The Group also maintains a database of customers that facilitates contact with them and is dedicated to providing quality security guarding services to them. The Group invites comments from its customers on the services it provided and follows up on their comments seriously and proactively. The Directors believe that quality of services is the key to retaining its customers and stable and continuous relationships have contributed to the success of the Group with a solid recurrent income base.

### Suppliers

The Group's business nature is a service-oriented industry, apart from individual persons as security guards, the Group carefully evaluates the performance of individuals. The Group also stays connected with its suppliers and has ongoing communication with its suppliers through various channels such as telephone, electronic mail and physical meetings to obtain their feedback and suggestions.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

## KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group.

### Uncertain external factors

Most of the Group's operations are located in the PRC and uncertain external factors including the possible downturn in the economy in the PRC may materially and adversely affect the Group's performance. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

### Manpower and retention risk

Security guarding and property management is a labour-intensive industry, and labour turnover in this industry is relatively high, especially under the pandemic of COVID-19 in the PRC causes interruption of supplies of labour. The management policy to mitigate this risk is to diversify the Group's businesses e.g. expanding its Security Guarding and Property Management Services in different provinces and customers with various backgrounds.

Furthermore, asset management in the PRC is a highly competitive industry, the Group may face the risk of not being able to attract and retain personnel and talents with appropriate and required skills, experience and competence. Management will closely monitor the manpower turnover rate and design effective measure pertaining to human resources. More incentive scheme or attractive remuneration package will also be considered where necessary.

### Financial risks

Details of financial risks are set out in note 35 to the consolidated financial statements.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK$120,550 (2022: nil).

## EMOLUMENTS POLICY FOR DIRECTORS

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Director of the Group. The remuneration of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

## SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 March 2023 was 581,442,248 ordinary shares of the Company (the "**Shares**") of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Year are set out in the notes 25 and 26 to the consolidated financial statements, respectively.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme", no equity-linked agreement was entered into by the Company during the Year.

## DIVIDEND

The Board did not recommend payment of final dividend to shareholders of the Company for the Year (2022: nil).

## PERMITTED INDEMNITY CLAUSE

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities. Such permitted indemnity provision has been in force throughout the Year and at the time of approval of this annual report.

Pursuant to the Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

## MANAGEMENT CONTRACTS

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

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for the disclosed under the sections headed "Related Party Transactions" below and the related party transactions disclosed in note 33 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest directly or indirectly subsisted at the end of the Year or at any time during the Year and no contract of significance has been entered into during the Year between the Company or any of its subsidiaries and the controlling shareholders or any its subsidiaries.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into during the Year.

## DIRECTORS

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

**Executive Directors**

Mr. Song Xiaoming *(Chairman)*
Ms. Song Shiqing
Mr. Su Congyue *(Appointed on 22 July 2022)*
Mr. Lyu Xingyuan *(Appointed on 27 April 2022 and resigned on 22 July 2022)*
Ms. Lin Shuxian *(Resigned on 8 April 2022)*

**Non-executive Director**

Mr. Chung Man Lai

**Independent Non-executive Directors**

Mr. Li Zhongfei
Mr. Zhao Jinsong
Mr. Liu Chengwei

Mr. Lyu Xingyuan and Ms. Lin Shuxian have confirmed that they have no disagreement with the Board and that there is no matter relating to their resignation which needs to be brought to the attention of the Stock Exchange or the Shareholders.

In accordance with Article 108(a) of the Articles, Ms. Song Shiqing, Mr. Li Zhongfei and Mr. Liu Chengwei will retire by rotation, and being eligible, offer themselves for re-election as Directors at the Company's forthcoming AGM.

## EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors of the Group. The remuneration of the Directors is determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the Year are set out in note 31 to the consolidated financial statements.

Since 23 June 2021, three Directors, namely Mr. Song Xiaoming, Ms. Song Shiqing and Ms. Lin Shuxian (who resigned as an executive Director on 8 April 2022) waived their Directors' fee. During the Year, Mr. Song Xiaoming, Ms. Song Shiqing and Ms. Lin Shuxian (and up to the day of her resignation) have waived their Directors' fee of HK$316,667, HK$50,000 and HK$972 respectively. Except for the above, there was no arrangement under which a Director waived or agreed to waive any remuneration during the Year (2022: HK$39,000, HK$39,000 and HK$39,000 respectively).

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient level of public float for its Shares as required under the GEM Listing Rules during the Year and up to the date of this annual report.

## RESERVES

Details of movements of reserves of the Group are set out in the consolidated statement of changes in equity on page 49.

As at 31 March 2023, the capital deficiency of the Company available for distribution, as calculated under the provisions of Cayman Islands' legislation, were approximately HK$20 million (2022: the reserve of the Company attributable for distribution of approximately HK$0.4 million).

## PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Articles and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

## DIRECTORS' SERVICE CONTRACTS

Each of the existing executive Directors has entered into a service contract with the Company for a term of three years commencing from the date of the appointment and thereafter shall continue year to year, unless terminated subject to termination provisions. Each of the existing independent non-executive Directors has entered into a service contract with the Company for a term of three years unless terminated by not less than three months' notice in writing served by either party on the other. Non-executive Director has entered into a service contract with the Company for for a term of three years and thereafter shall continue year to year unless terminated by not less than one month's notice in writing served by either party on the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors shall also be entitled to a discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the Remuneration Committee.

## RELATED PARTY TRANSACTION

Details of related party transactions undertaken in the normal course of business of the Group are set out in note 33 to the consolidated financial statements. None of these transactions with the related parties of the Group carried out during the Year constituted non-exempted connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules, which require disclosure in the annual report. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## CONNECTED TRANSACTIONS

During the Year, the Group did not enter into any connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules which require disclosure in this annual report.

Save as disclosed in this annual report, the Directors consider that those related party transactions disclosed in note 33 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirement under the GEM Listing Rules.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Year are set out in note 29 to the consolidated financial statements.

## SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "**Share Option Scheme**") on 31 July 2014. In line with the amended Chapter 23 of the GEM Listing Rules, a summary of the terms of the Share Option Scheme are set out below:

**(a) Purpose**

The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable to the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity which is an associated company of any member of the Group.

**(b) Qualifying participants**

The Directors shall, in accordance with the provision of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any employee (whether full time or part time, including the Directors (including any executive Director and non-executive Director and independent non-executive Director)) of the Company, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group.

**(c) Total number of Shares available for issue under the Share Option Scheme and percentage to the issued share capital as at the date of this report**

58,144,224 shares (approximately 10% of the total issued share capital as at the date of this annual report).

**(d) Maximum entitlement of each participant under the Share Option Scheme**

Not exceeding 1% of the issued share capital of the Company for the time being in any 12-month period. Any further grant of options in excess of such limit must be separately approved by the Company's shareholders in general meeting.

**(e) The period within which the Shares must be taken up under an option**

A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee thereof.

**(f) The minimum period for which an option must be before it can be exercised**

Unless otherwise determined by the Directors, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

**(g) The amount payable on application or acceptance of the option and the period within which payments or calls must or made be made**

A remittance in favour of the Company of HK$1.00 on or before the date of acceptance (which may not be later than 21 days from the date of offer).

**(h) The basis of determining the exercise price**

Being determined by the Directors and being not less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and

(iii) the nominal value of the Shares on the date.

**(i) The remaining life of the Share Option Scheme**

The Share Option Scheme is valid and effective for a period of 10 years commencing on 13 August 2014 (being the date of adoption of the Share Option Scheme).

The details of the Share Option Scheme and the movements of the share options under the Share Option Scheme during the Year are set out as follows:

| | | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name or category of grantees** | **Exercise price per share on or after 2 August 2021** (HK$) | **Date of grant** *(Note 1)* | **Exercisable period** *(Note 2)* | **Balance outstanding as at 1 April 2022** | **Granted during the Year** | **Exercised during the Year** | **Lapsed during the Year** | **Cancelled during the Year** | **Balance outstanding as at 31 March 2022** |
| **Directors** | | | | | | | | | |
| Mr. Li Zhongfei | 1.170 | 14 December 2018 | 14 December 2018 to 13 December 2028 | 186,578 | – | – | – | – | 186,578 |
| | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 17,194 | – | – | – | – | 17,194 |
| Mr. Zhao Jinsong | 1.1170 | 14 December 2018 | 14 December 2018 to 13 December 2028 | 186,578 | – | – | – | – | 186,578 |
| | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 17,194 | – | – | – | – | 17,194 |
| Mr. Su Congyue | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 2,534,256 | – | – | – | – | 2,534,256 |
| **Former Directors** | | | | | | | | | |
| Ms. Lin Shuxian | 1.170 | 14 December 2018 | 14 December 2018 to 13 December 2028 | 1,865,788 | – | – | – | – | 1,865,788 |
| | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 668,467 | – | – | – | – | 668,467 |
| Ms. Guan Yan | 1.170 | 14 December 2018 | 14 December 2018 to 13 December 2028 | 186,578 | – | – | – | – | 186,578 |
| | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 17,194 | – | – | – | – | 17,194 |
| Mr. Hon Hoi Chuen | 1.170 | 14 December 2018 | 14 December 2018 to 13 December 2028 | 1,865,788 | – | – | – | – | 1,865,788 |
| | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 668,467 | – | – | – | – | 668,467 |
| Mr. Li Mingming | 1.170 | 14 December 2018 | 14 December 2018 to 13 December 2028 | 1,865,788 | – | – | – | – | 1,865,788 |
| Ms. Pang Xiaoli | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 410,653 | – | – | – | – | 410,653 |
| **Employee of the Group** | | | | | | | | | |
| In aggregate | 1.170 | 14 December 2018 | 14 December 2018 to 13 December 2028 | 1,865,788 | – | – | – | – | 1,865,788 |
| | 0.445 | 18 April 2019 | 18 April 2019 to 17 April 2029 | 291,885 | – | – | – | – | 291,885 |
| | 0.2242 | 11 October 2021 | 11 October 2021 to 10 October 2026 | 33,235,133 | – | – | – | – | 33,235,133 |
| | | | | **45,883,329** | **–** | **–** | **–** | **–** | **45,883,329** |

*Note:* 1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

2. All the share options granted have no vesting period or vesting condition.

3. The fair values of the share options granted on 11 October 2021, 5 September 2019, 18 April 2019 and 14 December 2018 respectively under the Scheme were determined using the binomial option pricing model. Significant inputs into the model and assumptions were as follows:

| Parameter | 11 October 2021 | 5 September 2019 | 18 April 2019 | 14 December 2018 |
|---|---|---|---|---|
| Share price on date of grant *(note 1)* | HK$0.201 | HK$0.147* | HK$0.0900* | HK$0.260* |
| Exercise price *(note 2)* | HK$0.2242 | HK$0.147* | HK$0.0904* | HK$0.265* |
| Risk-free rate | 0.78% | 1.52% | 1.71% | 2.27% |
| Expected option life | 5 years | 2 years | 10 years | 10 years |
| Expected volatility | 107% | 97% | 106% | 104% |
| Early exercise behavior (of the exercise price) | N/A | N/A | N/A | N/A |

* Before adjustment of share consolidation and rights issue.

*Note 1:* The price of the Shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

The expected volatility represents the historical volatility of the share price of the ordinary shares of the Company.

The share options and weighted average share price are summarised as follows for the reporting periods presented:

| | Number of share options HK$'000 | Weighted average exercise price HK$'000 |
|---|---|---|
| **Outstanding at 1 April 2021** | 138,218,179 | 0.161 |
| Adjustment arising from share consolidation | (110,574,556) | – |
| Granted during the year | 33,235,133 | 0.224 |
| Lapsed during the year | (14,995,427) | 0.720 |
| **Outstanding at 31 March 2022, 1 April 2022 and 31 March 2023** | 45,883,329 | 0.411 |

The share options outstanding at 31 March 2023, which are all exercisable, had exercise price of HK$0.411 (2022: HK$0.411) and a weighted average remaining contractual life of 4.17 (2022: 5.17) years.

At the end of the reporting period, the Company had 45,883,329 (2022: 45,883,329) share options outstanding under the Scheme which representing approximately 7.89% (2022: 7.89%) of the Company's shares in issue as at 31 March 2023. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 45,883,329 (2022: 45,883,329) additional ordinary shares of the Company and additional share capital of HK$2,294,166 (2022: HK$2,294,166) and share premium of HK$16,584,055 (2022: HK$16,584,055) (before issue expenses).

Subsequent to the end of the reporting period, no share options was exercised.

At the date of approval of these consolidated financial statements, the Company has 45,883,329 share options outstanding under the Scheme, which represented approximately 7.89% of the Company's share in issue as at that date.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE 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 executive 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 were 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 under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rule 5.46 to 5.68 of the GEM Listing Rules (the "**Required Standard of Dealings**"), were as follows:

**Long position in the Shares and underlying Shares of the Company**

| Name of Directors | Capacity/Nature of interests | Number of ordinary Shares held/ interested in | Number of underlying Shares held/ interested in pursuant to share options | Approximate percentage of the total number of issued Shares of the Company |
|---|---|---|---|---|
| Mr. Song | Interests in a controlled corporation | 433,555,955(L) *(Note 1)* | – | 74.57% |
| Mr. Su | Beneficial owner | – | 2,534,255(L) *(Note 2)* | 0.4% |
| Mr. Li Zhongfei | Beneficial owner | – | 203,772(L) *(Note 2)* | 0.04% |
| Mr. Zhao Jinsong | Beneficial owner | – | 203,772(L) *(Note 2)* | 0.04% |

(L) represents a long position in the Shares

*Notes:*

1. According to information available to the Company:

   (a) 184,465,046 Shares are held by Greatwalle Holding Limited in the capacity of beneficial owner.

   (b) Greatwalle Holding Limited is wholly-owned by 廣州南沙區匯銘投資業務有限公司(Guangzhou Nansha Huiming Investment Business Company Limited*) ("**Nansha Huiming**").

   (c) Nansha Huiming is held as to 99.99% by 深圳匯理九號投資諮詢企業（有限合夥）(Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*) ("**Huili Jiu Hao Investment**") and as to 0.0008% by Mr. Song.

* *For identification purpose only*

(d) Huili Jiu Hao Investment is held as to 99.99% by 深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd") ("**Great Walle Investment**").

(e) Great Walle Investment is ultimately controlled by Mr. Song (as to approximately 68.9039% directly and as to approximately 21.9995% indirectly through a wholly-owned company, 深圳弘德商務有限公司 (Shenzhen HongDe Commercial Services Corporation Limited*)).

(f) As such, each of Nansha Huiming, Huili Jiu Hao Investment, Great Walle Investment and Mr. Song is deemed to be interested in 184,465,046 Shares held by Greatwalle Holding Limited under the SFO.

(g) 249,090,909 Shares are held by Walle Holding Limited in the capacity of beneficial owner. Walle Holding Limited is wholly-owned by Mr. Song. As such, Mr. Song is deemed to be interested in 249,090,909 Shares held by Walle Holding Limited under SFO.

2. These long positions represent in the share options granted by the Company under the Share Option Scheme. For details, please refer to the section headed "SHARE OPTION SCHEME" in this annual report.

Save as disclosed above, as at 31 March 2023, none of the Directors or the chief executive had any interest or short position 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 were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred in Rule 5.46 to 5.67 of the GEM Listing Rules.

### Long positions in the interest in the associated corporations

As at 31 March 2023, the Directors and chief executive of the Company had or was deemed to have any interest or short position 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 were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange to the required standard of dealings were as follows:

| Name of Directors | Name of the associated corporation | Capacity/nature | Number of shares, underlying shares held/interested | Approximate percentage of total number of Issued shares of the Associated Corporations |
|---|---|---|---|---|
| Mr. Song | Greatwalle Holding Limited | Interest in a controlled corporation | 1,000,000 | 100.0000% |
| | Nansha Huiming | Beneficial owner<br>Interest in a controlled corporation | 1,000<br>110,000,000 | 0.0008%<br>91.9992% |
| | Huili Jiu Hao | Interest in a controlled corporation | 990,000 *(Note)* | 99.0000% |
| | Great Walle Investment | Beneficial owner<br>Interest in a controlled corporation | 3,828,902<br>1,222,486 | 68.9039%<br>21.9995% |
| Mr. Su | Great Walle Investment | Beneficial owner | 18,523 | 0.3333% |

*Note:* The associated corporation is a limited partnership with no share description or shares. The total number of shares represented the amount of capital contributed.

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position 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 were 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 under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS IN SECURITIES OF THE COMPANY

As at 31 March 2023, persons (other than a director or chief executive of the Company) who had or were deemed to have interests or short positions in the Shares and underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group were as follows:

### Long positions in the Shares and underlying Shares of the Company

| Name of substantial shareholders | Capacity/Nature of interests | Number of Shares held/ interested in | Approximate percentage of the total number of issued Shares of the Company |
|---|---|---|---|
| Greatwalle Holding Limited | Beneficial owner | 184,465,046(L) | 31.73% |
| Nansha Huiming | Interest of corporation controlled by substantial shareholder *(Note)* | 184,465,046(L) | 31.73% |
| Huili Jiu Hao | Interest of corporation controlled by substantial shareholder *(Note)* | 184,465,046(L) | 31.73% |
| Great Walle Investment | Interest of corporation controlled by substantial shareholder *(Note)* | 184,465,046(L) | 31.73% |
| Walle Holding Limited | Beneficial owner | 249,090,909(L) | 42.84% |

(L) represents a long position in the Shares

*Note:* According to information available to the Company:

(a) 184,465,046 Shares are held by Greatwalle Holding Limited in the capacity of beneficial owner.

(b) Greatwalle Holding Limited is wholly-owned by Nansha Huiming.

(c) Nansha Huiming is held as to approximately 91.9992% by Huili Jiu Hao Investment, and so as to 0.0008% by Mr. Song.

(d) Huili Jiu Hao Investment is held as to 99.99% by Great Walle Investment.

(e) As such, each of Nansha Huiming, Huili Jiu Hao Investment and Great Walle Investment is deemed to be interested in 184,465,046 Shares held by Greatwalle Holding Limited under SFO.

Save as disclosed above, as at 31 March 2023, the Company had not been notified of other interests or short positions of substantial shareholders or any other person (other than the Directors, and chief executives of the Company) in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's five largest customers accounted for approximately 65.0% (2022: approximately 78.7%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 18.1% (2022: approximately 55.2%) of the total revenue.

During the Year, the Group's five largest suppliers accounted for approximately 9.3% (2022: approximately 17.4%) and the largest supplier of the Group accounted for approximately 2.9% (2022: approximately 5.9%) of the total cost of service rendered.

None of the Directors, their close associates, or any shareholder of the Company (which to the knowledge of the Directors own 5% or more of the Company's total number of issued shares) had any interest in the Group's five largest customers and suppliers.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the section headed "SHARE OPTION SCHEME" disclosed above, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2023, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) was considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

## AUDITORS

The consolidated financial statements of the Company for the Year have been audited by BDO Limited, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM of the Company. A resolution for re-appointment of BDO Limited is to be proposed at the forthcoming AGM. There has been no change in the auditor of the Company since the date of its listing.

## AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established the Audit Committee with written terms of reference aligned with the provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises Mr. Zhao Jinsong (chairman of the Audit Committee), Mr. Li Zhongfei and Mr. Liu Chengwei all of which are independent non-executive Directors.

The Audit Committee had reviewed the audited annual result of the Group for the Year, and was of the opinion that the audited consolidated financial statements had been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant event subsequent to the year ended 31 March 2023 and up to the date of this annual report.

Save as disclosed herein, the Directors are 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.

On behalf of the Board
**Song Xiaoming**
*Chairman and executive Director*

Hong Kong, 26 June 2023

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**TO THE SHAREHOLDERS OF GREATWALLE INC.**
**長城匯理公司**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Greatwalle Inc. (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 115, which comprise the consolidated statement of financial position as at 31 March 2023, and 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment assessment on property, plant and equipment relating to security guarding and property management business**

**Refer to note 14 to the consolidated financial statements and the significant accounting policies in notes 4.5 and 4.12 and critical accounting estimates and judgements in note 5(c) to the consolidated financial statements**

As at 31 March 2023, the Group had property, plant and equipment with carrying amount of HK$12,617,000 arising from security guarding and property management business.

Management is required to perform impairment assessment when there is an indication that property, plant and equipment with definite useful lives may be impaired. For the purpose of assessing impairment, management assessed the recoverable amount of these assets based on higher of its fair value less costs of disposal and value-in-use. The Group allocated the assets to cash generating units ("CGUs"), and the calculations of value-in-use require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits.

The impairment test involves significant estimation and judgements by the management to determine the methodologies adopted and the key assumptions used under the value-in-use calculation and the determination of fair value less cost of disposal.

Management concluded that, based on the impairment assessment, no impairment losses on property, plant and equipment relating to security guarding and property management business have been recognised for the year.

**Our response:**

Our key procedures in relation to the impairment assessment by the Group's management on property, plant and equipment of security guarding and property management CGUs included:

i. obtaining and reviewing the valuation report prepared by the independent professional valuer engaged by the Group;

ii. discussing with the independent professional valuer and challenging the key estimates and assumptions adopted in the valuations, and to assess the independence, objectivity, qualifications and expertise of the independent professional valuer;

iii. involving an auditor's valuation expert to assist our work in assessing the valuation methodology adopted by the independent professional valuer and comparing the key estimates and assumptions adopted in the valuation; and

iv. checking input data to supporting evidences, such as the fair value data being used and approved budgets, and assessing the reasonableness of these information.

## OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

## DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

**BDO Limited**
Certified Public Accountants

**Lui Chi Kin**
Practising Certificate Number P06162

Hong Kong, 26 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** | 7 | **81,021** | 56,946 |
| Cost of services rendered | | **(76,678)** | (55,665) |
| **Gross profit** | | **4,343** | 1,281 |
| Other income and losses, net | 8 | **3,017** | 1,796 |
| Administrative expenses | | **(20,689)** | (23,966) |
| Impairment loss on goodwill | 15 | **–** | (1,286) |
| Impairment loss on property, plant and equipment | 14 | **–** | (12,787) |
| Impairment loss on trade receivables | 19 | **(339)** | (1,283) |
| Finance costs | 9 | **(2,830)** | (3,105) |
| **Loss before income tax** | 10 | **(16,498)** | (39,350) |
| Income tax (expenses)/credit | 11 | **(20)** | 8 |
| Loss for the year | | **(16,518)** | (39,342) |
| **Other comprehensive income that may be subsequently reclassified to profit or loss:** | | | |
| Exchange difference on translation of financial statements of foreign operations | | **(4,652)** | 2,788 |
| Release of exchange reserve to profit or loss upon disposal of subsidiaries | | **–** | (412) |
| Other comprehensive income for the year | | **(4,652)** | 2,376 |
| **Total comprehensive income for the year** | | **(21,170)** | (36,966) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(16,315)** | (35,506) |
| Non-controlling interests | | **(203)** | (3,836) |
| | | **(16,518)** | (39,342) |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **(20,943)** | (33,135) |
| Non-controlling interests | | **(227)** | (3,831) |
| | | **(21,170)** | (36,966) |
| **Loss per share for loss attributable to owners of the Company** | 13 | **HK cents** | HK cents |
| – Basic and diluted | | **(2.81)** | (7.08) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 MARCH 2023*

| | Notes | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **12,634** | 18,739 |
| Other intangible assets | 16 | **–** | – |
| | | **12,634** | 18,739 |
| **Current assets** | | | |
| Trade receivables | 19 | **9,904** | 7,594 |
| Prepayments, deposits and other receivables | 19 | **5,877** | 4,705 |
| Amount due from a related party | 17 | **1,806** | 102 |
| Cash and cash equivalents | | **40,917** | 69,987 |
| | | **58,504** | 82,388 |
| Non-current assets held for sale | 24 | **3,524** | – |
| | | **62,028** | 82,388 |
| **Current liabilities** | | | |
| Trade payables | 20 | **1,918** | 1,179 |
| Accrued expenses and other payables | 20 | **15,755** | 15,379 |
| Loans from related parties | 17 | **13** | 2,094 |
| Amounts due to related parties | 17 | **7,120** | 4,980 |
| Lease liabilities | 21 | **5,155** | 5,117 |
| Promissory note payable | 22 | **18,750** | 20,150 |
| Borrowings | 23 | **7,187** | 6,618 |
| | | **55,898** | 55,517 |
| **Net current assets** | | **6,130** | 26,871 |
| **Total assets less current liabilities** | | **18,764** | 45,610 |
| **Non-current liabilities** | | | |
| Lease liabilities | 21 | **8,999** | 14,675 |
| | | **8,999** | 14,675 |
| **Net assets** | | **9,765** | 30,935 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 MARCH 2023*

| | Notes | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 25 | **29,072** | 29,072 |
| Reserves | 26 | **(16,252)** | 4,691 |
| | | **12,820** | 33,763 |
| Non-controlling interests | | **(3,055)** | (2,828) |
| **Total equity** | | **9,765** | 30,935 |

These consolidated financial statements on pages 46 to 115 were approved and authorised for issue by the board of directors on 26 June 2023 and signed on its behalf by:

**Song Xiaoming**
*Director*

**Song Shiqing**
*Director*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
*FOR THE YEAR ENDED 31 MARCH 2023*

| | Equity attributable to owners to the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium* HK$'000 | Share options reserve* HK$'000 | Merger reserve* HK$'000 | Foreign exchange reserve* HK$'000 | Accumulated losses* HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity/ (Capital deficiencies) HK$'000 |
| **At 1 April 2021** | 16,618 | 169,485 | 8,339 | (5,270) | 1,400 | (193,910) | (3,338) | (883) | (4,221) |
| Issue of shares *(note 25)* | 12,454 | 56,046 | – | – | – | – | 68,500 | – | 68,500 |
| Transaction cost for subscription | – | (654) | – | – | – | – | (654) | – | (654) |
| Equity-settled share options expenses *(note 26)* | – | – | 2,390 | – | – | – | 2,390 | – | 2,390 |
| Lapse of share options | – | – | (3,488) | – | – | 3,488 | – | – | – |
| Disposal of subsidiaries *(note 30)* | – | – | – | – | – | – | – | 1,886 | 1,886 |
| **Transactions with owners** | 12,454 | 55,392 | (1,098) | – | – | 3,488 | 70,236 | 1,886 | 72,122 |
| Loss for the year | – | – | – | – | – | (35,506) | (35,506) | (3,836) | (39,342) |
| *Other comprehensive income:* | | | | | | | | | |
| Exchange difference on translation of financial statements of foreign operations | – | – | – | – | 2,783 | – | 2,783 | 5 | 2,788 |
| Release of exchange reserve to profit or loss upon disposal of subsidiaries *(note 30)* | – | – | – | – | (412) | – | (412) | – | (412) |
| **Total comprehensive income for the year** | – | – | – | – | 2,371 | (35,506) | (33,135) | (3,831) | (36,966) |
| **At 31 March 2022 and 1 April 2022** | 29,072 | 224,877 | 7,241 | (5,270) | 3,771 | (225,928) | 33,763 | (2,828) | 30,935 |
| Loss for the year | – | – | – | – | – | (16,315) | (16,315) | (203) | (16,518) |
| *Other comprehensive income:* | | | | | | | | | |
| Exchange difference on translation of financial statements of foreign operations | – | – | – | – | (4,628) | – | (4,628) | (24) | (4,652) |
| **Total comprehensive income for the year** | – | – | – | – | (4,628) | (16,315) | (20,943) | (227) | (21,170) |
| **At 31 March 2023** | 29,072 | 224,877 | 7,241 | (5,270) | (857) | (242,243) | 12,820 | (3,055) | 9,765 |

* The total of these accounts represents "Reserves" in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED 31 MARCH 2023*

| | Notes | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | **(16,498)** | (39,350) |
| Adjustments for: | | | |
| Bank interest income | 8 | **(127)** | (64) |
| Depreciation of property, plant and equipment | 10 | **3,116** | 4,513 |
| Gain on disposal of property, plant and equipment | 8 | **(168)** | – |
| Gain on disposal of subsidiaries | 8 | **–** | (1,505) |
| Equity-settled share options expenses | 10 | **–** | 2,390 |
| Interests charges on loans from related parties | 9 | **10** | 5 |
| Interest charges on promissory note | 9 | **2,117** | 2,400 |
| Interest on lease liabilities | 9 | **134** | 154 |
| Interest on borrowings | 9 | **569** | 546 |
| Impairment loss on goodwill | 15 | **–** | 1,286 |
| Impairment loss on property, plant and equipment | 14 | **–** | 12,787 |
| Impairment loss on trade receivables | 19 | **339** | 1,283 |
| Operating losses before working capital changes | | **(10,508)** | (15,555) |
| (Increase)/decrease in trade receivables | | **(3,102)** | 3,548 |
| Increase in prepayments, deposits and other receivables | | **(1,415)** | (1,903) |
| (Increase)/decrease in amount due from a related party | | **(1,808)** | 243 |
| Increase/(decrease) in trade payables | | **829** | (4,052) |
| Increase in accrued expenses and other payables | | **1,139** | 2,911 |
| Cash used in operations | | **(14,865)** | (14,808) |
| Net income tax (paid)/refunded | | **(20)** | 8 |
| Interest received | | **127** | 64 |
| *Net cash used in operating activities* | | **(14,758)** | (14,736) |

## CONSOLIDATED STATEMENT OF CASH FLOWS
*FOR THE YEAR ENDED 31 MARCH 2023*

| | Notes | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Net cash outflow from disposal of subsidiaries | 30 | **–** | (50) |
| Purchase of property, plant and equipment | | **(664)** | (459) |
| Proceeds from disposal of property, plant and equipment | | **168** | – |
| *Net cash used in investing activities* | | **(496)** | (509) |
| **Cash flows from financing activities** | 37 | | |
| Interest paid for promissory note | | **(2,317)** | (2,400) |
| Interest paid for borrowings | | **–** | (241) |
| Repayments of capital element of lease liabilities | | **(4,985)** | (3,397) |
| Repayments of interest element of lease liabilities | | **(134)** | (154) |
| Payment on transaction costs for subscription | | **–** | (654) |
| Repayments to loans from related parties | | **(2,091)** | – |
| Advance from amounts due to related parties | | **2,174** | 4,222 |
| Repayment of promissory note payable | | **(1,200)** | – |
| Repayments of loan from ultimate holding company | | **–** | (2,185) |
| Proceed from loan from an immediate holding company | | **–** | 2,047 |
| *Net cash used in financing activities* | | **(8,553)** | (2,762) |
| **Net decrease in cash and cash equivalents** | | **(23,807)** | (18,007) |
| **Cash and cash equivalents at beginning of year** | | **69,987** | 85,010 |
| **Effect of foreign exchange rates change** | | **(5,263)** | 2,984 |
| **Cash and cash equivalents at end of year** | | **40,917** | 69,987 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash at banks and in hand | | **40,917** | 69,987 |

## 1. GENERAL INFORMATION

Greatwalle Inc. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2014. The Company's registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Unit 1112, 11/F., The Metropolis Tower, 10 Metropolis Road, Hunghom, Kowloon, Hong Kong.

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

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 29 to the consolidated financial statements.

The directors of the Company considered the Company's ultimate holding company as at 31 March 2023 is Shenzhen Great Walle Investment Corp., LTD. ("Shenzhen Great Walle"), a company established in the People's Republic of China and its ultimate controlling party is Mr. Song Xiaoming ("Mr. Song").

The consolidated financial statements for the year ended 31 March 2023 were approved for issue by the board of directors on 26 June 2023.

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

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

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

| | |
|---|---|
| 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 HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | Annual Improvements to HKFRSs 2018-2020 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |

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

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

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

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

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

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

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

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarify that entities are required to disclose their "material" rather than "significant" accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

***Amendments to HKAS 8, Definition of Accounting Estimates***

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

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

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

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

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

***Amendments to HKAS 1, Classification of Liabilities as Current or Non-current***

The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability.

***Amendments to HKAS 1, Non-current Liabilities with Covenants***

The amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("the 2020 Amendments") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of this amendments, the entity should also apply this amendments for that period.

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

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

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

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

***Amendments to HKFRS 16, Liability in a Sale and Leaseback***

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

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

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

The directors of the Company anticipate that the application of these new or amended HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

## 3. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under historical cost convention. All value are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and judgements are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Business combination and basis of consolidation

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.1 Business combination and basis of consolidation – Continued

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

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

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

### 4.2 Subsidiaries

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

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

### 4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.3 Goodwill – Continued

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

### 4.4 Foreign currencies translation

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Company (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arisen, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the gain or loss on disposal.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The estimated useful lives are, at the following rates per annum:

| | |
|---|---|
| Leasehold improvements | 4% to 12% or over the lease term, whichever is shorter |
| Furniture and equipment | 20% – 33% |
| Motor vehicles | 25% |
| Right-of-use assets | Over the lease terms |

The assets' depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at the end of reporting date.

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### 4.6 Other intangible assets

Other intangible assets acquired separately are initially recognised at cost. Subsequently, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses (note 4.12). The costs of other intangible assets under development are not subject to amortisation until they are completed and available for use.

Other intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.6 Other intangible assets – Continued

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

Amortisation on other intangible assets with finite useful life is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

| | |
|---|---|
| Computerised operating and guarding system | 33% |

### 4.7 Financial instruments

#### *(i) Financial assets*

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

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

*Debt instruments*

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.7 Financial instruments – Continued

#### *(ii) Impairment loss on financial assets*

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired base on the following events: (1) significant financial difficulty of the debtor; (2) a breach of contract, such as a default or past due event; (3) granting a concession to the debtors that the lender would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or (4) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.7 Financial instruments – Continued

***(iii) Financial liabilities***

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

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade payables, accrued expenses and other payables, loans from related parties, amounts due to related parties, promissory note payable and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

***(iv) Effective interest method***

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

***(v) Equity instruments***

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

***(vi) Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.8 Leases

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

***Right-of-use asset***

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

The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

***Lease liability***

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.8 Leases – Continued

***Lease liability – Continued***

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

### 4.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 4.10 Revenue recognition

***Revenue from contracts with customers***

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.10 Revenue recognition – Continued

***Revenue from contracts with customers – Continued***

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

*(i) Provision of security guarding and property management services*

Revenue is recognised over time as those services are provided. Invoices for security guarding and property management services are issued on a monthly basis and are usually payable within 30 days.

*(ii) Provision of business advisory and asset management services*

Revenue from business advisory and asset management services is recognised over time as those services are provided. Invoices for regulated financial services are issued on a monthly basis and are usually payable within 30 days.

*(iii) Performance-based fees*

Revenue recognised by an asset manager can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future periods. This means that performance fees will only be recognised once the milestones is achieved.

***Revenue from other sources***

*Interest income*

Interest income is accrued on a time apportionment basis using the effective interest method.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.11 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

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

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

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

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

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

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

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

    (i) the same taxable entity; or

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.12 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the assets.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.13 Employee benefits

***Short term employee benefits***

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.13 Employee benefits – Continued

***Defined contribution retirement plan***

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. 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 Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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

### 4.14 Provisions and contingent liabilities

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.15 Related parties

A party 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 key management personnel of the Group or the Company's parent.

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.16 Share-based payments

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

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

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

Upon exercise of share options, the amount previously recognised in share options reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

### 4.17 Government grants

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 4.18 Segment reporting

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

The Group has identified the following reportable segments: (a) Security Guarding and property management and (b) Asset Management.

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that gain on disposal of subsidiaries, finance costs, corporate income and expenses as incurred by the Group's headquarter and income tax expense are excluded from segment results.

Segment assets exclude corporate assets, which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter. These include corporate cash at banks and in hand.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include promissory note payables and borrowings.

No asymmetrical allocations have been applied to reportable segments.

### 4.19 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent re-measurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale that is classified as held for sale, the non-current asset is not depreciated or amortised.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### (a) ECL assessment

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

### (b) Depreciation

The Group depreciated the property, plant and equipment on a straight-line basis over their estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

### (c) Impairment assessment of non-financial assets

Management is required to perform impairment assessment when there is an indication that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is determined based on higher of value-in-use calculation or fair value less costs of disposal ("FVLCD"). The Group allocated the assets to the CGUs, and the calculations of value-in-use require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of non-financial assets within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

### (d) Estimate of current tax and deferred tax

The Group is subject to income taxes in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

### (e) Revenue recognition – principal versus agent

Significant judgement is required in determining whether the Company is acting as principal, and reports revenue on a gross basis, or agent, and reports revenue on a net basis. The management evaluates each revenue stream and assess whether the Group controls each specified goods or services before that goods or services is transferred to the customers. The following indicators when determining whether it is acting as principal or agent in a transaction are also considered: (i) primary responsibility for fulfilling the promise to provide the specified goods or service, (ii) inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer and (iii) discretion in establishing the price for the specified good or service.

## 6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the Company's executive directors.

The Group currently has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

(a) "Security Guarding and Property Management" segment involves provision of security guarding and property management services; and

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

## 6. SEGMENT INFORMATION – CONTINUED

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

| | Security Guarding and Property Management | | Asset Management | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Revenue from external customers** | **80,412** | 54,985 | **609** | 1,961 | **81,021** | 56,946 |
| **Total segment loss from operations** | **(3,515)** | (26,920) | **(6,847)** | (7,516) | **(10,362)** | (34,436) |
| Gain on disposal of subsidiaries | | | | | **–** | 1,505 |
| Finance costs | | | | | **(2,830)** | (3,105) |
| Unallocated corporate expenses | | | | | **(3,306)** | (3,314) |
| Loss before income tax | | | | | **(16,498)** | (39,350) |
| Income tax (expense)/credit | | | | | **(20)** | 8 |
| **Loss for the year** | | | | | **(16,518)** | (39,342) |

There was no inter-segments transfer during the years ended 31 March 2023 and 2022.

| | Security Guarding and Property Management | | Asset Management | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Other segment information** | | | | | | |
| Depreciation of property, plant and equipment | **2,579** | 3,102 | **537** | 1,411 | **3,116** | 4,513 |
| Impairment loss on goodwill | **–** | 1,050 | **–** | 236 | **–** | 1,286 |
| Impairment loss on property, plant and equipment | **–** | 12,787 | **–** | – | **–** | 12,787 |
| Impairment loss on trade receivables | **339** | 1,129 | **–** | 154 | **339** | 1,283 |
| Income tax expense/(credit) | **21** | 12 | **(1)** | (20) | **20** | (8) |
| Addition to non-current assets | **1,456** | 22,150 | **–** | 22 | **1,456** | 22,172 |
| Non-current assets held for sales | **3,524** | – | **–** | – | **3,524** | – |

## 6. SEGMENT INFORMATION – CONTINUED

All assets are allocated to operating segments other than unallocated assets (mainly comprising certain other receivables and certain cash and bank balances).

| | Security Guarding and Property Management | | Asset Management | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment assets** | **71,090** | 93,235 | **2,963** | 7,140 | **74,053** | 100,375 |
| Corporate cash at banks and in hand | | | | | **247** | 392 |
| Other corporate assets | | | | | **362** | 360 |
| **Total assets** | | | | | **74,662** | 101,127 |

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

| | Security Guarding and Property Management | | Asset Management | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment liabilities** | **32,848** | 29,496 | **1,578** | 6,137 | **34,426** | 35,633 |
| Promissory note payable | | | | | **18,750** | 20,150 |
| Borrowings | | | | | **7,187** | 6,618 |
| Other corporate liabilities | | | | | **4,534** | 7,791 |
| **Total liabilities** | | | | | **64,897** | 70,192 |

## 6. SEGMENT INFORMATION – CONTINUED

### Geographic information

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

| | Revenue from external customers | | Specific non-current assets | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong (place of domicile) | **14,070** | 8,101 | **2,751** | 6,056 |
| The People's Republic of China ("PRC") | **66,951** | 48,845 | **9,883** | 12,683 |
| | **81,021** | 56,946 | **12,634** | 18,739 |

### Information about major customers

Revenue from major customers in the segment of Security Guarding and Property Management, each of them accounted for 10% or more of the Group's revenue, are set out below:

| | **2023** | 2022 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **14,540** | N/A[1] |
| Customer B | **13,985** | 31,448 |
| Customer C | **10,425** | N/A[1] |

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 7. REVENUE

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

### Disaggregation of revenue information

| | **2023** | 2022 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Provision of security guarding and property management services | **80,412** | 54,985 |
| Provision of business advisory and asset management services | **609** | 1,961 |
| | **81,021** | 56,946 |

## 7. REVENUE – CONTINUED

### Timing of revenue recognition

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Over time | **81,021** | 56,946 |

## 8. OTHER INCOME AND LOSSES, NET

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Bank interest income | **127** | 64 |
| Gain on disposal of subsidiaries *(note 30)* | **–** | 1,505 |
| Sundry income | **–** | 227 |
| Exchange gain | **848** | – |
| Government subsidies *(note)* | **1,874** | – |
| Gain on disposal of property, plant and equipment | **168** | – |
| | **3,017** | 1,796 |

*Note:*

The amount mainly represented government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Company's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

## 9. FINANCE COSTS

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Interest charges on promissory note | **2,117** | 2,400 |
| Interests charges on loans from related parties | **10** | 5 |
| Interests charges on borrowings | **569** | 546 |
| Interest on lease liabilities | **134** | 154 |
| | **2,830** | 3,105 |

## 10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Auditor's remuneration | | |
| – Provision for the year | **650** | 630 |
| Cost of services rendered | **76,678** | 55,665 |
| Depreciation of property, plant and equipment *(note 14) (note a)* | | |
| – Owned property, plant and equipment | **282** | 212 |
| – Right-of-use assets included: | | |
| – Ownership interest leasehold land and buildings *(note 14)* | **251** | 251 |
| – Other properties leased for own use *(note 14)* | **2,583** | 4,050 |
| | **3,116** | 4,513 |
| Short-term leases expenses *(note 21)* | **2** | 180 |
| Low-value assets leases expenses *(note 21)* | **18** | 17 |
| Employee benefits expenses *(including directors' emoluments in note 31)*: | | |
| Salaries, allowances and benefits in kind included in: | | |
| – Cost of services rendered | **76,187** | 55,201 |
| – Administrative expenses | **11,967** | 11,822 |
| Retirement benefits – Defined contribution plans included in: | | |
| – Cost of services rendered | **490** | 321 |
| – Administrative expenses | **77** | 86 |
| Equity-settled share options expenses *(note a)* | **–** | 2,390 |
| | **88,721** | 69,820 |
| Impairment loss on goodwill | **–** | 1,286 |
| Impairment loss on property, plant and equipment | **–** | 12,787 |
| Impairment loss on trade receivables | **339** | 1,283 |

*Note:*

a) Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income

b) There were no contributions forfeited by the Group on behalf of its employees who leave the MPF scheme or the PRC retirement scheme (as the case may be).

## 11. INCOME TAX EXPENSE/(CREDIT)

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

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Current tax | | |
| – PRC Enterprise Income Tax ("EIT") | | |
| – Tax for the year | **20** | 12 |
| – Over-provision in respect of prior years | **–** | (20) |
| | **20** | (8) |

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year. No provision for Hong Kong profits tax has been made for both years as the Group has no assessable profits arising in Hong Kong. EIT is calculated on estimated assessable profits of the subsidiaries' operations in PRC at 25% (2022: 25%).

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

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Loss before income tax | **(16,498)** | (39,350) |
| Tax calculated at the statutory tax rate applicable to profits in the respective jurisdictions | **(3,457)** | (8,827) |
| Tax effect on non-deductible expenses | **1,284** | 5,368 |
| Tax effect on non-taxable income | **(30)** | (288) |
| Tax effect of temporary difference not recognised | **92** | (93) |
| Tax effect of tax losses not recognised | **2,131** | 3,852 |
| Over-provision in respect of prior years | **–** | (20) |
| Income tax expense/(credit) | **20** | (8) |

## 12. DIVIDEND

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

## 13. LOSS PER SHARE

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

| Loss | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Loss for the year attributable to owners of the Company | **(16,315)** | (35,506) |

| Number of shares | 2023 '000 | 2022 '000 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic loss per share | **581,442** | 501,286 |

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of share of approximately 581,442,000 (2022: 501,286,000 adjusted for the effect of the share consolidation on 2 August 2021 and the bonus element of the issue of shares under subscription on 5 August 2021 as stated in note 25).

The computation of diluted loss per share does not assume the exercise of the company's share options for the years ended 31 March 2023 and 31 March 2022 as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Right-of-use assets HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 April 2021** | 3,243 | 3,247 | 3,118 | 15,759 | 25,367 |
| Additions | – | 22 | 437 | 21,713 | 22,172 |
| Disposal of subsidiaries *(note 30(a))* | – | (161) | – | – | (161) |
| Exchange realignment | – | 1 | 8 | 679 | 688 |
| **At 31 March 2022 and 1 April 2022** | 3,243 | 3,109 | 3,563 | 38,151 | 48,066 |
| Additions | | 2 | 662 | 792 | 1,456 |
| Disposals | – | – | (1,708) | – | (1,708) |
| Transfer to non-current assets held for sales *(note 24)* | – | – | – | (6,293) | (6,293) |
| Exchange realignment | – | (2) | (35) | (2,182) | (2,219) |
| **At 31 March 2023** | 3,243 | 3,109 | 2,482 | 30,468 | 39,302 |
| **Accumulated depreciation and impairment** | | | | | |
| **At 1 April 2021** | 848 | 3,232 | 3,118 | 4,652 | 11,850 |
| Depreciation | 115 | 10 | 87 | 4,301 | 4,513 |
| Disposal of subsidiaries *(note 30(a))* | – | (155) | – | – | (155) |
| Impairment | – | – | 221 | 12,566 | 12,787 |
| Exchange realignment | – | 1 | 7 | 324 | 332 |
| **At 31 March 2022 and 1 April 2022** | 963 | 3,088 | 3,433 | 21,843 | 29,327 |
| Depreciation | 115 | 6 | 161 | 2,834 | 3,116 |
| Disposals | – | – | (1,708) | – | (1,708) |
| Transfer to non-current assets held for sales *(note 24)* | – | – | – | (2,769) | (2,769) |
| Exchange realignment | – | (2) | (23) | (1,273) | (1,298) |
| **At 31 March 2023** | 1,078 | 3,092 | 1,863 | 20,635 | 26,668 |
| **Net book value** | | | | | |
| **At 31 March 2023** | 2,165 | 17 | 619 | 9,833 | 12,634 |
| **At 31 March 2022** | 2,280 | 21 | 130 | 16,308 | 18,739 |

## 14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Ownership interests leasehold land and buildings, carried at depreciated cost with remaining lease term of: | | |
| – Between 10 and 50 years | **–** | 3,776 |
| Other properties leased for own use, carried at depreciated cost | **9,833** | 12,532 |
| | **9,833** | 16,308 |

### (a) Shenzhen Security Guarding CGU

Property, plant and equipment with the net carrying amount HK$2,517,000 (before the impairment assessment) is attributable to the cash-generating unit of provision of security guarding services in PRC by Shenzhen Guanhui Jiye Property Management Limited ("Shenzhen Security Guarding CGU").

The recoverable amount of the Shenzhen Security Guarding CGU has been determined based on value-in-use calculations estimated by the management with reference to the valuation performed by an independent firm of professional valuer. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management, followed by an extrapolation of expected cash flow at terminal growth rate of 3% (2022: 3%), which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 19.3% (2022: 18.7%). The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the historical performance, estimation of market development and future performance of the Shenzhen Security Guarding CGU made by the management of the Group. The discount rate used is pre-tax and reflect specific risks relating to the industry in relation to Shenzhen Security Guarding CGU.

The directors of the Company determined that there was no impairment loss on Shenzhen Security Guarding CGU (2022: Impairment loss of approximately HK$6,246,000) for the year ended 31 March 2023.

### (b) Jingwudun Security Guarding CGU

Property, plant and equipment with the net carrying amount HK$4,641,000 (before the impairment assessment) is attributable to the cash-generating unit of provision of security guarding services in PRC by Jingwudun Security Management Group Co., Limited ("Jingwudun Security Guarding CGU").

The recoverable amount of the Jingwudun Security Guarding CGU has been determined based on value-in-use calculations estimated by the management with reference to the valuation performed by an independent firm of professional valuer. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management, followed by an extrapolation of expected cash flow at terminal growth rate of 3% (2022: 3%), which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 20.3% (2022: 19.5%). The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the historical performance, estimation of market development and future performance of the Jingwudun Security Guarding CGU made by the management of the Group. The discount rate used is pre-tax and reflect specific risks relating to the industry in relation to Jingwudun Security Guarding CGU.

## 14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

### (b) Jingwudun Security Guarding CGU – Continued

The directors of the Company determined that there was no impairment loss on Jingwudun Security Guarding CGU (2022: Nil) for the year ended 31 March 2023.

### (c) Shandong Security Guarding CGU

Property, plant and equipment with the net carrying amount HK$2,126,000 (before the impairment assessment) is attributable to the cash-generating unit of provision of security guarding services in PRC by Shandong Zhicheng Economic Consultation Service Co., Ltd ("Shandong Security Guarding CGU").

The recoverable amount of the Shandong Security Guarding CGU has been determined based on value-in-use calculations estimated by the management with reference to the valuation performed by an independent firm of professional valuer. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management, followed by an extrapolation of expected cash flow at terminal growth rate of 3% (2022: 3%), which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 20.1% (2022: 19.3%). The key assumptions were determined by the management based on its expectations for the business development. The estimated cash flows include budget revenue based on the historical performance, estimation of market development and future performance of the Shandong Security Guarding CGU made by the management of the Group. The discount rate used is pre-tax and reflect specific risks relating to the industry in relation to Shandong Security Guarding CGU.

As the recoverable amount of the Shandong Security Guarding CGU is higher than its carrying amount, no impairment loss would be recognised (2022: Impairment loss of approximately HK$6,541,000) for the year ended 31 March 2023.

## 15. GOODWILL

Goodwill was arising from the business combinations of security guarding and property management business in PRC by Jingwudun Security Guarding CGU and asset management business by Guangzhou Huiyu Commercial Company Limited ("Asset Management CGU") in the previous years.

As the recoverable amount of Jingwudun Security Guarding CGU was lower than its carrying amount, the directors of the Company considered that an impairment loss on goodwill of approximately HK$1,050,000 had been recognised for the year ended 31 March 2022.

As the recoverable amount of Asset Management CGU is lower than its carrying amount, the directors of the Company considered that an impairment loss on goodwill of approximately HK$236,000 had been recognised for the year ended 31 March 2022.

All the carrying amounts for goodwill as at 31 March 2023 has been fully impaired in earlier periods.

## 16. OTHER INTANGIBLE ASSETS

| | Computerised operating and guarding system HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 | 6,717 |
| **Accumulated amortisation and impairment** | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 | 6,717 |
| **Net book value** | |
| At 31 March 2023 and 2022 | – |

## 17. BALANCES WITH RELATED PARTIES

| | Notes | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|---|
| Amount due from a related party | | | |
| – fellow subsidiaries of the Company | (iii) | **1,806** | 102 |
| Loans from related parties: | | | |
| – immediate holding company | (i) | **(13)** | (2,050) |
| – ultimate holding company | (ii) | **–** | (44) |
| | | **(13)** | (2,094) |
| Amounts due to related parties: | | | |
| – a director of the Company | (iii) | **(478)** | (150) |
| – a director of a subsidiary of the Company | (iii) | **(6,100)** | (4,640) |
| – fellow subsidiaries of the Company | (iii) | **(542)** | (190) |
| | | **(7,120)** | (4,980) |

## 17. BALANCES WITH RELATED PARTIES – CONTINUED

### i. Loan from immediate holding company

The loan was unsecured, interest-free and repayable on demand.

### ii. Loan from ultimate holding company

The loan was unsecured, bearing interest 1% per annum and repayable within one year as at 31 March 2023.

### iii. Amounts due from/(to) related parties

These amounts due from/(to) related parties were unsecured, interest-free and repayable on demand.

## 18. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax (assets)/liabilities recognised and the movements during the current and prior years are as follows:

| | Accelerated tax depreciation HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 1 April 2021** | 101 | (101) | – |
| Charged to profit or loss *(note 11)* | (31) | 31 | – |
| **At 31 March 2022 and 1 April 2022** | 70 | (70) | – |
| Charged to profit or loss *(note 11)* | 59 | (59) | – |
| **At 31 March 2023** | 129 | (129) | – |

At 31 March 2023, in view of unpredictability of future profit streams, the Group did not recognise deferred tax assets in respect of estimated unused tax losses of HK$66,325,000 (2022: HK$57,471,000) that can be carried forward against future taxable income, of which, tax losses of HK$36,864,000 (2022: HK$35,897,000) can be carried forward indefinitely. The remaining balances of tax losses will expire on various date within five years.

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

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Trade receivables | **9,904** | 7,594 |
| Prepayments | **724** | 278 |
| Deposits | **2,800** | 2,963 |
| Other receivables | **2,353** | 1,464 |
| | **5,877** | 4,705 |

Trade receivables generally have credit terms of 7 to 30 days (2022: 7 to 30 days).

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

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Not more than 30 days | **4,845** | 5,496 |
| 30-90 days | **2,899** | 1,436 |
| Over 90 days | **2,160** | 662 |
| | **9,904** | 7,594 |

Movements in loss allowance accounts for trade receivables, deposits and other receivable during the year were as follows:

| | **Trade receivables HK$'000** | **Deposits and other receivables HK$'000** | **Total HK$'000** |
|---|---|---|---|
| **Balance at 1 April 2021** | 3,994 | 123 | 4,117 |
| Disposal of subsidiaries | – | (123) | (123) |
| Impairment losses recognised | 1,283 | – | 1,283 |
| Exchange realignment | 143 | – | 143 |
| **Balance at 31 March 2022 and 1 April 2022** | 5,420 | – | 5,420 |
| Impairment losses recognised | 339 | – | 339 |
| Exchange realignment | (309) | – | (309) |
| **Balance at 31 March 2023** | 5,450 | – | 5,450 |

Further details on the Group's credit policy, ECL model and matrix used are set out in notes 4.7(ii) and 35.

## 20. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Trade payables | **1,918** | 1,179 |
| Accrued expenses and other payables* | **15,755** | 15,379 |
| | **17,673** | 16,558 |

* The balances mainly represented the accrued expense for salaries, legal and professional fees and other payables.

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

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Not more than 30 days | **1,918** | 1,179 |

## 21. LEASE LIABILITIES

The movement of the Group's lease liabilities during the year ended 31 March 2023 and 2022 is as follows:

| | **Land and buildings leased for own use HK$'000** |
|---|---|
| **At 1 April 2021** | 1,126 |
| Additions | 21,713 |
| Interest expense | 154 |
| Lease payments | (3,551) |
| Exchange realignment | 350 |
| **As at 31 March 2022 and 1 April 2022** | 19,792 |
| Additions | 792 |
| Interest expense | 134 |
| Lease payments | (5,119) |
| Exchange realignment | (1,445) |
| **As at 31 March 2023** | 14,154 |

## 21. LEASE LIABILITIES – CONTINUED

Future lease payments are due as follows:

**2023**

| | Minimum lease payments HK$'000 | Interest HK$'000 | Present value HK$'000 |
|---|---|---|---|
| Not later than one year | **5,296** | **(141)** | **5,155** |
| Later than one year and not later than two years | **5,491** | **(138)** | **5,353** |
| Later than two years and not later than five years | **3,712** | **(66)** | **3,646** |
| | **14,499** | **(345)** | **14,154** |

2022

| | Minimum lease payments HK$'000 | Interest HK$'000 | Present value HK$'000 |
|---|---|---|---|
| Not later than one year | 5,213 | (96) | 5,117 |
| Later than one year and not later than two years | 5,726 | (111) | 5,615 |
| Later than two years and not later than five years | 9,210 | (150) | 9,060 |
| | 20,149 | (357) | 19,792 |

The present value of future lease payments are analysed as:

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Current liabilities | **5,155** | 5,117 |
| Non-current liabilities | **8,999** | 14,675 |
| | **14,154** | 19,792 |

**Others**

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Short-term leases expenses | **2** | 180 |
| Low-value assets leases expenses | **18** | 17 |

## 22. PROMISSORY NOTE PAYABLE

On 6 May 2016, the Company issued a promissory note to a former director of the Company, Mr. Fu Yik Lung ("Mr. Fu") to raise funding for the Group's working capital on the daily operation and the development of its existing businesses and any other future development opportunities.

The principal sum of HK$19,500,000 together with its interest accrued are to be repaid on the date falling two years from 6 May 2016. The promissory note was unsecured and interest-bearing at 5% per annum during that period.

On 10 May 2018, the Group had entered into an extension agreement with Mr. Fu (the noteholder of the promissory note) pursuant to which the maturity date of the promissory note was extended to 4 August 2019, and the principal amount of the promissory note was amended to HK$19,950,000. The extended promissory note shall bear fixed interest in the amount of HK$200,000 per month.

On 4 April 2019, the Group had entered into a second extension agreement with Mr. Fu pursuant to which the maturity date of the promissory note was further extended to 5 October, 2020, and the principal amount was HK$19,950,000. The extended promissory note would bear fixed interest in the amount of HK$200,000 per month.

On 31 July 2020, the Group had entered into an agreement with Mr. Fu pursuant to which certain liabilities for the interest payable was discharged by Mr. Fu. It hereby resulted in substantial modification of the terms of the promissory note. The gain on modification with amount of HK$2,400,000 was recognised for the year ended 31 March 2021.

On 14 May 2021, the Company entered into a third extension agreement with Mr. Fu pursuant to which the maturity date of the promissory note was further extended to 30 April 2022.

On 7 June 2022, the Company entered into a fourth extension agreement with Mr. Fu pursuant to which the maturity date of the promissory note was further extended to 31 October 2022.

On 1 November 2022, the Company entered into a fifth extension agreement with Mr. Fu pursuant to which the maturity date of the promissory note was further extended to 31 July 2023.

## 23. BORROWINGS

The balance represented the unsecured debenture. The Company had issued debentures with aggregate principal of approximately USD800,000 (equivalent to approximately HK$6,202,000) to an independent third party in the previous years. The debentures are unsecured, bearing interest rate at 8.5% per annum and repayable in July 2021.

On 15 July 2021, the Group had entered into an extension agreement with the holder of the debentures pursuant to which the maturity date of the debentures was extended to July 2022.

On 15 July 2022, the Group has entered into second extension agreement with the holder of the debentures pursuant to which the maturity date of the debentures was further extended to July 2023.

## 24. NON-CURRENT ASSETS HELD FOR SALE

On 2 September 2022, the Group entered into a legally binding provisional agreement with independent third parties to dispose the properties of the Group at an aggregate consideration of HK$12,000,000. As at 31 March 2023, the disposal of the properties has not yet been completed and the properties have been reclassified as non-current assets held for sale. The disposal of the properties was completed on 12 April 2023.

## 25. SHARE CAPITAL

| | Number of ordinary shares of HK$0.01 | Number of ordinary shares of HK$0.05 | Amount HK$'000 |
|---|---|---|---|
| **Authorised:** | | | |
| **At 1 April 2021 *(@HK$0.01)*** | 4,000,000,000 | – | 40,000 |
| Share consolidation *(note (i))* | (4,000,000,000) | 800,000,000 | – |
| **At 31 March 2022, 1 April 2022 and 31 March 2023 *(@HK$0.05)*** | – | 800,000,000 | 40,000 |
| **Issued:** | | | |
| **At 1 April 2021** | 1,661,756,697 | – | 16,618 |
| Share consolidation *(note (ii))* | (1,661,756,697) | 332,351,339 | – |
| Issue of shares under subscription *(note (iii))* | – | 249,090,909 | 12,454 |
| **At 31 March 2022, 1 April 2022 and 31 March 2023** | – | 581,442,248 | 29,072 |

*Notes:*

(i) The share consolidation on the basis that every five issued and unissued existing shares be consolidated into one consolidated share has been effective from 2 August 2021. Upon the completion of the share consolidation, the authorised share capital of the Company shall become HK$40,000,000 divided into 800,000,000 consolidated shares of par value of HK$0.05 each.

(ii) Referring to the share consolidation disclosed in note i, the number of issued shares has been adjusted from 1,661,756,697 to 332,351,339 on 2 August 2021.

(iii) The subscriber, who is wholly-owned by Mr. Song, an executive director and chairman of the Company and a controlling shareholder of the Company has completed the subscription of 249,090,909 new shares at HK$0.275. The consideration of the subscription has been satisfied by the capitalisation and full settlement of the shareholder loan in the sum of HK$68,500,000. The subscription has been completed on 5 August 2021. The subscription is non-cash transaction for the year ended 31 March 2022.

## 26. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity of the consolidated financial statements. The natures and purposes of reserves within equity are as follows:

**Share premium**

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

**Merger reserve**

It represents the difference between the nominal value of the share capital of the subsidiary held by the Company and the nominal value of the share capital of the Company issued pursuant to the group reorganisation prior to the listing of the Company's shares.

**Share options reserve**

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees and directors over the vesting period.

**Foreign exchange reserve**

Foreign exchange reserve comprise all foreign exchange difference arising from the translation of the financial statements of foreign operations.

## 27. SHARE OPTION SCHEME

A share option scheme (the "Scheme") adopted by the Company was approved by the shareholders on 31 July 2014.

A summary of the Scheme is set out below:

The Scheme became effective for a period of 10 years commencing on 31 July 2014. Under the Scheme, the directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a business day; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share on the date. The offer of a grant of options may be accepted within seven days inclusive of the day on which such offer was made.

The options granted shall be exercisable in whole or in part in the effective option period. The exercise period of the options granted is determined and notified by the directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the option is made, subject to the provisions for early termination thereof.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of all the shares of the Company in issue as at the date of the annual general meeting held on 10 September 2021 being 58,144,224 shares.

## 27. SHARE OPTION SCHEME – CONTINUED

### For the year ended 31 March 2023

| | Number of options | | | | | | |
|---|---|---|---|---|---|---|---|
| | At 1 April 2022 | Granted during the year | Lapsed during the year | At 31 March 2023 | Date of grant | Exercise period | Adjusted exercise price |
| **Directors/Ex-directors** | | | | | | | |
| Hon Hoi Chuen *(note ii)* | 1,865,788 | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Lin Shuxian *(note iii)* | 1,865,788 | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Li Mingming | 1,865,788 | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Guan Yan | 186,578 | – | – | 186,578 | 14 December 2018 | Period 1 | 1.17 |
| Zhao Jinsong | 186,578 | – | – | 186,578 | 14 December 2018 | Period 1 | 1.17 |
| Li Zhongfei | 186,578 | – | – | 186,578 | 14 December 2018 | Period 1 | 1.17 |
| Pang Xiaoli *(note iv)* | 410,653 | – | – | 410,653 | 18 April 2019 | Period 2 | 0.445 |
| Hon Hoi Chuen *(note ii)* | 668,467 | – | – | 668,467 | 18 April 2019 | Period 2 | 0.445 |
| Lin Shuxian *(note iii)* | 668,467 | – | – | 668,467 | 18 April 2019 | Period 2 | 0.445 |
| Guan Yan | 17,194 | – | – | 17,194 | 18 April 2019 | Period 2 | 0.445 |
| Zhao Jinsong | 17,194 | – | – | 17,194 | 18 April 2019 | Period 2 | 0.445 |
| Li Zhongfei | 17,194 | – | – | 17,194 | 18 April 2019 | Period 2 | 0.445 |
| Su Congyue *(note iv)* | 2,534,256 | – | – | 2,534,256 | 18 April 2019 | Period 2 | 0.445 |
| | 10,490,523 | – | – | 10,490,523 | | | |
| Employees in aggregate | 1,865,788 | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Employees in aggregate | 291,885 | – | – | 291,885 | 18 April 2019 | Period 2 | 0.445 |
| Employees in aggregate | 33,235,133 | – | – | 33,235,133 | 11 October 2021 | Period 4 | 0.2242 |
| Total | 45,883,329 | – | – | 45,883,329 | | | |

## 27. SHARE OPTION SCHEME – CONTINUED

### For the year ended 31 March 2022

| | Number of options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At 1 April 2021 | Adjustment arising from share consolidation | Granted during the year | Lapsed during the year | At 31 March 2022 | Date of grant | Exercise period | Adjusted exercise price |
| **Directors/Ex-directors** | | | | | | | | |
| Hon Hoi Chuen *(note ii)* | 9,328,944 | (7,463,156) | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Lin Shuxian *(note iii)* | 9,328,944 | (7,463,156) | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Li Mingming | 9,328,944 | (7,463,156) | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Guan Yan | 932,894 | (746,316) | – | – | 186,578 | 14 December 2018 | Period 1 | 1.17 |
| Zhao Jinsong | 932,894 | (746,316) | – | – | 186,578 | 14 December 2018 | Period 1 | 1.17 |
| Li Zhongfei | 932,894 | (746,316) | – | – | 186,578 | 14 December 2018 | Period 1 | 1.17 |
| Pang Xiaoli | 2,053,265 | (1,642,612) | – | – | 410,653 | 18 April 2019 | Period 2 | 0.445 |
| Hon Hoi Chuen *(note ii)* | 3,342,335 | (2,673,868) | – | – | 668,467 | 18 April 2019 | Period 2 | 0.445 |
| Lin Shuxian *(note iii)* | 3,342,335 | (2,673,868) | – | – | 668,467 | 18 April 2019 | Period 2 | 0.445 |
| Guan Yan | 85,974 | (68,780) | – | – | 17,194 | 18 April 2019 | Period 2 | 0.445 |
| Zhao Jinsong | 85,974 | (68,780) | – | – | 17,194 | 18 April 2019 | Period 2 | 0.445 |
| Li Zhongfei | 85,974 | (68,780) | – | – | 17,194 | 18 April 2019 | Period 2 | 0.445 |
| | 39,781,371 | (31,825,104) | – | – | 7,956,267 | | | |
| Employees in aggregate | 9,328,944 | (7,463,156) | – | – | 1,865,788 | 14 December 2018 | Period 1 | 1.17 |
| Employees in aggregate | 14,130,708 | (11,304,567) | – | – | 2,826,141 | 18 April 2019 | Period 2 | 0.445 |
| Employees in aggregate | 74,977,156 | (59,981,729) | – | (14,995,427) | – | 5 September 2019 | Period 3 | 0.72 |
| Employees in aggregate | – | – | 33,235,133 | – | 33,235,133 | 11 October 2021 | Period 4 | 0.2242 |
| Total | 138,218,179 | (110,574,556) | 33,235,133 | (14,995,427) | 45,883,329 | | | |

*Notes:*

(i) Period 1: 14 December 2018 to 13 December 2028, the exercise price of share options as at 31 March 2022 has been adjusted with effects of share consolidation on 2 August 2021. Further details are set out in note 25(i) to the consolidated financial statements.

Period 2: 18 April 2019 to 17 April 2029, the exercise price of share options as at 31 March 2022 has been adjusted with effects of share consolidation on 2 August 2021. Further details are set out in note 25(i) to the consolidated financial statements.

Period 3: 5 September 2019 to 4 September 2021, the exercise price of share options as at 31 March 2022 has been adjusted with effects of share consolidation on 2 August 2021. Further details are set out in note 25(i) to the consolidated financial statements.

Period 4: 11 October 2021 to 10 October 2026

(ii) Resigned as an executive director of the Company on 12 July 2021.

(iii) Resigned as an executive director of the Company on 8 April 2022.

(iv) Appointed as an executive director of the Company on 22 July 2022.

## 27. SHARE OPTION SCHEME – CONTINUED

The vesting date of the share options is the date of grant.

During the year, no share options have been lapsed (2022: 14,995,427 share options have been lapsed on 4 September 2021).

No equity-settled share options expenses (2022: 2,390,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023.

The fair values of the share options granted on 11 October 2021, 5 September 2019, 18 April 2019 and 14 December 2018 respectively under the Scheme were determined using the binomial option pricing model. Significant inputs into the model and assumptions were as follows:

| Parameter | 11 October 2021 | 5 September 2019 | 18 April 2019 | 14 December 2018 |
|---|---|---|---|---|
| Share price on date of grant | HK$0.201 | HK$0.147 * | HK$0.0900 * | HK$0.260 * |
| Exercise price | HK$0.2242 | HK$0.147 * | HK$0.0904 * | HK$0.265 * |
| Risk-free rate | 0.78% | 1.52% | 1.71% | 2.27% |
| Expected option life | 5 years | 2 years | 10 years | 10 years |
| Expected volatility | 107% | 97% | 106% | 104% |
| Early exercise behavior (of the exercise price) | N/A | N/A | N/A | N/A |

* Before adjustment of share consolidation and rights issue.

The expected volatility represents the historical volatility of the share price of the ordinary shares of the Company.

## 27. SHARE OPTION SCHEME – CONTINUED

The share options and weighted average share price are summarised as follows for the reporting periods presented:

| | Number of share options HK$'000 | Weighted average exercise price HK$'000 |
|---|---|---|
| **Outstanding at 1 April 2021** | 138,218,179 | 0.161 |
| Adjustment arising from share consolidation | (110,574,556) | – |
| Granted during the year | 33,235,133 | 0.224 |
| Lapsed during the year | (14,995,427) | 0.720 |
| **Outstanding at 31 March 2022, 1 April 2022 and 31 March 2023** | 45,883,329 | 0.411 |

The share options outstanding at 31 March 2023, which are all exercisable, had exercise price of HK$0.411 (2022: HK$0.411) and a weighted average remaining contractual life of 4.17 (2022: 5.17) years.

At the end of the reporting period, the Company had 45,883,329 (2022: 45,883,329) share options outstanding under the Scheme which representing approximately 7.89% (2022: 7.89%) of the Company's shares in issue as at 31 March 2023. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 45,883,329 (2022: 45,883,329) additional ordinary shares of the Company and additional share capital of HK$2,294,166 (2022: HK$2,294,166) and share premium of HK$16,584,055 (2022: HK$16,584,055) (before issue expenses).

Subsequent to the end of the reporting period, no share options was exercised.

At the date of approval of these consolidated financial statements, the Company has 45,883,329 share options outstanding under the Scheme, which represented approximately 7.89% of the Company's share in issue as at that date.

## 28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### (a) Statement of financial position of the Company

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current asset** | | | |
| Investments in subsidiaries | | **2,566** | 2,566 |
| **Current assets** | | | |
| Prepayments and other receivables | | **343** | 351 |
| Amounts due from subsidiaries | | **50,856** | 68,811 |
| Amount due from related parties | | **44** | – |
| Cash at banks | | **359** | 341 |
| | | **51,602** | 69,503 |
| **Current liabilities** | | | |
| Accrued expenses | | **2,481** | 2,584 |
| Loans from related parties | | **13** | 2,050 |
| Amounts due to subsidiaries | | **14,422** | 8,998 |
| Amount due to a related party | | **2,611** | 2,206 |
| Promissory note payable | | **18,750** | 20,150 |
| Borrowings | | **7,187** | 6,618 |
| | | **45,464** | 42,606 |
| **Net current assets** | | **6,138** | 26,897 |
| **Net assets** | | **8,704** | 29,463 |
| **EQUITY** | | | |
| Share capital | 25 | **29,072** | 29,072 |
| Reserves | 28(b) | **(20,368)** | 391 |
| **Total equity** | | **8,704** | 29,463 |

Statement of financial position of the Company was approved and authorised for issue by the board of directors on 26 June 2023 and are signed on its behalf by:

**Song Xiaoming**
*Director*

**Song Shiqing**
*Director*

## 28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – CONTINUED

### (b) Reserves of the Company

| | Share premium HK$'000 | Contributed surplus HK$'000 (note) | Share options reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **At 1 April 2021** | 169,485 | 7,996 | 8,339 | (207,547) | (21,727) |
| Issue of shares *(note 25)* | 56,046 | – | – | – | 56,046 |
| Transaction cost for subscription | (654) | – | – | – | (654) |
| Equity-settled share options expenses *(note 27)* | – | – | 2,390 | – | 2,390 |
| Lapse of share options | – | – | (3,488) | 3,488 | – |
| Loss for the year | – | – | – | (35,664) | (35,664) |
| **At 31 March 2022 and 1 April 2022** | 224,877 | 7,996 | 7,241 | (239,723) | 391 |
| Loss for the year | – | – | – | (20,759) | (20,759) |
| **At 31 March 2023** | 224,877 | 7,996 | 7,241 | (260,482) | (20,368) |

*Note:*

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation prior to the listing of the Company's shares.

## 29. SUBSIDIARIES

### (a) General information of subsidiaries as at 31 March 2023

Particulars of the company's principal subsidiaries are as follow:

| Name of subsidiaries | Place of incorporation/ operations | Issued and paid-up share/ registered capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| King Force Security Limited | Hong Kong | HK$10,000 | – | 100% | Provision of security guarding services |
| Shenzhen Guanhui Jiye Property Management Limited # | PRC | RMB1,000,000 | – | 100% | Provision of security guarding and property management services |
| Jingwudun Security Management Group Co., Limited # | PRC | RMB10,000,000 | – | 51% | Provision of security guarding services |
| Shenzhen Jiuli Investment Advisory Co., Ltd. # | PRC | RMB24,734,390 | – | 100% | Provision of business advisory and asset management services |
| Huaqing Huili Commercial Consultation (Shanghai) Company Limited # | PRC | RMB752,000 | – | 100% | Provision of asset management services |
| Huili Asset Management (Zhuhai) Co., Limited # | PRC | RMB11,250,000 | – | 100% | Provision of asset management services |
| Guangzhou Huiyu Commercial Co. Limited # | PRC | RMB1,000,000 | – | 100% | Investment holding |

## 29. SUBSIDIARIES – CONTINUED

### (a) General information of subsidiaries as at 31 March 2023 – Continued

| Name of subsidiaries | Place of incorporation/ operations | Issued and paid-up share/ registered capital | Percentage of equity interest attributable to the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| Shenzhen Zeli Investment Limited # | PRC | RMB1,000,000 | – | 100% | Investment holding |
| Shenzhen Huili Investment Limited # | PRC | RMB20,000,000 | – | 100% | Provision of asset management services |
| Shandong Guanhui Commercial Development Co. Limited # | PRC | USD30,000,000 | – | 100% | Inactive |
| Shandong Guanhui Business Service Co., Ltd. | PRC | USD30,000,000 | – | 100% | Inactive |
| Shandong Guanhui Education Consultation Co., Ltd.# | PRC | USD30,000,000 | – | 100% | Inactive |
| Shandong Guanhui Property Management Co., Ltd.# | PRC | USD30,000,000 | – | 100% | Inactive |
| Weifang Guanhui Jiye Education Investment Co., Ltd.# | PRC | RMB1,000,000 | – | 100% | Inactive |
| Shandong Zhicheng Economic Consultation Service Co., Ltd.# ("Shandong Zhicheng") | PRC | RMB7,819,459 | – | 51% | Provision of business advisory and asset management services |

# The English names are translated for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

## 29. SUBSIDIARIES – CONTINUED

### (b) Material non-controlling interests

Shandong Zhicheng, a 51% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Shandong Zhicheng, before intra-group eliminations, is presented below:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **NCI percentage** | **49** | 49 |
| **As at 31 March** | | |
| Non-current assets | **2,126** | 3,045 |
| Current assets | **1,776** | 1,199 |
| Current liabilities | **(10,093)** | (10,833) |
| Net liabilities | **(6,191)** | (6,589) |
| **Equity attributable to** | | |
| Owners of the Company | **(3,157)** | (3,361) |
| NCI | **(3,034)** | (3,228) |
| | **(6,191)** | (6,589) |
| Carrying amount of NCI | **(3,034)** | (3,228) |
| **For the year/period ended 31 March** | | |
| Revenue | **46,847** | 8,628 |
| Loss for the year/period | **(95)** | (6,470) |
| Other comprehensive income | **493** | (119) |
| Total comprehensive income | **398** | (6,589) |
| Loss allocated to NCI | **(47)** | (3,170) |
| Dividends paid to NCI | **–** | – |
| **For the year/period ended 31 March** | | |
| Cash flows from operating activities | **(665)** | 861 |
| Cash flows from investing activities | **–** | – |
| Cash flows from financing activities | **–** | – |
| Net cash (outflows)/inflows | **(665)** | 861 |

## 30. DISPOSAL OF SUBSIDIARIES

(a) On 31 March 2022, the Group entered into an agreement with an independent third party to dispose of the entire equity interest of Guanhui Huyu Technology Limited at a consideration of nil. Loss on disposal amounted to HK$955,000 was analysed as follows:

| | HK$'000 |
|---|---|
| **Net assets disposed of:** | |
| Property, plant and equipment *(note 14)* | 6 |
| Prepayments, deposits and other receivables | 2,091 |
| Cash and cash equivalents | 1 |
| Accruals and other payables | (1,093) |
| | 1,005 |
| Release of exchange reserve upon disposal | (50) |
| Less: Proceeds from disposal | – |
| Loss on disposal | 955 |

| | HK$'000 |
|---|---|
| **Net cash outflow arising on disposal:** | |
| Cash at banks and in hand disposed of | (1) |
| Net cash outflow | (1) |

(b) On 31 March 2022, the Group entered into an agreement with an independent third party to dispose of the entire equity interest of Shiny Lotus Global Limited at a consideration of nil. Loss on disposal amounted to HK$20,000 was analysed as follows:

| | HK$'000 |
|---|---|
| **Net assets disposed of:** | |
| Prepayments, deposits and other receivables | 50 |
| Accruals and other payables | (30) |
| | 20 |
| Less: Proceeds from disposal | – |
| Loss on disposal | 20 |

## 30. DISPOSAL OF SUBSIDIARIES – CONTINUED

(c) On 31 March 2022, the Group entered into an agreement with an independent third party to dispose of the entire equity interest of Loyal Salute Limited at a consideration of nil. Gain on disposal amounted to HK$2,480,000 was analysed as follows:

| | HK$'000 |
|---|---|
| **Net liabilities disposed of:** | |
| Amount due from the non-controlling equity holder | 237 |
| Prepayments, deposits and other receivables | 218 |
| Cash and cash equivalents | 49 |
| Accruals and other payables | (4,508) |
| | (4,004) |
| Non-controlling interests | 1,886 |
| Release of exchange reserve upon disposal | (362) |
| Less: Proceeds from disposal | – |
| Gain on disposal | (2,480) |

| | HK$'000 |
|---|---|
| **Net cash outflow arising on disposal:** | |
| Cash at banks and in hand disposed of | (49) |
| Net cash outflow | (49) |

## 31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### Directors' emoluments

### For the year ended 31 March 2023

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Retirement scheme contributions HK$'000 | Equity-settled share options expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Song Xiaoming | – | 727 | 84 | – | 811 |
| Lin Shuxian *(note i)* | – | 5 | 6 | – | 11 |
| Song Shiqing | – | 341 | 72 | – | 413 |
| Lyu Xingyuan *(note ii)* | – | 91 | 25 | – | 116 |
| Su Congyue *(note iii)* | – | – | – | – | – |
| **Non-executive director** | | | | | |
| Chung Man Lai | 50 | – | – | – | 50 |
| **Independent non-executive directors** | | | | | |
| Zhao Jinsong | 180 | – | – | – | 180 |
| Li Zhongfei | 180 | – | – | – | 180 |
| Liu Chengwei | 180 | – | – | – | 180 |
| Total | 590 | 1,164 | 187 | – | 1,941 |

## 31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS – CONTINUED

### Directors' emoluments – Continued

### For the year ended 31 March 2022

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Retirement scheme contributions HK$'000 | Equity-settled share options expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Song Xiaoming | 11 | 414 | 109 | – | 534 |
| Hon Hoi Chuen *(note iv)* | 11 | 9 | 12 | – | 32 |
| Lin Shuxian *(note i)* | 11 | 339 | 93 | – | 443 |
| Song Shiqing | 11 | 317 | 84 | – | 412 |
| **Non-executive director** | | | | | |
| Chung Man Lai | 50 | – | – | – | 50 |
| **Independent non-executive directors** | | | | | |
| Guan Yan *(note v)* | 50 | – | – | – | 50 |
| Zhao Jinsong | 180 | – | – | – | 180 |
| Li Zhongfei | 180 | – | – | – | 180 |
| Liu Chengwei *(note vi)* | 101 | – | – | – | 101 |
| Total | 605 | 1,079 | 298 | – | 1,982 |

*Notes:*

(i) Resigned as an executive director with effect from 8 April 2022.

(ii) Appointed and resigned as an executive director with effect from 27 April 2022 and 22 July 2022.

(iii) Appointed as an executive director with effect from 22 July 2022.

(iv) Retired as an executive director with effect from 12 July 2021.

(v) Retired as an independent non-executive director with effect from 12 July 2021.

(vi) Appointed as an independent non-executive director with effect from 10 September 2021.

(vii) Mr. Song Xiaoming, Ms. Song Shiqing, and Ms. Lin Shuxian (up to the date of her resignation) waived directors' remuneration for the year ended 31 March 2023 amounting to HK$316,667, HK$50,000 and HK$1,096 respectively (2022: HK$39,000, HK$39,000 and HK$39,000 respectively).

## 31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS – CONTINUED

### Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2022: nil) director of the Company whose emoluments are included in the disclosure of directors' emoluments above. The emoluments of the remaining four individuals (2022: five individuals) were as follows:

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Salaries and other emoluments | **5,689** | 5,877 |
| Retirement scheme contributions | **140** | 262 |
| | **5,829** | 6,139 |

Their emoluments were within the following bands:

| | **2023 Number of Individuals** | 2022 Number of Individuals |
|---|---|---|
| HK$2,000,001 to HK$3,000,000 | **1** | 1 |
| HK$1,000,001 to HK$2,000,000 | **1** | 1 |
| Nil to HK$1,000,000 | **2** | 3 |
| | **4** | 5 |

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

## 32. CAPITAL COMMITMENTS

As at 31 March 2023, the Group had no capital commitments (2022: nil).

## 33. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions carried out with related parties during the year:

| | Notes | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|---|
| Business advisory and asset management services income received from a related company | (a & b) | **–** | 1,169 |
| Interest paid to a director of a subsidiary, Mr. Fu Yik Lung | (a) | **2,117** | 2,400 |
| Interest paid to related parties | (a & c) | **10** | 5 |

*Notes:*

(a) The transactions above were carried out on the terms agreed between the relevant parties.

(b) Transaction with Shenzhen Great Walle Capital Management Co., Ltd., a company controlled by the common shareholder.

(c) Transactions with Greatwalle Holding Limited and Shenzhen Great Walle, immediate holding company and ultimate holding company.

(ii) Compensation of key management personnel

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Short-term employee benefits | **5,954** | 5,885 |
| Post-employment benefits | **223** | 334 |
| | **6,177** | 6,219 |

## 33. RELATED PARTY TRANSACTIONS – CONTINUED

(iii) Balances with related parties

| | Notes | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|---|
| **Receivable from/(payable to)** | | | |
| Shenzhen Great Walle, ultimate holding company | (a) | **–** | (44) |
| Greatwalle Holding Limited, immediate holding company | (b) | **(13)** | (2,050) |
| Greatwalle Capital Limited, a fellow subsidiary | (c) | **(37)** | 102 |
| Shenzhen Great Walle Capital Management Co., Ltd., a fellow subsidiary | (d) | **(505)** | (190) |
| Shenzhen Dewei Consultation Co., Ltd., a fellow subsidiary | (e) | **1,783** | – |
| Ms. Song Shiqing, a director of the Company | (f) | **(478)** | (150) |
| Mr. Fu Yik Lung, a director of a subsidiary | (g) | **(24,850)** | (24,790) |
| Greatwalle International Limited, a fellow subsidiary | (h) | **23** | – |

(a) Balance with Shenzhen Great Walle, ultimate holding company, represented the loan from ultimate holding company HK$44,000 (note 17(ii)) as at 31 March 2022.

(b) Balance with Greatwalle Holding Limited, immediate holding company, represented the loan from immediate holding company of HK$13,000 (2022: 2,050,000) (note 17(i)).

(c) Balance with Greatwalle Capital Limited, a company controlled by the common shareholder, represented the amount due (to)/from a fellow subsidiary (note 17(iii)).

(d) Balance with Shenzhen Great Walle Capital Management Co., Ltd., a company controlled by the common shareholder, represented the amount due to a fellow subsidiary (note 17(iii)).

(e) Balance with Shenzhen Dewei Consultation Co., Ltd., a company controlled by the common shareholder, represented the amount due to a fellow subsidiary (note 17(iii)).

(f) Balance with Ms. Song Shiqing, a director of the Company, represented the amount due to a director (note 17(iii)).

(g) Balance with Mr. Fu Yik Lung, a director of a subsidiary, represented promissory note payable and its accrued interests of HK$18,750,000 (2022: HK$20,150,000) (note 22) in total and amount due to director of a subsidiary of HK$6,100,000 (2022: HK$4,640,000) (note 17(iii)).

(h) Balance with Greatwalle International Limited a company controlled by the common shareholder, represented the amount due to a fellow subsidiary (note 17(iii)).

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets measured at amortised cost: | | |
| – Trade receivables | **9,904** | 7,594 |
| – Deposits and other receivables | **5,153** | 4,427 |
| – Amount due from a related party | **1,806** | 102 |
| – Cash at banks and in hand | **40,917** | 69,987 |
| | **57,780** | 82,110 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost: | | |
| – Trade payables | **1,918** | 1,179 |
| – Accrued expenses and other payables | **15,755** | 15,379 |
| – Loans from related parties | **13** | 2,094 |
| – Amounts due to related parties | **7,120** | 4,980 |
| – Promissory note payable | **18,750** | 20,150 |
| – Borrowings | **7,187** | 6,618 |
| | **50,743** | 50,400 |
| **Lease liabilities** | | |
| – Current | **5,155** | 5,117 |
| – Non-current | **8,999** | 14,675 |
| | **14,154** | 19,792 |

## 35. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluates risks and formulates strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

### Foreign currency risk

The Group has transactional and translational currency exposures. These exposures arise from expenses incurred by operating units in currencies other than the units' functional currencies. The Group's monetary assets, monetary liabilities, financing and transactions are principally denominated in RMB and HK$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

| | **Increase/ (Decrease) in RMB rate %** | **(Decrease)/ Increase in loss before tax HK$'000** | **Increase/ (Decrease) in equity HK$'000** |
|---|---|---|---|
| **2023** | | | |
| **If Hong Kong dollar weakens against RMB** | **5** | **(421)** | **1,804** |
| **If Hong Kong dollar strengthens against RMB** | **(5)** | **421** | **(1,804)** |
| 2022 | | | |
| If Hong Kong dollar weakens against RMB | 5 | (985) | 2,200 |
| If Hong Kong dollar strengthens against RMB | (5) | 985 | (2,200) |

### Interest rate risk

Loans from related parties, promissory loan note, lease liabilities and borrowings were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has minimum interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

## 35. FINANCIAL RISK MANAGEMENT – CONTINUED

### Credit risk

The Group's exposure to credit risk related to the financial assets summarised in the note 34. Details of the Group's exposures to credit risk on trade and other receivables and amount due from a related party are disclosed in notes 19 and 17.

The Group's bank balances are all deposited with licensed banks in Hong Kong and the PRC.

For the year ended 31 March 2023, the Group has concentration of credit risk as 69.4% and 18.9% (2022: 77.4% and 55.2%) of the total trade receivables are due from the Group's five largest and largest trade customers.

Other than those described above, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to certain customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at that reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the year and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables:

| **As at 31 March 2023** | **Expected loss rates %** | **Gross carrying amount HK$'000** | **Loss allowance HK$'000** |
|---|---|---|---|
| Current (not past due) | **0.10** | **6,661** | **6** |
| 1-30 days past due | **0.45** | **1,112** | **5** |
| 31-90 days past due | **1.1** | **657** | **7** |
| 91-180 days past due | **11.0** | **1,337** | **147** |
| 181-365 days past due | **55.0** | **674** | **372** |
| More than 365 days past due | **100.0** | **4,913** | **4,913** |
| | | **15,354** | **5,450** |

| As at 31 March 2022 | Expected loss rates % | Gross carrying amount HK$'000 | Loss allowance HK$'000 |
|---|---|---|---|
| Current (not past due) | 0.11 | 5,814 | 6 |
| 1-30 days past due | 0.55 | 948 | 5 |
| 31-90 days past due | 1.1 | 505 | 6 |
| 91-180 days past due | 11.0 | 139 | 15 |
| 181-365 days past due | 55.0 | 490 | 270 |
| More than 365 days past due | 100.0 | 5,118 | 5,118 |
| | | 13,014 | 5,420 |

## 35. FINANCIAL RISK MANAGEMENT – CONTINUED

### Credit risk – Continued

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

The Group has adopted general approach to measure ECLs on financial assets including deposits and other receivables and other financial assets at amortised costs. Under the general approach, the Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

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

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the debtor;

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

(c) granting a concession to the debtors that the lender would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or

(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

## 35. FINANCIAL RISK MANAGEMENT – CONTINUED

### Credit risk – Continued

The measurement of ECLs 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 of default. The assessment of the probability of default and loss given default is based on historical data and adjusted for forward-looking information through the use of industry trend and experienced credit judgment to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

The management performed assessment on ECLs of deposits and other receivables and other financial assets at amortised costs and considered ECLs are immaterial.

### Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, accrued liabilities, other payables, loans from related parties, amount due to related parties, promissory note payable, borrowings and lease liabilities, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group during the year and are considered by the directors to have been effective in managing liquidity risk.

## 35. FINANCIAL RISK MANAGEMENT – CONTINUED

### Liquidity risk – Continued

Analysed below is the Group's remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group are required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group are committed to pay.

| | **Within 1 year or on demand HK$'000** | **More than 1 year but less than 2 years HK$'000** | **More than 2 years and not later than five years HK$'000** | **Total contractual undiscounted cash flows HK$'000** | **Carrying amounts HK$'000** |
|---|---|---|---|---|---|
| **As at 31 March 2023** | | | | | |
| **Non-derivatives:** | | | | | |
| Trade payables | **1,918** | **–** | **–** | **1,918** | **1,918** |
| Accrued expenses and other payables | **15,755** | **–** | **–** | **15,755** | **15,755** |
| Loans from related parties | **13** | **–** | **–** | **13** | **13** |
| Amounts due to related parties | **7,120** | **–** | **–** | **7,120** | **7,120** |
| Lease liabilities | **5,296** | **5,491** | **3,712** | **14,499** | **14,154** |
| Promissory note payable | **18,750** | **–** | **–** | **18,750** | **18,750** |
| Borrowings | **7,187** | **–** | **–** | **7,187** | **7,187** |
| | **56,039** | **5,491** | **3,712** | **65,242** | **64,897** |

| | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years and not later than five years HK$'000 | Total contractual undiscounted cash flows HK$'000 | Carrying amounts HK$'000 |
|---|---|---|---|---|---|
| **As at 31 March 2022** | | | | | |
| **Non-derivatives:** | | | | | |
| Trade payables | 1,179 | – | – | 1,179 | 1,179 |
| Accrued expenses and other payables | 15,379 | – | – | 15,379 | 15,379 |
| Loans from related parties | 2,094 | – | – | 2,094 | 2,094 |
| Amounts due to related parties | 4,980 | – | – | 4,980 | 4,980 |
| Lease liabilities | 5,213 | 5,726 | 9,210 | 20,149 | 19,792 |
| Promissory note payable | 20,150 | – | – | 20,150 | 20,150 |
| Borrowings | 6,618 | – | – | 6,618 | 6,618 |
| | 55,613 | 5,726 | 9,210 | 70,549 | 70,192 |

## 36. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is net debt divided by capital deficiency attributable to owners of the Company. Net debt includes promissory note payable, loans from and amounts due to related parties, borrowings and lease liabilities less cash and cash equivalents. The Group's policy is to maintain a gearing ratio at a reasonable level.

The gearing ratios as at the end of the reporting periods were as follows:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Promissory note payable | **18,750** | 20,150 |
| Loans from related parties | **13** | 2,094 |
| Amounts due to related parties | **7,120** | 4,980 |
| Borrowings | **7,187** | 6,618 |
| Lease liabilities | **14,154** | 19,792 |
| Total debt | **47,224** | 53,634 |
| Less: Cash and cash equivalents | **(40,917)** | (69,987) |
| Net asset/(debt) | **6,307** | (16,353) |
| Equity attributable to owners of the Company | **12,820** | 33,763 |
| Gearing ratio | **0.49** | N/A |

## 37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

In additional to those disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

There is no major non-cash transaction for the year ended 31 March 2023.

During the year ended 31 March 2022, equity-settled share option expenses of HK$2,390,000 were charged to profit or loss (note 28).

## 37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

### (b) Reconciliation of liabilities arising from financing activities

| | Loans from related parties (note 17) HK$'000 | Amounts due to related parties (note 17) HK$'000 | Promissory note payable (note 22) HK$'000 | Lease liabilities (note 21) HK$'000 | Borrowings (note 23) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **At 1 April 2021** | 70,727 | 758 | 20,150 | 1,126 | 6,313 | 99,074 |
| Changes from financing cash flows: | | | | | | |
| Repayments of loans from related parties | (2,185) | – | – | – | – | (2,185) |
| Proceeds from loans from related parties | 2,047 | – | – | – | – | 2,047 |
| Advance from amounts due to related parties | – | 4,222 | – | – | – | 4,222 |
| Lease payments | – | – | – | (3,551) | – | (3,551) |
| Interest paid | – | – | (2,400) | – | (241) | (2,641) |
| Total changes from financing cash flows | (138) | 4,222 | (2,400) | (3,551) | (241) | (2,108) |
| Other changes: | | | | | | |
| Additions | – | – | – | 21,713 | – | 21,713 |
| Accrued interests *(note 9)* | 5 | – | 2,400 | 154 | 546 | 3,105 |
| Issue of shares under subscription | (68,500) | – | – | – | – | (68,500) |
| Exchange realignment | – | – | – | 350 | – | 350 |
| Total other changes | (68,495) | – | 2,400 | 22,217 | 546 | (43,332) |

| | Loans from related parties (note 17) HK$'000 | Amounts due to related parties (note 17) HK$'000 | Promissory note payable (note 22) HK$'000 | Lease liabilities (note 21) HK$'000 | Borrowings (note 23) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **At 31 March 2022 and 1 April 2022** | 2,094 | 4,980 | 20,150 | 19,792 | 6,618 | 53,634 |
| Changes from financing cash flows: | | | | | | |
| Repayments of loans from related parties | (2,091) | – | – | – | – | (2,091) |
| Advance from amounts due to related parties | – | 2,174 | – | – | – | 2,174 |
| Repayment of promissory note payable | – | – | (1,200) | – | – | (1,200) |
| Lease payments | – | – | – | (5,119) | – | (5,119) |
| Interest paid | – | – | (2,317) | – | – | (2,317) |
| Total changes from financing cash flows | (2,091) | 2,174 | (3,517) | (5,119) | – | (8,553) |
| Other changes: | | | | | | |
| Additions | – | – | – | 792 | – | 792 |
| Accrued interests *(note 9)* | 10 | – | 2,117 | 134 | 569 | 2,830 |
| Exchange realignment | – | (34) | – | (1,445) | – | (1,479) |
| Total other changes | 10 | (34) | 2,117 | (519) | 569 | 2,143 |
| **At 31 March 2023** | **13** | **7,120** | **18,750** | **14,154** | **7,187** | **47,224** |

## FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Company, is set out below. This summary does not form part of the audited financial statements.

### FINANCIAL RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **81,021** | 56,946 | 62,035 | 41,150 | 36,902 |
| Gross profit/(loss) | **4,343** | 1,281 | 5,504 | 9,099 | (1,425) |
| Loss before income tax | **(16,498)** | (39,350) | (18,839) | (38,884) | (88,430) |
| Loss for the year | **(16,518)** | (39,342) | (18,999) | (38,899) | (88,473) |
| Attributable to: | | | | | |
| Owners of the Company | **(16,315)** | (35,506) | (16,959) | (38,806) | (85,171) |
| Non-controlling interests | **(203)** | (3,836) | (2,040) | (93) | (3,302) |
| | **(16,518)** | (39,342) | (18,999) | (38,899) | (88,473) |

### ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Non-current assets | **12,634** | 18,739 | 15,008 | 15,037 | 10,843 |
| Current assets | **62,028** | 82,388 | 100,671 | 42,965 | 50,664 |
| Current liabilities | **55,898** | 55,517 | 119,563 | 62,237 | 36,048 |
| Non-current liabilities | **8,999** | 14,675 | 337 | 2,033 | – |
| Net assets/(liabilities) | **9,765** | 30,935 | (4,221) | (6,268) | 25,459 |
| Total equity/(capital deficiency) attributable to: | | | | | |
| Owners of the Company | **12,820** | 33,763 | (3,338) | (7,203) | 27,339 |
| Non-controlling interests | **(3,055)** | (2,828) | (883) | 935 | (1,880) |
| | **9,765** | 30,935 | (4,221) | (6,268) | 25,459 |