



Vico International Holdings Limited

域高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1621

2021 / 2022
ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HUI Pui Sing (*Chairman*)
Ms. TONG Man Wah
Mr. HUI Yip Ho Eric (*Chief Executive Officer*)
Ms. HUI Wing Man Rebecca
Mr. KONG Man Ho

Non-executive Director

Mr. WONG Chun Man

Independent non-executive Directors

Mr. LEUNG Ho Chi
Mr. CHAN Ching Sum
Mr. TSE Yung Hoi

AUDIT COMMITTEE

Mr. LEUNG Ho Chi (*Chairman*)
Mr. CHAN Ching Sum
Mr. TSE Yung Hoi

REMUNERATION COMMITTEE

Mr. LEUNG Ho Chi (*Chairman*)
Mr. HUI Yip Ho Eric
Mr. TSE Yung Hoi

NOMINATION COMMITTEE

Mr. HUI Pui Sing (*Chairman*)
Mr. LEUNG Ho Chi
Mr. CHAN Ching Sum

AUTHORISED REPRESENTATIVES

Mr. HUI Yip Ho Eric
Mr. KONG Man Ho

COMPANY SECRETARY

Ms. CHAN Sze Ting (ACG, HKACG)

REGISTERED OFFICE

Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 11/F, Billion Plaza II
No. 10 Cheung Yue Street
Cheung Sha Wan, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited

STOCK CODE

1621

COMPANY WEBSITE

www.vicointernational.hk

STATEMENT FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Vico International Holdings Limited (the “**Company**”), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022 (the “**Current Period**”).

The outbreak of Novel Coronavirus (“**COVID-19**”) since early 2020 dealt the hardest blow to local economic activities, continued rise to the challenge during the fifth wave throughout the first quarter of 2022. The government has imposed the strictest social distancing measures greatly reduced desire of citizens of going out. According to an economic letter issued in March 2022 by the Office of the Government Economist, the pandemic is estimated to have caused the Passenger transport to lose around 77.5% of the business, which is HK\$39 billion in value. Our sales from fleet cards service and diesel oil were strive to remain steadily. Construction is also another challenged industry during the COVID-19 in Hong Kong, which directly affects the demand for lubricant oil.

While the COVID-19 till continues, signs of recovery are arising. Near 65% of the eligible population in Hong Kong has received at least 3 COVID-19 vaccination doses as of the date of this statement. The Group will continue to develop in line with its business strategy in order to enhance its performance and maintain its long-term value, as it sees opportunities alongside the crisis.

On behalf of the Board, I would like to express my gratitude to the Board of Directors, management team and all staff for their continuous contributions and commitment to the Group. I also take this opportunity to extend our sincere appreciation to the Shareholders for their support and confidence in us. I wish all of us good time and health in the coming year.

HUI Pui Sing

Chairman

Hong Kong, 28 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the distribution of third-party branded petrochemicals, the sales of the self-branded lubricant oil and provides fleet card services in Hong Kong. The petrochemical products of the Group include (i) diesel; (ii) lubricant oil (including self-branded lubricant oil and third-party branded lubricant oil); and (iii) other petrochemicals such as bitumen.

The Group sourced semi-finished lubricant oil in bulk volume and finished lubricant oil from overseas suppliers for the in-house blending and repackaging into wholesale and retail packs for sales in Hong Kong.

The Group is also an authorized reseller of fleet cards. As at 31 March 2022, the Group operated a total number of 51,259 fleet card accounts (2021: 50,606 fleet card accounts).

Leveraging on the Group's experience and competitive strengths, for the Current Period, the Group's revenue, gross profit and net profit was approximately HK\$1,369.6 million, HK\$43.5 million, and HK\$9.2 million, respectively representing increase of 67.8%, decrease of 7.8%, and decrease of 49.7%, respectively as compared with the year ended 31 March 2021 (the "**Corresponding Period**"). The decrease in profit for the Current Period was mainly attributable to the (i) serious disruptions to the logistics and construction industries due to the outbreak of the COVID-19 pandemic in Hong Kong; (ii) the decrease in the COVID-19 relief and subsidies from the government as compared to the previous year; and (iii) the increase in depreciation of addition property, plant and equipment.

The Group continues to face the challenging of business operation with the impact of COVID-19. Especially the fifth wave of the pandemic is rapid and fierce in Hong Kong. Limit on public gatherings and lockdown had rapidly brought down the traffic volume on the street, the sales from fleet cards service was remain steadily. While, the epidemic controls on vehicles crossing the border between the mainland and Hong Kong is tightened which resulted in the demand of diesel oil is strive to maintain. Lubricant oil plays an important role in construction industry to help the equipment and rigs to run smooth. However, the delay in large-scale construction projects is serious in Hong Kong during the COVID-19 pandemic. Our sales of lubricant oil were dropped significantly.

BUSINESS PROSPECTS

Driven by increased vaccination rates and the implementation of Vaccine Pass in Hong Kong, the economy is hopefully moving towards recovery. Being experienced in the challenges of COVID-19 pandemic, the Group has acted quickly to allocate the resources on the right position of the businesses. The Board believes the worst is finally behind us. The Group has confident to keep moving forward to any different situations to deliver sustainable growth for our shareholders.

FINANCIAL REVIEW

Revenue

During the Current Period, the Group's revenue amounted to HK\$1,369.6 million, which increased by 67.8% as compared to that of HK\$816.4 million during the Corresponding Period. The increase in revenue was mainly due to the significant increase in oil price during the Current Period.

Sales of diesel

Our revenue from sales of diesel represents the sales of our diesel products, which mainly include automotive diesel and industrial diesel. For the Current Period and the Corresponding Period, our revenue generated from the sales of diesel amounted to approximately HK\$1,279.7 million and HK\$734.7 million respectively, representing 93.4% and 90.0% of the total revenue respectively.

The sales quantity of diesel oil increased by approximately 5.2% from 273.5 million litres for the Corresponding Period to 287.6 million litres for the Current Period, primarily due to the improved demand from customers mainly in the third and fourth quarter of 2021.

Sales of lubricant oil

Our revenue from lubricant oil mainly represents the sales of lubricant oil, which mainly include (i) the sales of our self-branded lubricant oil, namely "AMERICO", "Dr. Lubricant" and "U-LUBRICANT"; and (ii) the sales of third-party branded lubricant oil.

For the Current Period and the Corresponding Period, our revenue from the sales of lubricant oil amounted to approximately HK\$50.4 million and HK\$49.0 million respectively, representing 3.7% and 6.0% of the total revenue respectively.

Our sales quantity of lubricant oil amounted to approximately 3.1 million litres and 3.4 million litres for the Current Period and the Corresponding Period respectively, representing a decrease of approximately 8.8%.

Provision of fleet cards service

Our income from provision of fleet cards service is recognised on a net basis, based on the difference between (a) gross proceeds received and receivables from fleet card holders; and (b) gross amounts paid and payable to oil companies. The gross proceeds received and receivables from fleet card holders represent the pump price less the fleet card discount offered by our Group to fleet card holders. Our fleet card customers used our fleet cards primarily for the purchase of diesel and petrol at network gas stations.

For the Current Period and the Corresponding Period, our revenue generated from the fleet cards service amounted to approximately HK\$31.2 million and HK\$28.9 million respectively, representing 2.3% and 3.5% of the total revenue respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of others

Our revenue from other products mainly represents the sales of bitumen and kerosene. For the Current Period and the Corresponding Period, our revenue from the sales of others amounted to approximately HK\$8.4 million and HK\$3.7 million respectively, representing 0.6% and 0.5% of the total revenue respectively.

Cost of sales

Our cost of sales primarily consists of diesel costs, lubricant oil costs, other petrochemicals costs and sales commissions. Our purchase cost for diesel and third-party lubricant oil depends on the domestic purchase price offered by our oil suppliers, with reference to the price index such as Europe Brent spot crude price.

For the Current Period and the Corresponding Period, our cost of sales amounted to approximately HK\$1,326.1 million and HK\$769.2 million respectively, representing an increase of approximately 72.4%. The trend of movement of our cost of sales for the Current Period was generally in line with the revenue.

Gross profit and gross profit margin

The gross profit represented the Group's revenue less cost of sales. The Group recorded an decrease in gross profit by approximately HK\$3.7 million or approximately 7.8% from approximately HK\$47.2 million for the Corresponding Period to approximately HK\$43.5 million for the Current Period. The Group's gross profit margin decreased slightly from 5.8% for the Corresponding Period to 3.2% for the Current Period. The Group's selling price is broadly in line with the movement of oil price. However, the gross profit margin does not fluctuate at the same level of the time lags and customers' moderate price sensitivity regarding oil products.

Selling and distribution expenses

Our selling and distribution expenses mainly consist of truck drivers' costs and benefits and depreciation. Selling and distribution expenses increased by approximately HK\$1.3 million or 22.4% to HK\$7.1 million for the Current Period from HK\$5.8 million for the Corresponding Period. The increase was mainly due to increases in truck driver wages and the direct cost of transportation charges.

Administrative and operating expenses

Administrative expenses increased by approximately HK\$4.5 million or 20.7%, from approximately HK\$21.7 million for the Corresponding Period to approximately HK\$26.2 million for the Current Period, primarily due to an increase in depreciation of property, plant and equipment of our addition of property, plant and equipment and staff cost.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Our finance costs mainly consist of the interest on our interest-bearing bank borrowings and lease liabilities.

Finance costs increased by approximately HK\$0.3 million or 33.3% to HK\$1.2 million for the Current Period from HK\$0.9 million for the Corresponding Period, primarily due to the new bank borrowing for financing the acquisition of property.

Income tax expense

Income tax expense decreased by approximately HK\$1.4 million or 34.1% from approximately HK\$4.1 million for the Corresponding Period to approximately HK\$2.7 million for the Current Period. The decrease was mainly attributed to the drop in profit subject to income tax for the year.

Profit for the Current Period

Net profit for the Current Period decreased by approximately HK\$9.1 million or 49.7% from approximately HK\$18.3 million for the Corresponding Period to approximately HK\$9.2 million for the Current Period, and the Group's net profit margin decreased from approximately 2.2% for the Corresponding Period to 0.7% for the Current Period. The decrease in the Group's net profit was deeply affected by the fifth wave of COVID-19.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 34 full time employees (As at 31 March 2021: 37 full time employees). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The remuneration packages are subject to review on a regular basis.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CLOSURE OF REGISTER OF MEMBERS

The 2022 Annual General Meeting (the “**AGM**”) of the Company is scheduled to be held on 6 September 2022. For the purpose of determining the entitlement to attend the AGM, the register of members of the Company will be closed during the period from 1 September 2022 to 6 September 2022, both days inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for attending and voting at the AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022) for registration not later than 4:30 p.m. on Wednesday, 31 August 2022.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group had no significant investment, material acquisition or disposal of subsidiaries during the Current Period.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources and liquidity

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowings. The Group recorded net current assets of approximately HK\$47.5 million as at 31 March 2022, compared to approximately HK\$79.6 million as at 31 March 2021.

As at 31 March 2022, the Group’s current assets amounted to approximately HK\$117.1 million (2021: HK\$128.2 million) of which approximately HK\$53.6 million (2021: HK\$55.2 million) was bank balances, approximately HK\$53.5 million (2021: HK\$64.7 million) was trade and other receivables. The Group’s current liabilities amounted to approximately HK\$69.6 million (2021: HK\$48.6 million), including trade and other payables in the amount of approximately HK\$7.6 million (2021: HK\$5.1 million), bank borrowings in the amount of approximately HK\$58.9 million (2021: HK\$35.4 million) and income tax payable in the amount of approximately HK\$1.1 million (2021: HK\$6.9 million). The current ratio (which was calculated by dividing current assets by current liabilities) was 1.7 as at 31 March 2022 (2021: 2.6). The gearing ratio (which was calculated based on the total debt and lease liabilities divided by total equity multiplied by 100%) was 32.6% as at 31 March 2022 (2021: 19.1%).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

For the Current Period, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$194.3 million. There has been no change in the capital structure of the Group during the Current Period.

CONTINGENT LIABILITIES

As at 31 March 2021 and 2022, the Group had issued a letter of guarantee through the banking facilities granted, to a supplier amounting to HK\$4,000,000. The facilities are secured by corporate guarantee of the Company.

PLEDGE OF ASSETS

As at 31 March 2022, the Group pledged its leasehold land and building of HK\$61,956,000 and investment property of HK\$30,843,000 respectively (2021: HK\$63,868,000 and HK\$32,064,000 respectively) to secure its bank borrowings.

As at 31 March 2022, the net book value of the leased motor vehicle under a hire purchases agreement of HK\$348,000 (2021: HK\$590,000) is secured by the lessor's title.

FOREIGN CURRENCY RISK

The Group is not exposed to foreign currency risk in respect of HKD against USD as long as these currencies are pegged. The transactions and monetary assets denominated in USD are minimal, the Group considers there have no significant foreign exchange risk in respect of USD.

As at 31 March 2022, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to foreign exchange fluctuation risks.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. HUI Pui Sing (許沛盛), aged 66, Chairman

Mr. Hui Pui Sing (“**Mr. Hui**”) was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Mr. Hui is the founder of our Group, the Chairman of the Board and the Nomination Committee of the Company, a director of Carmen Logistics Limited (“**Carmen Logistics**”), Grand Wealthy Holdings Limited (“**Grand Wealthy**”), Yee Sing Hong Petroleum Chemicals Company Limited (“**Yee Sing Hong**”) and Yee Sing Logistics Company Limited (“**Yee Sing Logistics**”) and the general manager of Yee Sing Hong. He is primarily responsible for corporate strategic planning and overall business development, management of our Group and decision making, and business development strategies. From 1977, he worked as an assistant in a company the principal business of which is the selling of liquefied petroleum gas and kerosene. In 1977, he established a company the principal business of which is the sale of hydrocarbon oils and in 2002, he established Yee Sing Hong. He has over 50 years of experience in the sales and distribution of diesel, lubricant oil and other petrochemical products and over 18 years of experience in the processing and distribution of self-branded lubricant oil and other petrochemical products and the promotion of fleet cards. Mr. Hui is a director of Max Fortune Holdings Limited (“**Max Fortune**”), the controlling shareholder of the Company. He is the spouse of Ms. Tong Man Wah (“**Ms. Tong**”), and the father of Mr. Hui Yip Ho Eric (“**Mr. Eric Hui**”) and Ms. Hui Wing Man Rebecca (“**Ms. Hui**”).

Ms. TONG Man Wah (湯敏華), aged 60, Executive Director

Ms. Tong was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Ms. Tong is a director of Billion Faith (Hong Kong) Limited (“**Billion Faith**”), Carmen Logistics, Grand Wealthy, Tien Fung Hong Holdings Limited (“**Tien Fung Hong**”) and Yee Sing Hong and the administration manager of Yee Sing Hong and Yee Sing Logistics. She is primarily responsible for overseeing the administration and developing strategies in relation to distribution, brand building and supplier relationships of our Group. She has over 37 years of experience in the sales and distribution of diesel, lubricant oil and other petrochemical products. She worked in a company established by Mr. Hui whose principal business is the sale of hydrocarbon oils since 1985, responsible for the operations of the sale and distribution of petrochemical products and thereafter continued to assist Mr. Hui in the sale and distribution of diesel and other petrochemical products of the Group. She graduated from St. Marino Secondary School in 1980. She is the spouse of Mr. Hui, and the mother of Mr. Eric Hui and Ms. Hui.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUI Yip Ho, Eric (許業豪), aged 31, Chief Executive Officer

Mr. Eric Hui was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Mr. Eric Hui is a director of Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics and the general manager of Carmen Logistics, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong. Mr. Eric Hui is the chief executive officer of our Group and a member of the remuneration committee of the Company. He is primarily responsible for overseeing the operation of our fleet cards business in Hong Kong and our Group's overall corporate management and business development strategies. He joined our Group in 2013 and has 9 years of experience in the promotion of fleet cards and the sales and distribution of diesel, lubricant oil and other petrochemical products. He received a Bachelor of Business Administration (finance) degree from the Southern Methodist University in August 2013 and a master degree of finance from the Polytechnic University of Hong Kong in March 2017. He is the holder of the Estate Agent Licence granted by the Estate Agents Authority in February 2017. Mr. Eric Hui is a director of Max Fortune. He is the son of Mr. Hui and Ms. Tong, and the brother of Ms. Hui.

Ms. HUI Wing Man Rebecca (許穎雯), aged 33, Chief Operating Officer

Ms. Hui was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Ms. Hui is a director of Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics and the administration manager of Tien Fung Hong, Billion Faith, Grand Wealthy and Carmen Logistics. She is the chief operating officer and the administration manager of our Group and primarily responsible for overseeing and monitoring internal control policies, the overall corporate management and business development strategies of our Group. She has 6 years of experience in business administration. From April 2013 to August 2015, she worked as a consultant, then promoted to senior consultant and subsequently promoted to wealth management advisor of Convoy Financial Services Limited. She received from the Southern Methodist University in December 2012 a Bachelor of Science (economics with finance application) degree and a Bachelor of Arts (psychology) degree. She is the holder of the Estate Agent Licence granted by the Estate Agents Authority in August 2014. She is the daughter of Mr. Hui and Ms. Tong, and the sister of Mr. Eric Hui.

Mr. KONG Man Ho (江文豪), aged 37, Marketing Director

Mr. Kong Man Ho was appointed as an executive Director on 23 June 2017. Mr. Kong is the marketing manager of Carmen Logistics, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong and the marketing director of our Group. He is primarily responsible for overseeing the sales and marketing strategies of our Group. Mr. Kong obtained a Bachelor of Commerce degree from McMaster University in June 2008. Before joining our Group in January 2013, Mr. Kong worked as a consultant, then promoted to senior consultant and subsequently promoted to wealth management advisor and senior wealth management advisor of Convoy Financial Services Limited, where he was responsible for the promotion of financial services and products. He has 8 years of experience in sales and marketing and the promotion of fleet cards. From 2013 to June 2017, he was the holder of the Technical Representatives Licence granted by the Professional Insurance Brokers Association, the Registered MPF Subsidiary Intermediary granted by the Mandatory Provident Schemes Authority and a representative licensed to carry out type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. WONG Chun Man (王駿文), aged 46, Non-executive Director

Mr. Wong Chun Man was appointed as a non-executive Director on 1 April 2019.

Mr. Wong obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in 1999. He has more than 20 years of experience in the field of finance. He has attained the professional qualifications of the Royal Institution of Chartered Surveyors, the American Institute of Certified Public Accountants and Chartered Financial Analyst.

Mr. Wong serves as a non-executive director of TOMO Holdings Limited (HKEx stock code: 6928) since 21 July 2021, serves as an executive director of Fullwealth International Group Holdings Limited (HKEx stock code: 1034) since 14 January 2021 and serves as an independent non-executive director of Zhaobangji Properties Holdings Limited (HKEx stock code: 1660) since 29 March 2018. Mr. Wong was the independent non-executive director of Guoan International Limited (HKEx stock code: 143) from 11 March 2016 to 31 May 2020. The above companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

Mr. CHAN Ching Sum (陳政深), aged 42, INED

Mr. Chan Ching Sum was appointed as an INED on 12 April 2020 and a member of each of the audit committee and nomination committee. Mr. CHAN Ching Sum graduated from the Hong Kong Baptist University with a first class honor in bachelor of Journalism and minor in Religions and Philosophy in 2007, and obtained a master's degree in Finance (Investment Management) from the Hong Kong Polytechnic University in 2016. Mr. Chan has over 13 years' experience in financial media and commentary field, and is currently working in Eddid Securities and Futures Limited, which is a licensed institution under Securities and Futures Commission (SFC), as an Associate Director. He is responsible for marketing and corporate communications in the institution. Mr. Chan is a licensed representative under SFC, who is eligible to perform certain types of regulated activities, including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on future contracts) regulated activities. Mr. Chan has several professional qualifications in accountancy. He is an International Affiliate of Hong Kong Institute of Certified Public Accountant (HKICPA), a member of Institute of Public Accountant (IPA), Australia and Associate of Institute of Financial Accountant (IFA), UK. He is a Certified Management Accountant (CMA), by Institute of Certificated Accountants, Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. TSE Yung Hoi (謝湧海), BBS, aged 69, INED

Mr. TSE Yung Hoi was appointed as an INED on 16 January 2019 and a member of the audit committee and remuneration committee of the Company. Mr. Tse graduated from English studies from the Department of Foreign Languages and Literatures of Fudan University in July 1975. He was awarded the Bronze Bauhinia Star (BBS) by the government of Hong Kong in 2013.

Mr. Tse is currently the chairman and non-executive director of BOCI Prudential Asset Management Limited. He was the deputy chief executive officer of BOC International Holding Limited from December 2002 to December 2012, and the deputy general manager of investment management and treasury of Bank of China in Beijing from October 1998 to December 2002. Mr. Tse currently serves as the vice-chairman of the Chinese General Chamber of Commerce and Life honorary president of Hong Kong Chinese Securities Association and served as the council member of HKSAR Financial Services Development Council (FSDC) from January 2013 to December 2018. He served as an independent non-executive director of Banco Well Link, S.A. from June 2018 to May 2020.

Mr. Tse has been serving as a director of the following companies which are listed on the Stock Exchange:

- an independent non-executive director of BOCOM International Holdings Company Limited (HKEx stock code: 3329) since June 2014;
- an independent non-executive director of Huafa Property Services Group Company Limited (formerly “**HJ Capital (International) Holdings Company Limited**”) (HKEx stock code: 982) from July 2014 to July 2020;
- a non-executive director of DTXS Silk Road Investment Holdings Company Limited (HKEx stock code: 620) from December 2015 to November 2017 and was re-designated as an independent non-executive director since November 2017; and
- an independent non-executive director of Guoan International Limited (HKEx stock code: 143) since March 2016.

Mr. Tse was an independent non-executive director of China Tower Corporation Limited (HKEx stock code: 788) from May 2018 to January 2022 and an independent non-executive director of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (HKEx stock code: 06139) from June 2020 to October 2020. The company was delisted on 5 October 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEUNG Ho Chi (梁浩志), aged 47, INED

Mr. LEUNG Ho Chi was appointed as an INED on 1 April 2019 and a member of the Nomination Committee and the chairman of each of the Audit Committee and the Remuneration Committee of the Company.

Mr. Leung obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in 1996 and a master's degree in corporate governance from The Hong Kong Polytechnic University in 2011.

Mr. Leung is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Chartered Secretaries. He has over 24 years of experience in audit, accounting and finance. Mr. Leung has been appointed as a company secretary and a finance manager of TOMO Holdings Limited (HKEx stock code: 6928) since 21 July 2021 and 1 August 2021 respectively. He served as the financial controller of UMP Healthcare Holdings Limited (HKEx stock code: 722) from April 2019 to October 2020. He had also worked as finance director and financial controller in Hong Kong subsidiaries of multiple multinational advertising and public relations companies listed on The New York Stock Exchange and The London Stock Exchange. Mr. Leung was an independent non-executive director of Fullwealth International Group Holdings Limited (HKEx stock code: 1034) from 14 January 2021 to 30 June 2021.

SENIOR MANAGEMENT

Ms. WONG Kit Yi (黃潔儀), aged 61, is the accountant of our Group. She is primarily responsible for overseeing accounting activities and our Group's overall financial reporting. She joined our Group in February 2002 and has over 35 years of experience in auditing and accounting. Before joining our Group, she worked for Wing Hing Motor & Pump Co. as its account clerk from July 1982 to December 1986. From September 1988 to March 1989, she worked for Sze Tung Weaving Factory., Ltd. as its assistant accountant. From April 1991 to February 1994, she worked for Datacard Toppan Moore Ltd. as its account clerk. She received a certificate for proficiency in the second level single subject of book-keeping and accounts from the London Chamber of Commerce and Industry in 1994, was awarded the diploma in accounting studies from the Hong Kong School of Commerce in September 2006, and completed the HKIAAT Accounting Technician Examinations Preparatory Programme Paper 6 Hong Kong Business Law course offered by The University of Hong Kong School of Professional and Continuing Education in June 2008.

Ms. LEE Choi Ping (李彩屏), aged 42, is the operation manager of our Group since November 2014 and is primarily responsible for the general operation of our Group's fleet card, diesel and lubricant oil business. She has over 20 years of experience in retail business operation. Before joining our Group, she worked for Belle Worldwide Limited as its sales from December 1996 and was promoted to senior shop manager at the time of her resignation in June 2014. She completed her form 5 secondary school education at Beacon College in June 1996.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. CHAN Sze Ting (陳詩婷) was appointed as company secretary of the Company on 24 June 2020. Ms. Chan is an associate director of the corporate services division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Chan has over 16 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chan holds a bachelor of laws degree from the University of London.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the fifth Environmental, Social and Governance (“**ESG**”) report published by Vico International Holdings Limited (the “**Company**”) presenting the achievements in promoting sustainable development of the Company and its subsidiaries (collectively the “**Group**” or “**we**”) and our performance of social and governance. In keeping with the spirit of creating long-term value for our customers and stakeholders, the Company has placed considerable emphasis on sustainable development. The ESG report elaborates on the various work of the Group in fully implementing the principle of sustainable development and its performance of social and governance.

Scope of Report

The ESG report covers our sustainability performance as well as the initiatives of our head offices and the wholly-owned subsidiaries in Hong Kong of the Group’s business for the period between 1 April 2021 and 31 March 2022 (the “**Reporting Period**”). The environmental key performance indicators (“**KPI**”) as disclosed in the ESG report are based on the performance of the Group’s principal office, the operations relating to third-party branded petrochemicals, self-brand lubricant oil business as well as the provision of fleet card services for the Current Period. The Group will continue to strengthen its efforts in information collection for a broader disclosure of information in environmental and social aspects as well as information related to sustainable development.

Reporting Guidelines

(The “**Board**”) of directors has adopted the requirements of the Environmental, Social and Governance Reporting Guide (the “**Guideline**”) set out in the Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange.

Information and Feedbacks

Our continuous improvements rely on your valuable opinions, if you have any advice or suggestions, please contact us by:

Email: info@vicointernational.hk

Fax: 2728 8263

Post: Unit D, 11/F, Billion Plaza II, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Corporate Social Responsibility and Vision

To strive for a better environment for biodiversity, we, as a part of the community, will continually dedicate ourselves to promoting and developing a low-carbon working environment and high-efficiency eco-friendly products and services to our consumers. As an employer, we will raise employees' awareness about resource conservation via conducting on-job environmental education and encouraging sustainable practices in workplaces. To keep bringing consumers innovative, environmentally friendly, low-emission, and high-quality products, we will continue to explore new technologies and eco-friendly materials for our production to ensure we are on the same page with our suppliers regarding environmental protection, we will work closely with them to communicate our green procurement practices. Our stakeholders are always welcome to share their opinions and suggestions regarding environmental conversations as we strongly believe that "the greener the environment, the better for the world!"

Board of Approval

The Board of the Company approved this Report on 28 June 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STATEMENT FROM CHAIRMAN

Dear Shareholders,

The epidemic situation in Hong Kong remained unfavorable as the Delta and Omicron variants continue to deteriorate in 2021. The outbreak of COVID-19 and pandemic control measures touched so many of us and adversely impacted individuals, families, communities.

Despite the difficult business environment, I am proud that our outstanding teams dedicated to serve our customers and attended to their needs with excellence. I sincerely appreciate all the continued patronage and understanding of our customers, suppliers, employees and shareholders. Your support has always encouraged us to strive for excellence in customer satisfaction.

It is our mission, as a responsible employer, to promote employee health, hygiene and well-being. We provide sanitizing and anti-epidemic equipment in the workplaces to closely monitor the health conditions of our employees, visitors and customers. We and our employees are committed to strictly practicing precautionary measures against the spread of COVID-19 as to protect our community. Besides that, the Company also offers flexible and remote schedules to employees, including working from home and flexible working hours, to reduce the risk of exposure to COVID-19 arising from social contact. Employees with symptoms of COVID-19 are recommended to be self-isolated and immediately seek for medical advice.

We recognize the importance of promoting corporate social responsibility. As a petrochemical product reseller in Hong Kong, the Group constantly studies the developments in new technology which can benefit the environment as a whole. The Group will continually broaden our product range by introducing more eco-friendly products, including biodiesel and lubricants that contain low levels of sulphated ash, phosphorus and sulphur ("**SAPS**").

The Group will continue to communicate with the stakeholders, understanding their needs and expectations about the environmental and social development while formulating and implementing our risk mitigation strategies.

HUI Pui Sing

Chairman

Hong Kong, 28 June 2022

OUR GOVERNANCE

The Company has formulated and adopted comprehensive risk management procedures and guidelines with defined authority for implementation by key business processes and administrative functions, including database maintenance, production management, financial reporting and human resources. Employees have been encouraged to raise their concerns about possible improprieties in financial reporting, internal control or other matters.

Governance Structure and Risk Management

As of 31 March 2022, the Board of Directors, which consisted of two female members and seven male members from various business fields, has established effective risk management and internal control systems for evaluating and identifying the nature and extent of the risks of pursuing the Group's strategic objectives.

We maintain a monthly update giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail is provided to the Board for their reference. All directors are given an opportunity to include matters in the agenda for regular Board meetings and are free to access Board papers and related materials which are in a form and quality sufficient to enable the Board to make informed decisions.

An audit committee, a nomination committee and a remuneration committee have been established by the Board. The majority of the committees is made up of independent directors. The nomination committee has regularly reviewed the structure, size and composition to make recommendations to the Board to complement the Company's corporate strategy. The remuneration committee has discussed management's remuneration proposals with reference to the Board's corporate goals and objectives. The Audit Committee has assisted the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. For more information on our corporate governance and risk management, please refer to the Corporate Governance Report in Annual Report 2022.

The Board constantly reviewed and discussed the Group's ESG guidelines, ESG reports and management objectives by recognizing and managing ESG-related risks and opportunities while taking the Group's issues of materiality into account. It was vital for the Board to continually identify and evaluate the management process of ESG-related matters and the progress of achieving the Group's ESG goals.

The ESG plans formulated by the Board were implemented by the Chief Operating Officer who communicated and provided execution plans to related departments. Our Chief Operating Officer discussed with the responsible departments to make achievable ESG targets, monitored their progress and regularly reported to our Chief Executive Officer and the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Engagement for Stakeholder Relationship

Keeping a close relationship with stakeholders is essential to our business operations and sustainable development. Key stakeholders of the Group include the Government and regulatory bodies, customers, suppliers, investors, employees, as well as the public and local communities. To take the opinions of all stakeholders into consideration in the long-term development, the Group strives to maintain good communication with stakeholders through a range of channels and methods.

Stakeholders	Means of Communication and Response
Shareholders and Investors	<ul style="list-style-type: none">• Annual and interim reports• Company website• General meetings• Press release, announcement and circulars
Employees	<ul style="list-style-type: none">• Employee team-building activities• Employee job satisfaction survey• Performance appraisals• Meetings• Newsletters• Orientation programs for new employees
Customers	<ul style="list-style-type: none">• Customer hotlines• Suggestion boxes• Corporate website and social media• Customer satisfaction surveys• Newsletters• E-service application
Business Partners	<ul style="list-style-type: none">• Business meetings• Quarterly business review meetings• Safety trainings• Contract renewals process and updates• ESG survey and review
Government	<ul style="list-style-type: none">• Consultancy and discussion• Meetings and dialogues
Local Community	<ul style="list-style-type: none">• Charity activities• Volunteering activities• E-mail
Media	<ul style="list-style-type: none">• E-mail• Press releases• Corporate websites• Interview

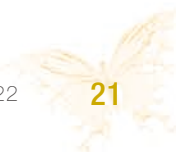
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supporting the United Nations Sustainable Development Goals

We are committed to supporting the global action of the United Nations' Sustainable Development Goals. The Group supports the United Nations' Sustainable Development Goals ("SDGs"), which address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation. The Group has made commitment to align the operations with 7 of the 17 SDGs with our business impacts to sustainability studied. Over the long term, the Group are working with our stakeholders to deliver outstanding value for our environment, people and community.



The Environment	<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>13 CLIMATE ACTION</p>
Customers	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>		
Supply Chain	<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	
People	<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>4 QUALITY EDUCATION</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	
Community	<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>4 QUALITY EDUCATION</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECT OUR ENVIRONMENT

The Group continues our efforts to contribute to a better air quality for our environment. The operation of our fleet may directly or indirectly emit air pollutants and greenhouse gasses, as do our offices, warehouses, and production lines through energy consumption, water use, and waste treatment.

The consumption of water resources and electricity is significantly important to our production process. In light of natural resources conservation, energy and water-saving programs are implemented, and we evaluate our daily practices regularly so that we can use fewer natural resources. Furthermore, we perform routine maintenance on our facilities and production equipment to ensure efficient resource utilization.

Green Operation

By reducing emissions and conserving resources, the Group aims to protect the environment by creating a sustainable business model. “Green Operation” is the principle that the Group adheres to for protecting the environment. We agree with the aim of The Paris Agreement, regularly upgrade and maintain our production equipment, and encourage employees to take carbon reduction actions. We echo with the global efforts to combat climate change. We regularly evaluate the potential negative environmental impacts in our operations, so as to decisively implement emission reduction policies and reduce our carbon footprint. We believe that the following policies are effective to achieve our goal:

1. Computers and other electronic equipment should be turned off when not in use;
2. Promote the green message to employees to raise their awareness of their own environmental responsibilities;
3. Place green posters in corridors and pantries, and encourage employees to actively suggest environmental protection policies to nurture an atmosphere of environmentally friendliness at workplaces;
4. Join “Earth Hour” to enhance staff’s understanding of low carbon office operation and energy-saving habits;
5. Actively raise awareness of environmental protection in the workplace and regularly distribute electronic “Sustainable Development” leaflets;
6. Encourage employees to reuse and recycle, and have placed recycling bins near the office to encourage employees to recycle paper, plastic bottles and tin cans regularly;
7. Promote the concept of “reduce emission at source”. When we purchase and replace old legacy equipment, we favour energy-saving products and compare their energy efficiency labels. We have done our best to purchase equipment that has been certified under the “grade 1 energy label”. We also adopt FSC certified copying paper;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

8. Install energy saving T5 fluorescent tubes and LED lights in workplaces; strictly turn off the power in all office after business hours to reduce energy consumption and conducting energy consumption review periodically;
9. Maintain a suitable office temperature setting of between 24 to 26 degrees Celsius, avoiding overcooling in the office, warehouses and retail outlets so as to reduce energy consumption;
10. Ask our employees to consume resources responsibly. We have pre-settled the company's printers for duplex printing and taken steps to make it easier for employees to recycle paper. We have also reused office supplies (such as envelopes and folders) and encouraged reducing paper usage by email in our internal communications;
11. Install water efficient taps in toilets;
12. Donate all obsolete office furniture and equipment;
13. Promote the use of low-emission vehicles that comply with Euro V or above standards and unleaded fuels that combust less air pollution;
14. Regularly check our fleet of vehicles to prevent leakage of oil and chemicals, thereby improving energy efficiency;
15. Require drivers to switch off idling engines to improve air quality and reduce pollutant emissions;
16. Regular checks of the sewage system and production facilities equipped in the warehouse to obviate any wastewater leakage;
17. Integrate electric vehicles into our fleet to lower carbon dioxide emissions; and
18. Optimize the routes of our fleet of vehicles for delivery to promote fuel saving and emission reduction



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CLIMATE CHANGE ISSUES

Climate change threatens human life and health around the world, and is relevant to the Group's business, customers and supply chain. Therefore, we have adopted the TCFD recommendations to disclose the measures taken by the Group to manage climate-related risks and the potential impacts on our business.

Governance

The Board has taken measures to integrate climate-related issues into the Group's strategic planning, risk analysis system, and daily operations and management; established programs to educate the different levels of our employees about climate change and the importance of energy conservation. We clarify relevant roles and responsibilities as to ensure the effective management of climate risks and the success of the Group's climate-related strategy.

Strategies

When formulating business strategies, we consider the impacts of climate change, including direct effects on our operations as well as indirect effects on our customers. We continue to evaluate climate-related risks and opportunities across the business segments to identify the implications of these risks and opportunities.

We understand that risk associated with climate change includes financial loss or reputational damage resulting from the physical and transitional effects on our companies and consumers. We are exposed to environmental and social risks, including climate risk through our day-to-day business activities and operations. Therefore, we are taking several steps to determine the impacts that climate-related risks and opportunities are having on our business strategies and financial performance, which include:

1. Diminishing greenhouse gas emissions and improving fuel efficiency by route optimization for product delivery;
2. Educating employees, consumers and suppliers about the importance of energy conservation;
3. Redirecting financial loss arising from climate-related risks via insurance; and
4. Avoiding over-packaging throughout the supply chain to reduce waste disposal

Climate-related Risks and Opportunities Management

To closely monitor the climate-related risk and opportunities, the Group has established top-down risk management system for operational risks:

The Board

1. Responsible for reviewing development plans and systems concerning climate changes;
2. Formulating the Group's strategic positioning and industrial layout for the accomplishment of ESG goals; and
3. Monitoring and making suggestions to the execution plan and business performance in energy conservation and emissions reduction

Audit Committee

1. Assist the Board in identifying, assessing, and managing the risks and impacts related to climate-related-issues and environment protection

Executive Bodies and Departments

1. Implementing the Group's carbon reduction strategies, and formulating department level carbon footprint targets and action plans; and
2. Designing and executing energy conservation plans to manage our greenhouse gas emissions and energy efficiency goals

During the Reporting Period, we have evaluated potential climate-related risks and formulated relevant countermeasures, include:

Storms

As the frequency of typhoons increase, which may cause operation interruption and damages to inventory control and operation facilities, limiting the Group's sales performance; and it may also result in endangering employee safety and environmental pollution. To reduce the potential impacts, we:

1. Closely monitor the early warnings for severe weather issued by Hong Kong Observatory;
2. Establish disaster emergency plans, and regularly carry out emergency drills; and
3. Constantly carry out facility maintenance as to improve disaster protection level

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Floods

Severe rainstorm and floods may lead to higher operation and maintenance costs of the Group (such to damage to the Group's fleet for product delivery). To reduce the potential impacts, we:

1. Conduct regular check on the condition of the drainage system located in our parking and warehouse and contact Drainage Services Department for repair and desilting when defects noted;
2. Encourage departments to educate the employees about the importance of promoting energy conservation and climate vulnerability; and
3. Reduce the financial loss via insurance

Market

In the wake of climate change, consumers are more likely to switch to products with lower carbon emission during use and to goods with a lower carbon footprint in production. To build up more customers confidence in our products, we:

1. Widen our product ranges by introducing more low SAPS and environmentally friendly products;
2. Use reusable packaging for our products in order to be more eco-friendly; and
3. Offer discount to consumers who bring in reusable containers

Reputation

Stakeholders' attention is increasingly focused on the Group's responses to climate change and sustainability. Failure in meeting expectations may adversely impact our reputation. Therefore, we:

1. Actively adopt green office initiatives to create more sustainable workplaces by minimizing waste, collecting and recycling materials and purchasing green office products; and
2. Attentively listen and respond to stakeholders' concerns

Metrics and Targets

We are very aware of the actual and potential impacts of climate change on community, so we are committed to achieving net zero emissions within our operations by 2040 and across our supply chain by 2050. We will be in line with the "Paris Agreement" to limit the temperature raise within 1.5°C, and will begin to implement the established business strategy to reduce the carbon footprint of our operations, especially pollutants emissions management. Please refer to the **Air Pollutants Emission Management** section on page 30 for more details.

WATER MANAGEMENT

Apart from adopting Green Operation, the Group is also devoted to reducing water consumption. Despite the fact that water is the most important material in our production process, the Group strives to improve the efficiency of water resources utilization in our daily operation by promoting water-saving programs and optimizing the water use structure. The water consumed by the Companies is entirely sourced from Water Suppliers Department, and we have not yet faced a shortage of it.

We are always mindful to strengthening our better water management practice and water conservation. The Group consumes water mainly for production process. During the Reporting Period, the Group has consumed in total 1,192.93 m³ of water and on average 0.87 m³/million Hong Kong dollars of revenue. In order to lower our water usage, we adopt water saving techniques and the measures adopted by the Companies include:

1. Carry out regularly routine maintenance for production facilities to prevent water leakage;
2. Upgrade the water purification system to reduce the amount of reverse osmosis (“RO”) water waste;
3. The RO wastewater is re-used for cleaning the workplaces and watering plants; and
4. Introduce water conservation system to reduce water wasted by placing sensor taps in the workplaces

Water Efficiency Target in 2025

Water consumption is directly proportional to our production. We aimed to enhance the water efficiency of our production process by 5% in 2025. The Company has established water management policy water conservation initiatives and encouraged employees to follow during our daily operation.

WASTE MANAGEMENT

As the world’s population and its affluence grow, we are making more efforts to avoid and reduce waste in every part of our operations. Employees are encouraged to reduce waste via improved procurement and operations, as well as by using fewer packaging and more sustainable materials. Relying on waste as a resource improves efficiency, reduces costs, and reduces our environmental impact. Our goal is to minimize waste as well as to recycle, reuse, and return it to the environment as our best.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Furthermore, waste management is complemented by our commitment to waste reduction. Based on the 3R principle (Reduce, Reuse, Recycle), we have taken numerous measures to alleviate the pressure on landfills. We prudently process and collect the wastes arising from production, such as cans for petrol storage. Some cylinders for petrol storage would be recycled from clients and reused for carrying the same type of products, while some packaging carriers would be handled by clients for reusing purposes. In regard to wastewater, the discharge of sewage has been strictly complied with relevant laws and regulations.

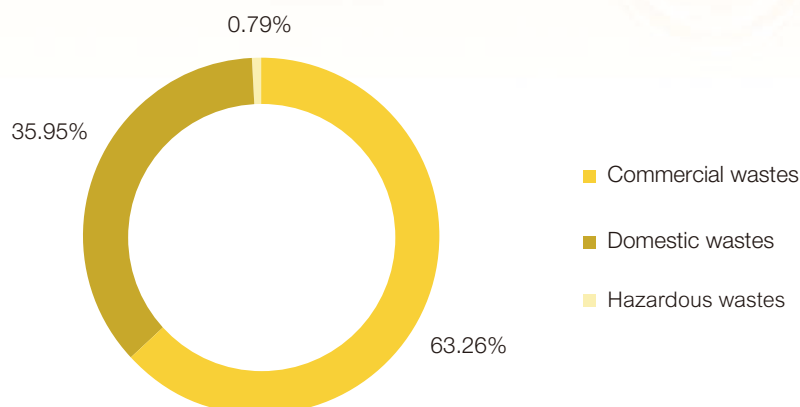
The Group strives to reduce carbon footprint through putting considerable focus on managing our waste generation and resource conservation. The waste generated by the Group can be broadly divided into harmless waste and hazardous waste. Our harmless waste is mainly from the general office waste produced by staffs during office operations. It is collected and treated by the management company of the buildings where our offices are located. Hazardous waste such as used toner cartridges and batteries are also generated from offices and are collected by qualified parties.

Due to nature of our business, the Group may produce hazardous waste during the production of lubricants and petrochemical products. In order to properly handle the waste, we engage licensed waste collectors in accordance with the Waste Disposal Ordinance (Chemical Waste) (General) Regulation. The Group strives with our best efforts to prevent harm to the environment in the best interests of the society.

The amount of waste produced during the Reporting Period:

Type of wastes	Weight <i>(kg)</i>	Total Weight <i>(kg)</i>	Intensity <i>(per million Hong Kong dollars of revenue)</i>
Total Wastes	1,735.76		
A) Domestic wastes		624	0.46
i) Landfill wastes	307		
ii) Recycled wastes	317		
B) Commercial wastes		1,098	0.80
i) Landfill wastes	533		
ii) Reused wastes	209		
iii) Recycled wastes	356		
C) Hazardous wastes		13.76	0.01
i) Toner cartridges	12		
ii) Light bulbs	1.39		
iii) Batteries	0.37		

The percentage of three wastes to total wastes



Owing to the business nature of the Group, packaging materials were used during the repackaging of petrochemical products. The consumption of the packaging material during the Reporting Period is as follows:

Packaging materials consumption

Total consumption of packaging materials (tonnes)	108.75
Paper	0.25
Plastic	55.5
Metal	53
Intensity (tonnes/million of Hong Kong dollars of revenue)	0.08

Waste Reduction Target in 2025

In February 2021, the Government announced the “Waste Blueprint for Hong Kong 2035”, with the vision of “Waste Reduction, Resource Circulation, Zero Landfill” and outline the strategies, goals, and measures to tackle the challenge of waste management by 2035. In response to the blueprint and to realize the vision as soon as possible, we aimed to reduce the waste disposal by 8% through a combination of supply-chain and packaging management, employee education and consumer engagement by 2025. The strategies formulated were as follows:

1. Use reusable packaging for our products and provide discount to consumers who use our reusable containers;
2. Work with suppliers to create green packaging solutions;
3. Develop and institute an environmental policy and mission statement;

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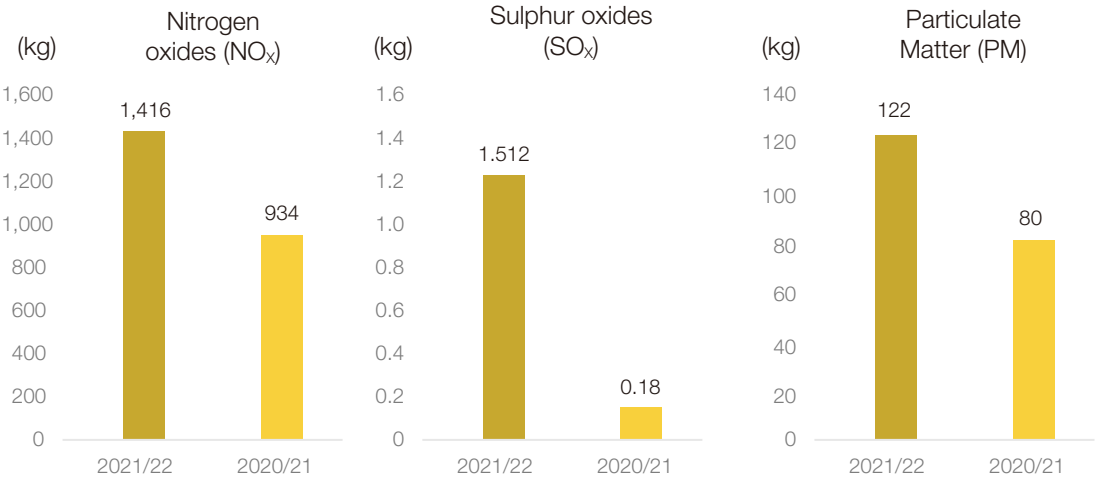
- 4. Promote the use of rechargeable battery in the workplaces and develop e-channels for internal and external communication;
- 5. Build e-commerce websites to provide a green and sustainable shopping experience; and
- 6. Incorporate training on waste reduction into regular training programs and new employee orientation

AIR POLLUTANTS EMISSION MANAGEMENT

The Group is conscious about the health impacts and global climate change caused by exposure to air pollution and thus continues our efforts in contributing to better air quality for well-being of our employees, customers, and the wider community. The Group has been making steady progress in diminishing our carbon footprints across of business. Although the Group is not a heavy air polluter due to its business nature, we are still devoted to reducing air pollution in various way. The Group owns a fleet of vehicles in supporting its logistics operations, air pollutants were emitted from the use of vehicles. Air pollutants emission from the use of vehicles during the Current Period:

Types of emission	Weight (kg)
Nitrogen oxides (NO _x)	1,416
Sulphur oxides (SO _x)	1.512
Particulate Matter (PM)	122

Air pollutants emission from the use of vehicles during the Reporting Period



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Apart from the air pollutants, greenhouse gas is another major type of air emission of the Group. Our fleet of vehicles releases not only pollutants, but also greenhouse gases such as carbon dioxide (CO₂), methane (CH₄) and nitrous oxides (N₂O). Moreover, the operation of our principal office and warehouse will also directly or indirectly emit greenhouse gases through electricity consumption, water and sewage treatment, paper disposal and business trips by staffs. The Group has zero business trips by staffs during the Current Period.

Air pollution affects the environment. The Group is committed to reducing the generation of air pollutants. For example, we promote the use of low-emission vehicles that comply with Euro V or above standards and unleaded fuels that combust less air pollution. We also regularly check our vehicles to prevent leakage of oil and chemicals, thereby improving energy efficiency. We require drivers to switch off idling engines to improve air quality and reduce pollutant emissions.

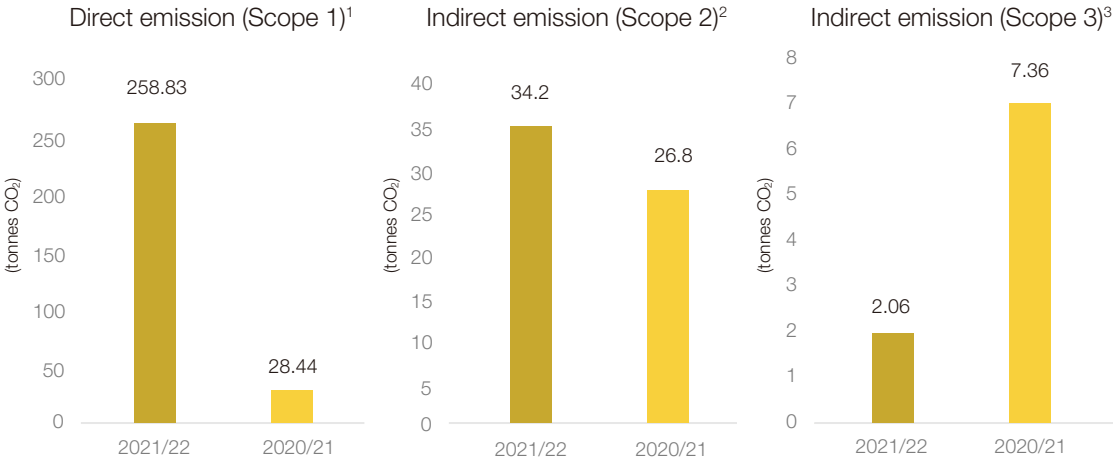
Effective policies or methods of encouraging staff to reduce electricity consumption to minimize the emission of greenhouse gases in our workplaces:

1. Deploy high-efficiency lighting system and reduce the luminosity to the lowest required level;
2. Paste a “Energy Saver” labels beside the power switches and encourage staff to turn off lights when away;
3. Turn off indoor lighting when sunlight is sufficient;
4. Strictly turn off all the power during non-office hours;
5. Ask employees to set the printers and computers to sleep/standby mode when they are not in use;
6. Adjust the air-conditioning system to avoid the office temperature being unnecessary low, and set a thermometer to monitor the room temperature for keeping the indoor temperature at an appropriate level; and
7. Procure energy efficient office equipment with reference to energy label

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Type of emission	Weight (tonnes CO ₂)
Total emission	295.08
Direct emission (Scope 1) ¹	258.83
Indirect emission (Scope 2) ²	34.20
Indirect emission (Scope 3) ³	2.06
Intensity (emission/million Hong Kong dollars of revenue)	0.22

Weight of 3 types of emissions in 2020/21 and 2021/22



Notes:

1. The data includes GHG emissions from the combustion of fuels in office vehicles.
2. The data includes GHG emissions from the generation of purchased electricity.
3. The data includes GHG emissions from the landfill disposal of paper waste, electricity consumption for freshwater and sewage processing, and business travel by employee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emission Target in 2025

Emission Peak and Carbon Neutrality are environmental policies that have been fully implemented in China and Hong Kong in recent years. By implementing sustainable policies and measures, the Group aims to achieve the target of reducing total emissions by 5% by 2025 in order to enhance our competitiveness.

To cut the emission by 5% through a combination of fleet management and employee trainings by 2025. The strategies included:

1. Optimize the routes of product delivery for the better control of emission control;
2. Integrate Euro V or above standards vehicles and electric vehicles into our fleet that combust less emission;
3. Encourage the consumption of low sulphur fuel oil to reduce emission;
4. Strictly require drivers to switch off idling engines to improve air quality and reduce pollutant emissions; and
5. Continually enforce our Green Operation principle in the workplaces

ENERGY CONSUMPTION MANAGEMENT

The Group consumed energy directly through fuel consumption of the company fleet, and indirectly through the use of electricity. To mitigate the impacts of the energy consumption hence reduce greenhouse emission from the use of vehicles, which is the major emission source, the Group has adopted a series of measures such as inspecting vehicles regularly to prevent fuel leakage and hence optimize fuel efficiency. Drivers are also required to switch off idling engines to minimize energy wastage. The energy consumption of the Group during the Reporting Period is as follows:

Energy consumption

Total energy consumption (MWh)	1,000.69
Direct energy consumption (MWh) ¹	907.43
Indirect energy consumption (MWh) ²	93.26
Intensity (MWh/million of Hong Kong dollars of revenue)	0.73

Notes:

1. Direct energy consumption includes fuel consumption in vehicles.
2. Indirect energy consumption includes electricity purchased for consumption.

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Energy Conservation Target in 2025

To drive energy and resource saving by 5% through a combination of supply chain management, consumer engagement, employee educational and technical means to improve the Company energy efficient by 2025. The strategies implemented were as follow:

The Company

1. Fleet management to optimize the routes of product delivery for the improvement of fuel efficient and emission control
2. Provide regular trainings to our drivers to change their driving behavior as to promote fuel efficiency
3. Implement “Green Operation” initiatives in workplaces to decrease the usage of energy and waste
4. Invest in higher energy-efficient equipment and devices to reduce the energy consumption

Consumers

1. Encourage their use of our digital platform for billing and ordering service to reduce reliance on paper
2. Provide e-newsletters to consumers to promote proper driving practices
3. Motivate consumers to reuse packaging or return the reusable containers

Supply Chain

1. Choose eco-friendly suppliers
2. Consider the carbon footprint generated during the delivery process
3. Collaborate with suppliers to create green packaging solutions

The Group pays attention to the emission of greenhouse gases, which is the main cause of the greenhouse effect and climate change. Climate change causes problems such as depletion of water resources, decline in agricultural production and ecological imbalances. We note that the Global Risks Report 2022 of World Economic Forum has stated that climate change, extreme weather and natural disasters are key risks that must be addressed globally. We join the global efforts in combating climate change and are committed to monitoring our carbon footprint through a number of measures, such as energy and resources conservation (for details, please refer to the “Green Operations” sections) to work with the international community and achieve global carbon reduction goals.

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During the Reporting Period, the Group has not been involved in any case of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to emissions.

CARE OUR EMPLOYEES

The Group appreciates and values the devotion of our employees, this is our key driver behind all progress in sustaining our business success. The Group upholds the principle of treating every employee fairly and consistently in all matters and enforces our employment policies in accordance with the regulations of the Employment Ordinance. At the same time, we are committed to creating a warm and rewarding workplace to attract, retain and develop talents. We will be delighted to see our new employees thrive and deliver remarkable services to our customers.

Employment Standard

We have a diverse workforce and we expect our employees to treat one another with respect and dignity. In order to ensure the equality and dignity of all employees, we prohibit discrimination on the basis of gender, age, race, religion, disability, marital status or political affiliation. All employment decisions are made in accordance with equal opportunity.

As part of our human resources management process, we take reasonable steps to verify the identity of all applicants. All employees are provided with legally enforceable employment contracts to protect their rights. Because of the Group's policies, no child or forced labour is permitted.

To avoid child labor, the human resources department conducts background checks and identity document checks for the potential employees during the recruitment process. Furthermore, we require our employees to sign labor contracts that detail the working hours, employee benefits, and termination rights to prevent any form of forced labor. Upon resignation, a payment of the outstanding wages will be made. There have not been any non-compliances in relation to employment, which shall be handled in accordance with relevant contracts and regulations once discovered during the Reporting Period.

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As of 31 March 2022, we employed a total of 35 employees and the specific information of employees at the Group was as follows:

Indicators

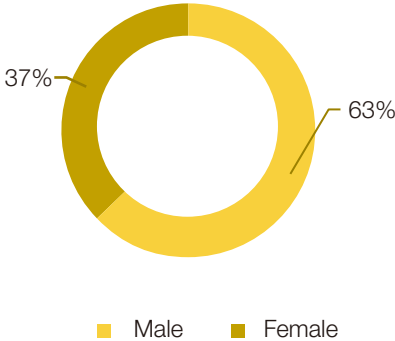
Total workforce	35
By gender	
Male	22
Female	13
By Employment type	
Full-Time	34
Part-time	1
By age group	
<30	1
30-50	15
>50	19

Furthermore, the Group also advocates gender diversity of the Board members. As of 31 March 2022, the gender distribution of the Board members of the Group was as follows:

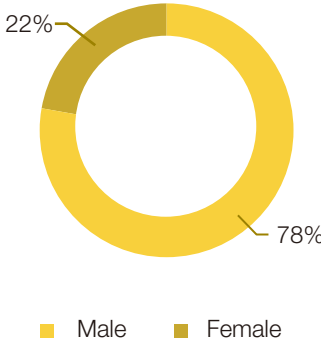
Indicators

Total members of the Board	9
By gender	
Male	7
Female	2

Gender distribution of the Group's employees



Gender distribution of the Board members of the Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee's Benefits and Development

The Group strives to be a responsible business that provides a decent working environment and career development opportunities for our employees. The salary structure is reviewed constantly to ensure that our employees enjoy competitive remuneration package. Apart from basic salary, we also offer discretionary bonus based on individual performance of the employees and our financial performance. Competent employees will be considered for internal promotion in recognition of their efforts and contribution. Employees are also entitled to statutory holidays as stipulated in relevant regulations.

The Groups strives to provide a fair and motivating working environment. The annual appraisal is employed for evaluation purpose to attain our goal of pursuing competitiveness and motivation. We also make recommendations on their career development in the appraisal with a view to maintaining the competitiveness of our employees. We also ensure that thorough consideration of employee's attitude, ability and performance at work precedes every promotion and dismissal decision. Competent employees will be considered for internal promotion in recognition of their efforts and contributions.

Employees' Training

We accord great importance to employee development which we believe is crucial to our long-term prosperity. The Group invests time and resources in employee training and development to ensure that our employees have a breadth and depth of knowledge and skills to achieve the business goal. The training plan devised by management aims to address the training needs of our employees. For new employees, orientation is provided in order to deepen their understanding of operation practice of the Group for better employee integration. The Group also promotes the work-life balance culture in the company. Besides, regular training organized by our in-house employees is designed to enhance employees' competency in the operation of our businesses.

During the Reporting Period, all of our employees had completed an average of 25 hours training and the employee turnover rate was 7.9%. The Group has not been involved in any case of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to employment or labour standards.

PROTECT OUR EMPLOYEES' HEALTH AND SAFETY

It is important that we address occupational health and safety ("OSH") management effectively in order to ensure workplace safety and health. We strive to ensure a safe and healthy working environment while raising employees' awareness regarding OHS. The Group strictly adheres to local laws and regulations regarding occupational health and safety, such as the Occupational Safety and Health Ordinance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Support on Workplace Safety

There have been a number of practical measures taken by the Group to minimize any negative health and safety impacts from operations. To maintain a safe work environment for our employees, we provide workplace safety guidelines and conduct regular workplace safety inspections to determine the risks involved with each procedure. To counteract the risks identified in the risk evaluation, preventative and protective measures have been implemented. Safety and caution signs have been placed in the workplaces and showrooms to alert our employees, consumers and the public. Our administrative department encourages employees and the public to report any potential hazards and risks in the workplaces so that we can continuously improve our workplaces. Our employees are also provided with safety trainings to increase their awareness of workplace safety apart from posting notices or labels and supplying personal protective equipment as needed.



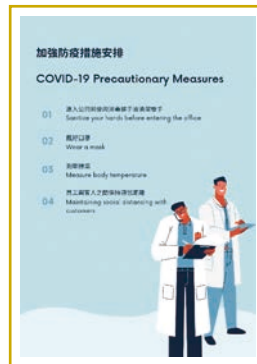
Protecting our Employees during the COVID-19 Crisis

COVID-19 has caused significant impacts on the domestic and global communities. To mitigate these impacts, the Group has taken precautionary measures and implemented hygienic safety procedures and cleaning equipment in the workplaces. We have arranged the following measures as a protection for the employees:

1. To ensure the safety of our employees, we do not serve any customers who:
 - a. Under the compulsory quarantine order of the Hong Kong Government; or
 - b. Have symptoms of COVID-19 (i.e., fever, coughing and sore throat)
2. Conducting measurement on body temperature for all employees and customers;
3. All employees are required to wear masks in the workplaces;
4. Providing alcohol-based sanitizer for the use of employees and customers before entering the offices, warehouses and retail outlets;
5. Maintaining social distancing with customers; and
6. Washrooms are disinfected regularly

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To ensure timely follow-up, we will closely monitor the announcements of the government. Our employees are advised to follow the recommendations of the Department of Health, including maintaining good personal and environmental hygiene, reducing social contact, and maintaining social distance. When employees experiencing symptoms of respiratory illness, such as fever, cough, sore throat, or muscle ache, put on a surgical mask and seek medical attention immediately.



Accident Handling Scheme

Although protective measures have been implemented, our employees are subject to work-related accidents and injuries given the nature of our services. To secure workplace safety to our employees, apart from providing protective equipment, we have a comprehensive management approach from early risk identification to actual accident. The Group recognizes that the use of chemicals poses risks to the environment and to the health of its employees. Hence, we strive to minimize the risks and hazards through regular chemical spillage drill which enhances the emergency response of our employees in the event of chemical leakage. Fire drill and emergency policies were also implemented to reduce safety risks. In case of work-related accidents, we conduct a detailed analysis for the cause of injuries and implement measures to improve or rectify the issues. The Group continuously monitors the improvement measures to minimize the possibility of accidents.

In the past three years, the Group has not suffered any work-related fatalities. During the Reporting Period, there were no work-related injuries occurred in the Group. The Group has not been involved in any case of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VALUE CREATED FOR CLIENTS AND SUPPLIERS

All aspects of our operations are constantly being improved in order to create value for our customers. Our group is dedicated to maintaining close and mutually beneficial relationships with its suppliers.

Supply Chain Management

The Group adopts a set of rigorous quality control policies to optimize management efficiency, emission reduction, low-carbon control and curb costs during our sourcing, production and delivery cycles. We dedicate our efforts to perfect the supply chain management by purchasing quality products and materials.

We ensure consistency in the quality of our petrochemical products by purchasing only from well-known approved suppliers, whose performance is reviewed annually to ensure overall quality of supplies. When purchasing lubricant oil and other products, we generally request our suppliers to provide an annual report on the technical specifications and conduct annual background checks to ensure we are meeting the preferences of consumers towards high quality and environmentally friendly products.

While evaluating our suppliers in accordance with the supplier management measures, the Group will ensure that:

1. The suppliers provide legal and valid business documents;
2. Hazardous chemical suppliers and special manufacturing suppliers have corresponding qualification certificates;
3. The suppliers have not involved in any violations or serious legal disputes;
4. The suppliers have a sound reputation in a perfect quality assurance system; and
5. The suppliers demonstrate financial and operational capacity to perform the contract

The distribution of our suppliers shows as below:

Region	Hong Kong	Singapore	South Korea	Malaysia	Mainland China
Number of suppliers	14	4	2	2	2

Sustainable Development of the Supply Chain

In addition to highly valuing the stability of the supply chain, the Group concerns social responsibility. In the case of suppliers who do not perform well in terms of social responsibility and who have adversely affected society, their offers shall not be considered.

As a part of the community, promoting green development is a part of the Group's mission. We will continue to work closely together with our suppliers on sustainable development issues.

The Group has established green procurement measures on purchasing green office products, equipment and product materials whenever possible. The Group has a preference on engaging suppliers who:

1. Systemically optimize energy efficiency in the production process;
2. Properly handles the wastes produced during the production or delivery;
3. Establishes measure to effectively control recourse in product manufacturing;
4. Do not employ child or forced labour; and
5. Actively reduce unnecessary packages and labels

OPERATIONS

Our aim is to provide high quality products and services to clients. To achieve this goal, we need to have clear communications with clients, employees and suppliers in order to gain their strong support.

Our quality assurance process and product recall procedures are as follows:

Product Warranty and Return Policy

We offer product swap on the sales of petrochemicals to our customers within ten days following the purchase. We bear the liability of product defects only on our in-house blended products.

In the event of complaints from our customers and downstream distributors related to quality defects or shortfalls in quantity on the products we sold, we will investigate the matter together with our customers. Consequently, if our delivery is found to be short, we will make additional deliveries to our customers. In the case of quality defects, we accept exchanges or replacements for the same type of product.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of the third-party branded products, our upstream suppliers or distributors, as applicable, are generally liable for any defective products distributed or manufactured by them and offer replacement of defective products. Given that our sales of third-party branded products to downstream distributors are covered by the quality warranty of the product manufacturers, we provide no refund or return of any obsolete inventories to our customers who are downstream distributors. In addition, products purchased with fleet cards will be subject to the after-sale policies of oil companies, and are not covered by our return policy.

Quality Control Policies

We maintain a set of rigorous quality control policies throughout our sourcing, production and delivery cycle, and we have a successful delivery track record and provide quality after-sale services. To ensure consistent quality of the petrochemicals we distributed, we only source finished products and raw materials from our approved suppliers, whose performances are reviewed annually so as to ensure overall quality of supplies.



In our in-house blending and repackaging of our lubricants, we strictly follow the formula and production guidelines applicable to the respective types of lubricant oil. In addition, during the process of blending and repackaging, Mr. Hui Pui Sing, our executive Director and chairman of the Board, who has more than 50 years of experience in handling petrochemicals, regularly inspects the sample of finished products on the basis of various factors such as viscosity, coloring, sediments, smell and opacity. In the event that the sample fails the quality assurance test, components used in the process will be adjusted and the product will be re-blended until it conforms to the requirements. If the failed product cannot be re-blended, the entire production batch will be rejected and disposed. During the Reporting Period, the Company has not received any complaints about the quality of service provided by suppliers.

Our policies in protecting consumers' information and privacy and relevant measures in execution and supervision are as follows:

Laws and Regulations in relation to Consumer Protection

For the petrochemical products sales business, we provide customers with exchange services within 10 days of purchase. We bear the liability of product defects only on our in-house blended products. In terms of the third-party branded products, our upstream suppliers or distributors, as applicable, are generally liable for any defective products distributed or manufactured by them and offer replacement of defective products.

We maintain customer service hotlines to, among other things, take complaints from customers relating to the services and sales behavior of our sales agents. During this year, we did not experience material product swap or disputes with our customers over quality of our products that may have a material adverse impact to our business operations.

Customer Information Security

Throughout our daily operation, we electronically receive, process, store and transmit sensitive information, including personal identifiable information, bank account information, financial information and expense data.

To protect the privacy of our customers, we adopted a policy covering the collection, transfer, processing, encryption, and backup of all personal and other private information collected from them, and implemented internal policies and systems to do protect the data and other private information collected from consumers.

1. Consumer documentation gathered in electronic form is protected by encrypted regular back-ups within the Group's information management system. Such information will be destroyed two years after the consumer requests to terminate their account;
2. Hard copies of all documents from consumers are kept by our Group in a locked document cabinet, the key to which is kept by the Group's customer service manager. Such documents will also be kept by our Group for two years before destruction;
3. Within our internal computer systems, we implement appropriate access control measures that ensure personal data and other private information of consumers can only be accessed when necessary, by senior management and authorized staff;
4. Our chief executive officer (as supported by in-house technicians and external vendors), is responsible for overseeing the safekeeping of personal data and other private information in our possession as well as the maintenance of our internal systems for data storage, processing and protection; and
5. During the application process for fleet cards, we set forth our privacy policy to inform applicants of how their personal data will be used

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY

We have been promotion “Business-in-Community” philosophy and aim to bring positive value to our community. We strive for a prosperity with the society as well as our pursuit of business development, the group is keen to contribute in support of healthy development of the community. As an enterprise with strong social conscience, the Group has been actively contributing to promote collaborations among business and social service partners and inspire corporate social responsibility. We also encourage business and public institutions to join hands and build a cohesive society through caring for the community, employees and the environment.

Supporting carbon reduction and sustainable development has been a priority of global enterprises in recent years. In response to the government’s “Hong Kong Climate Action Plan 2050” and striving to achieve carbon neutrality at an early date, in addition to daily emission reduction measures, we participated in and encouraged employees to join Earth Hour in 2022, to protect the community environment by reducing energy consumption and emissions.



ANTI-CORRUPTION

With regard to bribery, extortion, anti-corruption, fraud, and money laundering, the Group takes a zero-tolerance approach and strictly adheres to the Prevention of Bribery Ordinance and the laws and regulations concerning business ethics.

Directors and employees are strictly prohibited from soliciting, accepting, or offering any benefits in conducting the Group’s business, as stipulated in the Employees’ Handbook, Code of Conduct and Anti-corruption policy. The Employees’ Handbook, Code of Conduct and relevant policies are subject to regular review as to comply with the most updated laws and regulations.

During the Reporting Period, the Group has not been involved in any case of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to anti-corruption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption Training

In order to enhance the anti-corruption awareness of all directors and employees, the Group actively trains anti-corruption and integrity at different levels and in a wide range of fields.

In 2021, the Group shared the “Compliance and Beyond” Training Package on Business Ethics for Listed Companies to all the executive directors and senior management, covering the concepts and prevention of corruption, fraud, conflict of interest and insider dealing. In the same year, the Group provides the “Anti-corruption Training in Inventory Management” and “Anti-Corruption Training in Common System Pitfalls” to all general employees, enhancing their awareness of common system pitfalls and corrupt practices in daily operations. During the Reporting Period, all directors and 91.4% of our employees completed an average of 12 hours of anti-corruption training.



Supervision and Whistleblowing Policy

Any employee who has a legitimate malpractice concern about bribery, corruption, fraud and other matters, can raise it either verbally or in writing with the respective Head of Department of the employee. The Head of Department will, after gathering sufficient details, submit the report to the Chief Executive Officer or the Chairman of the Board.

If the concern involves the Head of Department, or for any reason the employee would prefer the Head of Department not to be told, the employee may raise the concern and submit his/her report to the Chief Executive Officer or the Chairman of the Board. If for any reason the employee would prefer the Chief Executive Officer not to be told, the employee may raise the concern and submit his/her report directly to the Chairman of the Board. If the concern involves the Chairman of the Board, the employee may raise the concern and submit his/her report directly to the Audit Committee. All reports and enquiries will be handled with strict confidentiality under all circumstances to preserve anonymity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Every case received by the Group will be evaluated to determine whether a full investigation is necessary. If a full investigation is required, an appropriately senior supervisor will be appointed and a special committee will be set up by the Group to investigate the matter. Upon completion of the review, a final report containing recommendations for changes or improvements (if applicable) will be submitted to the Audit Committee. The Audit Committee will then review the final report and, if appropriate, make recommendations to the Board.

According to our Whistleblowing policy, a multi-communication channel has been developed for stakeholders and involved parties to address their opinions and raise grievances in case they are unfairly treated by the Group. The Audit Committee reviews the report of complaints regularly and provides summary reports to the Board of Directors, when necessary.

Reporting channels To the Chairman of the Board or the Audit Committee:

Post: Unit D, 11/F, Billion Plaza 2, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong

Email: whistle@vicointernational.hk

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2022 (the “**Reporting Period**”).

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code.

A. MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and all the relevant employees and they have confirmed that they have complied with the required standard set out in the Securities Dealing Code throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the “**Dealing Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Dealing Guidelines by the relevant employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

B. BOARD OF DIRECTORS

The Board oversees the Company's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from the Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

(1) Board Composition

As at the date of this report and during the Reporting Period, the Board comprised nine Directors, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors, as follows:

Executive Directors

Mr. Hui Pui Sing (*Chairman of the Board and chairman of the Nomination Committee*)

Ms. Tong Man Wah

Mr. Hui Yip Ho Eric (*Chief Executive Officer and member of the Remuneration Committee*)

Ms. Hui Wing Man Rebecca

Mr. Kong Man Ho

Non-executive Director

Mr. Wong Chun Man

Independent Non-executive Directors

Mr. Chan Ching Sum (*member of each of the Audit Committee and the Nomination Committee*)

Mr. Tse Yung Hoi (*member of each of the Audit Committee and the Remuneration Committee*)

Mr. Leung Ho Chi (*Chairman of each of the Audit Committee and the Remuneration Committee and member of the Nomination Committee*)

Mr. Hui Pui Sing is the spouse of Ms. Tong Man Wah, and the father of Mr. Hui Yip Ho Eric and Ms. Hui Wing Man Rebecca. Save as disclosed above, there are no family or other material/relevant relationships among the members of the Board.

The biographical information of the Directors as at the date of this Annual Report are set out in the section headed "Biographical Details of Directors and Senior Management" in this Annual Report.

(2) Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Currently, the positions of Chairman of the Board (the “**Chairman**”) and Chief Executive Officer of the Company (the “**Chief Executive Officer**”) are held by Mr. Hui Pui Sing and Mr. Hui Yip Ho Eric respectively. The Chairman provides leadership for the Board and is responsible for corporate strategic planning, overall business development, management, decision making and business development strategies of the Group. The Chief Executive Officer oversees the operation of Company’s fleet cards business and the Group’s overall corporate management and business development strategies.

(3) Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

(4) Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a term of one year, subject to renewal after the expiry of the then current term.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company (the “**Articles**”), at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

(5) Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

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

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

(6) Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of training and continuous professional development that have been received from the Directors for the year ended 31 March 2022 are summarized as follows:

Directors	Type of Training^{Note}
<i>Executive Directors</i>	
Mr. Hui Pui Sing	A & B
Ms. Tong Man Wah	A & B
Mr. Hui Yip Ho Eric	A & B
Ms. Hui Wing Man Rebecca	A & B
Mr. Kong Man Ho	A & B
<i>Non-Executive Director</i>	
Mr. Wong Chun Man	B
<i>Independent Non-Executive Directors</i>	
Mr. Chan Ching Sum	A
Mr. Tse Yung Hoi	A
Mr. Leung Ho Chi	B

Notes:

Types of training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

C. BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All members of the Audit Committee and the majority of the members of the Remuneration Committee and the Nomination Committee are independent non-executive Directors.

(1) Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Leung Ho Chi, Mr. Chan Ching Sum and Mr. Tse Yung Hoi. Mr. Leung Ho Chi is the chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and was amended on 13 December 2018. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held two meetings to review the annual financial results and report for the financial year ended 31 March 2022, interim financial results and report for the six months ended 30 September 2021 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, re-appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

(2) Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Hui Yip Ho Eric, executive Director, and Mr. Tse Yung Hoi and Mr. Leung Ho Chi, independent non-executive Directors. Mr. Leung Ho Chi is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining the remuneration packages of all executive Directors and senior management, making recommendations to the Board on the remuneration of non-executive directors and the remuneration policy and structure for all Directors and senior management of the Company; and establishing a formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will be involved in deciding his/her own remuneration.

During the Reporting Period, the Remuneration Committee held one meeting to review the remuneration policy and structure of the Company, and made recommendations to the Board on the salary adjustment of the executive Directors and senior management for the financial year ended 31 March 2022.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management (except Directors) of the Company for the year ended 31 March 2022 by band is set out below:

	Number of individuals
Nil to HKD1,000,000	<u>2</u>

(3) Nomination Committee

The Nomination Committee consists of three members, namely Mr. Hui Pui Sing, executive Director, and Mr. Chan Ching Sum and Mr. Leung Ho Chi, independent non-executive Directors. Mr. Hui Pui Sing is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, assessing the independence of the independent non-executive Directors, identifying individuals suitably qualified to become members of the Board and making recommendation to the Board on matters relating to the appointment or re-appointment and succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would also consider the criteria as set out in the Company's Director Nomination Procedures, including but not limited to, character, integrity, qualifications, skills, knowledge, experience and other perspectives appropriate to the Company's business, and achieve board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee also made recommendations to the Board on the appointment of Directors during the Reporting Period.

(4) Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

CORPORATE GOVERNANCE REPORT

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee has reviewed the composition of the Board from a diversity perspective. At present, the Board has a total of nine Directors, including five executive Directors, one non-executive Directors and three independent non-executive Directors. All the five executive Directors hold key positions in the Group, such as chairman of the Board, chief executive officer, general manager, administration manager and marketing manager. They have professional experience in corporate management and administration fields, and in-depth knowledge about fleet cards industry. Among the non-executive Director and independent non-executive Directors, there are professional generalist in financial field, licensed representative under the Securities and Futures Commission, standing committee member of the Chinese General Chamber of Commerce, life honorary president of Hong Kong Chinese Securities Association, fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. They are proficient in the requirements of Hong Kong capital market and international accounting standards. Also, the Board has two female Directors who, together with other Directors, offer professional opinions to the Company in their respective fields. The Nomination Committee believes that the Board has diversification in terms of gender, age, cultural and educational background, professional experience, skills, and knowledge. The Nomination Committee will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

(5) Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge, experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company;
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the Reporting Period and up to the date of this Annual Report, there were changes in the composition of the Board and details of the changes are set out in the section headed "Board Composition" of this Corporate Governance Report.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

(6) Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

The terms of reference of the Board for corporate governance functions include, among others, (i) developing and reviewing the Company's policies and practices on corporate governance and made recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the compliance of the Model Code and Written Employee Guidelines (if any) applicable to employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

D. ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board meeting, Board committee meetings and annual general meeting of the Company held during the Reporting Period is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
Hui Pui Sing	4/4	1/1	-	-	1/1
Tong Man Wah	4/4	-	-	-	1/1
Hui Yip Ho Eric	4/4	-	1/1	-	1/1
Hui Wing Man Rebecca	3/4	-	-	-	0/1
Kong Man Ho	4/4	-	-	-	1/1
Wong Chun Man	4/4	-	-	-	1/1
Chan Ching Sum	4/4	1/1	-	2/2	0/1
Tse Yung Hoi	4/4	-	1/1	2/2	1/1
Leung Ho Chi	4/4	1/1	1/1	2/2	1/1

Apart from the regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the year. Apart from the annual general meeting of the Company held on 6 September 2021, no other general meeting was held during the year.

E. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board on the effectiveness of the risk management and internal control systems for the financial year ended 31 March 2022.

CORPORATE GOVERNANCE REPORT

The Company has engaged external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material control and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the financial year ended 31 March 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information of the Company is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

F. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report in this Annual Report.

G. AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 March 2022 amounted to HK\$600,000 and HK\$150,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Messrs. SHINEWING (HK) CPA Limited, in respect of audit services and non-audit services for the year ended 31 March 2022 is set out below:

Service Category	Fees Paid/ Payable <i>(HK\$'000)</i>
Audit Services	
– Annual audit for the year ended 31 March 2022	600
Non-audit Services	<u>150</u>
Total	<u><u>750</u></u>

H. NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The controlling shareholders of the Company (namely, Max Fortune Holdings Limited, Mr. Hui Pui Sing, Ms. Tong Man Wah and Mr. Hui Yip Ho Eric) (the “**Controlling Shareholders**”) entered into a deed of non-competition (the “**Deed of Non-competition**”) with the Company (for itself and as trustee of each of its subsidiaries) on 16 January 2018.

Each Controlling Shareholder has undertaken under the Deed of Non-competition to provide to the Company and the Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition during the Restricted Period (as defined in the prospectus of the Company dated 30 January 2018) by the Controlling Shareholders and their respective close associates. Details of the Deed of Non-competition are set out in the section headed “Relationship with our Controlling Shareholders” in the prospectus.

Each Controlling Shareholder has made an annual declaration as to compliance with the terms of the Deed of Non-competition during the year under review. The independent non-executive Directors, based on the information available to them, has reviewed and consider that the terms of the Deed of Non-competition has been complied by each Controlling Shareholder.

CORPORATE GOVERNANCE REPORT

I. COMPANY SECRETARY

For the year ended 31 March 2022, Ms. Chan Sze Ting was appointed as the company secretary of the Company on 24 June 2020. Ms. Chan is an associate director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Hui Yip Ho Eric, the executive Director and the Chief Executive Officer has been designated as the primary contact person at the Company which would work and communicate with Ms. Chan on the Company's corporate governance and secretarial and administrative matters for the year ended 31 March 2022, pursuant to Code Provision C.6.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

For the year ended 31 March 2022, Ms. Chan Sze Ting has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

J. SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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

(1) Convening Extraordinary General Meeting

Extraordinary general meetings may 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 carrying the right of voting at general meetings of the Company pursuant to the Articles. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and 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.

(2) Putting Forward Proposals at General Meetings

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, pursuant to the Articles, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar as mentioned below. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

(3) Procedures for Raising Enquiries

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit D, 11/F, Billion Plaza II, No. 10 Cheung Yue Street, Cheung Sha Wan, Hong Kong
Attention: Board of Directors
Tel: (852) 2728 8820
Email: cs@vicointernational.hk

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited
Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Shareholders are encouraged to make enquires via the online enquiry form available on the Company's website at www.vicointernational.hk and are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate. The Company will not normally deal with verbal or anonymous enquiries.

K. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

CORPORATE GOVERNANCE REPORT

L. POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

M. COMPANY'S CONSTITUTIONAL DOCUMENT

There was no change in the Company's constitutional documents during the Reporting Period.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the Current Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements. The principal activities of the Group are the operation of the business of the sales of diesel, lubricant oil and others and provision of fleet cards service.

RESULTS AND DIVIDENDS

The results of the Group for the Current Period and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements.

The Directors do not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 144 of this report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 March 2022 are set out in note 16 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2022 are set out in note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Current Period are set out in note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the Current Period are set out in the consolidated statement of changes in equity on page 83 and note 28 to the consolidated financial statement respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company did not have any reserves available for distribution (as at 31 March 2021: Nil).

CHARITABLE CONTRIBUTIONS

Charitable donations made by the Group during the Current Period amounted to HK\$Nil (as at 31 March 2021: Nil).

DIRECTORS

The Directors during the Current Period and up to the date of this report were:

Executive Directors

Mr. HUI Pui Sing (*Chairman*)
Ms. TONG Man Wah
Mr. HUI Yip Ho Eric
Ms. HUI Wing Man Rebecca
Mr. KONG Man Ho

Non-executive Director

Mr. WONG Chun Man

Independent non-executive Directors

Mr. CHAN Ching Sum
Mr. TSE Yung Hoi
Mr. LEUNG Ho Chi

In accordance with Article 84 of the Articles, Mr. WONG Chun Man, Mr. CHAN Ching Sum and Mr. LEUNG Ho Chi will retire at the AGM. All the retiring directors being eligible will offer themselves for re-election at the AGM.

The Company has received annual confirmations of independence from each independent non-executive Director and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

(a) Executive Directors

Each of the 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 subject to the provision of retirement and rotation of Directors under the Articles.

(b) Non-executive Director

The non-executive Director has entered into a letter of appointment with the Company for a term of one year commencing from his date of appointment and subsequently renewed for a further term of one year in year 2020 subject to the provision of retirement and rotation of Directors under the Articles. Such appointment may be terminated by not less than two months' notice in writing served by either party on the other.

(c) Independent non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year subject to the provision of retirement and rotation of Directors under the Articles. Such appointment may be terminated by not less than two months' notice in writing served by either party on the other.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable) within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 15 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emolument of the Directors is recommended by the Remuneration Committee of the Company by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities and performance.

The Company has received annual confirmations of independence from each independent non-executive Director and as at the date of this report still considers them to be independent.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Approximate shareholding percentage in the issued share capital of the Company (%)
Mr. Hui	Interest in a controlled corporation ⁽²⁾ and interest of spouse ⁽³⁾	730,000,000 (L)	73
Ms. Tong	Interest in a controlled corporation ⁽²⁾ and interest of spouse ⁽³⁾	730,000,000 (L)	73
Mr. Eric Hui	Interest in a controlled corporation ⁽²⁾	730,000,000 (L)	73

Notes:

1. The letter (L) denotes the person's long position in such Shares.
2. Max Fortune was owned by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35%, 35% and 30%, respectively. Under the SFO, each of Mr. Hui, Ms. Tong and Mr. Eric Hui was deemed to be interested in all of the 730,000,000 Shares held by Max Fortune.
3. Mr. Hui is the spouse of Ms. Tong. Ms. Tong and Mr. Hui were deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Hui and Ms. Tong, respectively.

Long positions in the shares of the associated corporation (as defined in the SFO)

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Class of shares	Approximate shareholding percentage of the associated corporation's issued share capital
Mr. Hui ⁽¹⁾	Max Fortune ⁽²⁾	Beneficial interest and interest of spouse ⁽¹⁾	700	Ordinary shares	35%
Ms. Tong ⁽¹⁾	Max Fortune ⁽²⁾	Beneficial interest and interest of spouse ⁽¹⁾	700	Ordinary shares	35%
Mr. Eric Hui	Max Fortune ⁽²⁾	Beneficial interest	600	Ordinary shares	30%

Notes:

1. Mr. Hui is the spouse of Ms. Tong. Ms. Tong and Mr. Hui were deemed under the SFO to be interested in the shares of Max Fortune held, directly or indirectly, by Mr. Hui and Ms. Tong, respectively.
2. Max Fortune was interested in 730,000,000 Shares, representing 73% of the issued share capital of the Company. Max Fortune was therefore a holding company and an associated corporation of the Company for the purpose of the SFO.

Save for each of Mr. Hui and Mr. Eric Hui being a director of Max Fortune, as at 31 March 2022, none of the other Directors were directors or employees of a company which had an interest or short position in the shares and 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.

Save as disclosed above, none of the Directors or the chief executive of the Company had an interest and/or short position (as applicable) in the shares, underlying shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, the following persons (other than the Directors and chief executives of the Company whose interests are disclosed above) and corporations had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Number of Shares ⁽¹⁾	Approximate shareholding percentage in the Company's issued share capital (%)
Max Fortune ⁽²⁾	Beneficial owner	730,000,000 (L)	73

Notes:

1. The Letter (L) denotes the person's long position in the Shares.
2. Max Fortune was owned by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35%, 35% and 30%, respectively.

Save as disclosed above and those disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares and Underlying Shares of the Company", the Directors are not aware of any other person or corporation who has any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business, to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for those disclosed in the sections headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares of the Company” and “Share Option Scheme” in this report, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

As at 31 March 2022, other than the service contracts of the Directors, the Company did not enter into or have any management and/or administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Current Period, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group.

The Company has received from each of the Directors an annual confirmation of his/her undertaking as to non-competition with the business of the Group.

SHARE OPTION SCHEME

The share option scheme (the “**Share Option Scheme**”) was conditionally adopted by the written resolutions of the shareholders of the Company on 16 January 2018.

The following is a summary of the terms of the Share Option Scheme:

1. Purpose

The purpose of the Share Option Scheme is to reward Eligible Participants (as defined in paragraph (2) below) who have contributed to the Group and to encourage Eligible Participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders as a whole.

DIRECTORS' REPORT

2. Participants

The Board may, at its absolute discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of Shares as the Board may determine at an exercise price determined in accordance with paragraph (7) below:

- (A) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (B) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and
- (C) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

3. Maximum number of Shares

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total number of Shares in issue as at the date of listing of the Shares. The maximum number of Shares that may be granted under the Share Option Scheme was 100 million Shares, representing 10% of the total number of issued Shares as at the Listing Date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. As at the date of this annual report, no share options have been granted since adoption of the Share Option Scheme and there were no outstanding share options.

4. Maximum entitlement of each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant must not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit must be separately approved by the shareholders in general meeting of the Company with such Eligible Participant and his/her associates (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting.

5. Period within which the Shares must be taken up under an option

An option must be exercised within 10 years from the date on which it is granted or such shorter period as the Board may specify at the time of grant.

6. Minimum period, if any, for which an option must be held

No minimum period for which the option has to be held before it can be exercised is specified in the Share Option Scheme.

7. Basis of determining the exercise price of an option

The exercise price shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share.

8. Validity of the Share Option Scheme

The Share Option Scheme has a life of 10 years and will expire on 5 March 2028 unless otherwise terminated in accordance with the terms of the Share Option Scheme. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately 6 years.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2022, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 22.2% and 61.3% (2021: 26.5% and 68.0%) of the total revenue of the Group, respectively. For the year ended 31 March 2022, the Group's purchase from the largest and the five largest suppliers accounted for 97.3% and 98.2% (2021: 96.1% and 97.7%) of the total purchases of the Group, respectively. At no time during the year ended 31 March 2022 did the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's total number of issued shares) have any interest in the Group's major customers or suppliers as disclosed above.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2022, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the significant transactions with related parties are set out in note 30 to the consolidated financial statements. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Remuneration paid to key management personnel of the Group, including Directors described in note 13 to the consolidated financial statements, are continuing connected transactions exempt from the connected transaction requirements under Rule 14A.95 of the Listing Rules.

CORPORATE GOVERNANCE

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules.

The Board is of the view that during the Current Period, the Company has complied with all the code provisions as set out in the CG Code.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive or similar rights under the laws of the Caymans Islands or the Articles which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders of the Company.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director, secretary and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their offices or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of the relevant legal actions against the Directors.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year, principal risks and uncertainties facing the company and the material factors underlying its results and financial position can be found in the Management Discussion and Analysis set out on pages 4 to 9 of this annual report. These discussions form part of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to ensure compliance with ESG strategies and reporting requirements, the Board oversees the Group's ESG risk management and internal control systems. Detailed information on the environmental, social and governance measures adopted by the Group is set out in the sections headed "Environmental, Social and Governance Report" on pages 16 to 46 of this report.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Tuesday, 6 September 2022, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, Listing Rules and other applicable laws and regulations.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. LEUNG Ho Chi, Mr. TSE Yung Hoi and Mr. CHAN Ching Sum. Mr. LEUNG Ho Chi is the chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The consolidated annual results of the Group for the Current Period have been reviewed by the Audit Committee.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting

The 2022 Annual General Meeting (the "AGM") of the Company is scheduled to be held on Tuesday, 6 September 2022. For the purpose of determining the entitlement to attend the AGM, the register of members of the Company will be closed during the period from 1 September 2022 to 6 September 2022, both days inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for attending and voting at the AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022) for registration not later than 4:30 p.m. on Wednesday, 31 August 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

DIRECTORS' REPORT

CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's interim report for the six months ended 30 September 2021 are set out below:

- (1) Mr. Hui, executive Director, is entitled to a salary of HK\$975,000 per annum and a discretionary bonus with effect from 1 April 2022.
- (2) Ms. Tong, executive Director, is entitled to a salary of HK\$975,000 per annum and a discretionary bonus with effect from 1 April 2022.
- (3) Mr. WONG Chun Man, non-executive Director, renewed his letter of appointment for a further term of one year commencing from 1 April 2022.
- (4) Mr. CHAN Ching Sum, independent non-executive Director, renewed his letter of appointment for a further term of one year commencing from 12 April 2022.
- (5) Mr. TSE Yung Hoi, independent non-executive Director, renewed his letter of appointment for a further term of one year commencing from 4 March 2022.
- (6) Mr. LEUNG Ho Chi, independent non-executive Director, renewed his letter of appointment for a further term of one year commencing from 1 April 2022.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after the Current Period and up to the date of this report.

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

TO THE MEMBERS OF VICO INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vico International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 80 to 143 which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Valuation of trade receivables

Refer to Note 20 to the consolidated financial statements and the accounting policies on pages 101 to 104.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>As at 31 March 2022, the Group had trade receivables of HK\$36,589,000.</p> <p>Allowance for impairment of trade receivables is based on lifetime expected credit losses model, which is estimated by taking into account the credit loss experience and forward looking information including both current and forecast general economic conditions.</p> <p>We have identified valuation of trade receivables as a key audit matter because the impairment assessment of trade receivables involved a significant degree of management estimation and may be subject to management bias.</p>	<p>Our audit procedures were designed to assess the assumptions and judgements of the Group's expected credit losses model on impairment assessment of trade receivables.</p> <p>We have assessed the reasonableness of management's estimates for impairment allowance by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.</p>



OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

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

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

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, solely to you, as a body, in accordance with our agreed terms of 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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's 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.

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong

28 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7	1,369,627	816,374
Cost of sales		(1,326,148)	(769,211)
Gross profit		43,479	47,163
Other income	9	2,743	3,674
Selling and distribution expenses		(7,050)	(5,795)
Administrative and operating expenses		(26,159)	(21,674)
Finance costs	10	(1,153)	(927)
Profit before tax		11,860	22,441
Income tax expense	11	(2,691)	(4,101)
Profit and total comprehensive income for the year	12	9,169	18,340
Earnings per share (<i>HK cents</i>)			
Basic and diluted	15	0.92	1.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	16	76,337	76,835
Investment properties	17	69,801	38,388
Deposit paid for acquisition of non-current assets		200	534
Right-of-use assets	18	4,542	1,914
		<u>150,880</u>	<u>117,671</u>
Current assets			
Inventories	19	7,864	7,044
Trade and other receivables	20	53,467	64,713
Amount due from ultimate holding company	21	39	30
Income tax recoverable		1,083	208
Time deposit	22	1,026	1,021
Bank balances	22	53,600	55,219
		<u>117,079</u>	<u>128,235</u>
Current liabilities			
Trade and other payables	23	7,640	5,079
Lease liabilities	18	1,934	1,192
Bank borrowings	24	58,909	35,406
Income tax payables		1,085	6,919
		<u>69,568</u>	<u>48,596</u>
Net current assets		<u>47,511</u>	<u>79,639</u>
Total assets less current liabilities		<u>198,391</u>	<u>197,310</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Lease liabilities	18	2,527	599
Deferred tax liabilities	25	1,570	1,586
		<u>4,097</u>	<u>2,185</u>
Net assets		<u>194,294</u>	<u>195,125</u>
Capital and reserves			
Share capital	26	10,000	10,000
Reserves		184,294	185,125
Total equity		<u>194,294</u>	<u>195,125</u>

The consolidated financial statements on pages 80 to 143 were approved and authorised for issue by the board of directors on 28 June 2022 and are signed on its behalf by:

Hui Pui Sing
Director

Tong Man Wah
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital	Share premium	Capital reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(Note)</i> <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2020	10,000	62,978	28,272	75,535	176,785
Profit and total comprehensive income for the year	—	—	—	18,340	18,340
At 31 March 2021 and 1 April 2021	10,000	62,978	28,272	93,875	195,125
Profit and total comprehensive income for the year	—	—	—	9,169	9,169
Dividend declared and paid <i>(Note 14)</i>	—	—	—	(10,000)	(10,000)
At 31 March 2022	10,000	62,978	28,272	93,044	194,294

Note:

Capital reserve includes (i) the difference of approximately HK\$596,000 between the nominal value of the share capital issued by the Company for the acquisition of the entire interests in Billion Harvest Ventures Limited (“**Billion Harvest**”) and the nominal value of share capital of Billion Harvest during the year ended 31 March 2018 and (ii) capitalisation of the amount due to Mr. Hui Pui Sing (“**Mr. Hui**”) of approximately HK\$27,676,000 which the Company allotted and issued 250 shares, credited as fully paid, to Mr. Hui during the year ended 31 March 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before tax	11,860	22,441
Adjustments for:		
Depreciation of property, plant and equipment	6,674	5,470
Depreciation of investment properties	2,298	934
Depreciation of right-of-use assets	2,125	1,946
Finance costs	1,153	927
Gain on disposal of property, plant and equipment	(601)	(505)
Government subsidies	(187)	(2,101)
Gain on lease termination	(29)	–
Interest income	(28)	(182)
Reversal of impairment loss on inventories	(24)	(23)
Operating cash flows before movements in working capital	23,241	28,907
Increase in inventories	(796)	(1,003)
Decrease (increase) in trade and other receivables	11,246	(7,902)
Increase in trade and other payables	2,561	839
Cash generated from operations	36,252	20,841
Income tax (paid) refunded	(9,416)	229
NET CASH FROM OPERATING ACTIVITIES	26,836	21,070
INVESTING ACTIVITIES		
Acquisition of investment properties	(36,958)	(31,403)
Acquisition of property, plant and equipment	(2,395)	(6,342)
Placements of time deposit	(1,026)	(1,021)
Deposit paid for acquisition of non-current assets	(200)	(534)
Advance to ultimate holding company	(9)	(10)
Withdrawal of time deposit	1,021	1,017
Proceeds from disposal of property, plant and equipment	601	1,812
Interest received	28	182
NET CASH USED IN INVESTING ACTIVITIES	(38,938)	(36,299)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK\$'000	2021 <i>HK\$'000</i>
FINANCING ACTIVITIES		
Bank borrowings raised	28,000	9,000
Government subsidies received	187	2,101
Dividend paid (<i>Note 14</i>)	(10,000)	–
Repayment of bank borrowings	(4,497)	(3,703)
Repayment of lease liabilities	(2,054)	(2,124)
Interest paid	(1,153)	(927)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	10,483	4,347
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,619)	(10,882)
CASH AND CASH EQUIVALENTS AT 1 APRIL	55,219	66,101
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances	53,600	55,219
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

Vico International Holdings Limited (the “**Company**”) was incorporated in the Cayman Island as an exempted company with limited liability on 24 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 5 March 2018. The Company’s immediate and ultimate holding company is Max Fortune Holdings Limited (“**Max Fortune**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability. The ultimate controlling parties are Mr. Hui, Ms. Tong Man Wah (“**Ms. Tong**”), spouse of Mr. Hui and Mr. Hui Yip Ho, Eric (“**Mr. Eric Hui**”), son of Mr. Hui and Ms. Tong (the “**Controlling Shareholders**”). The addresses of the Company’s registered office and the principal place of business are at Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103 Cayman Islands and Unit D, 11/F, Billion Plaza II, No.10 Cheung Yue Street, Cheung Sha Wan, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in sales of diesel, lubricant oil and others and provision of fleet cards service.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract ¹
Amendment to HKFRSs	Annual improvements to HKFRSs 2018–2020 cycle ¹
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations ⁴

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for common control combinations that occur on or after beginning of the first annual report period on or after 1 January 2022.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

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

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

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

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties and discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principal versus agent

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

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

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

The Group recognises revenue from (i) sales of diesel; (ii) provision of fleet cards service; (iii) sales of lubricant oil and (iv) sales of others.

Sales of diesel, lubricant oil and others

Revenue from sales of diesel, lubricant oil and others are recognised when goods are delivered to location specified by the customers and accepted by the customers, which is the point of time the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

Provision of fleet cards service

Revenue from provision of fleet cards service is recognised on a net basis, based on difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to petroleum supplier, when fleet card holders purchase petroleum from a petroleum supplier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments and using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets (Continued)

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group applies HKAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “impairment losses on tangible assets” policy.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payment in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the “**MPF Scheme**”) are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Borrowing costs

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

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes as stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Ownership interests in leasehold land and buildings

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, transfers between investment property, and property, plant and equipment do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes under cost model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on property, plant and equipment and right-of-use assets

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Bank balances in the consolidated statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and short-term deposits as defined above.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“**ECL**”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “Other income” line item (Note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised costs. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the debtor will undergo bankruptcy or other financial restructuring; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the ECL is estimated 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, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

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

Principal versus agent consideration

The Group engages in sales of diesel. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk and discretion in establishing selling prices of the goods.

Key source of estimation uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY (CONTINUED)

Key source of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and investment properties

At the end of the reporting period, the directors of the Company review the carrying amount of the property, plant and equipment and investment properties and identified if there is any indication for possible impairment of property, plant and equipment and investment properties. The Group has engaged an external valuer to assist in performing valuation of investment properties in determining the recoverable amount. The impairment loss for property, plant and equipment and investment properties were recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of investment properties and property, plant and equipment are the greater of the fair value less costs to sell and value-in-use. In determining the recoverable amount, data such as second hand market prices of comparables, and transaction costs are used.

At the end of the reporting period, the Group's management reviews the carrying amount of the Group's property, plant and equipment and investment properties of approximately HK\$76,337,000 and HK\$69,801,000 respectively (2021: HK\$76,835,000 and HK\$38,388,000 respectively). No impairment loss of property, plant and equipment and investment properties have been recognised for both years.

Estimated impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 March 2022, the carrying amount of trade receivables was approximately HK\$36,589,000 (2021: HK\$45,687,000). No impairment losses were recognised for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 24, net of cash and cash equivalents, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or redemption of borrowings.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets		
At amortised cost	<u>93,039</u>	<u>104,307</u>
Financial liabilities		
At amortised cost	<u>65,999</u>	<u>39,827</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from ultimate holding company, time deposit, bank balances, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The Group is not exposed to foreign currency risk in respect of HKD against USD as long as these currencies are pegged. The transactions and monetary assets denominated in USD are minimal, the Group considers there have no significant foreign exchange risk in respect of USD.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 22) and variable-rate bank borrowings (see Note 24). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and Hong Kong Prime Rate ("**HK Prime Rate**") arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 50 basis point increase or decrease is used for the years ended 31 March 2022 and 2021 when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, effects on the Group's profit for the year would increase/decrease by approximately HK\$238,000 (2021: HK\$124,000).

Credit risk

As at 31 March 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk of the Group mainly arises from trade and other receivables, time deposit and bank balances. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

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

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked a team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has been low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below details the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

As at 31 March 2022	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Trade receivables	20	(Note)	Lifetime ECL (simplified approach)	36,589	-	36,589
Deposits and other receivables	20	Performing	12-month ECL	1,785	-	1,785
					-	
As at 31 March 2021	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Trade receivables	20	(Note)	Lifetime ECL (simplified approach)	45,687	-	45,687
Deposits and other receivables	20	Performing	12-month ECL	2,350	-	2,350
					-	

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

As at 31 March 2022, the Group has concentration of credit risk as 12% (2021: 17%) of the total gross trade receivables was due from the Group's largest customer and 23% (2021: 29%) of the total gross trade receivables was due from the five largest customers as at 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

As at 31 March 2022	On demand or within one year HK\$'000	After 1 year but within 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Trade and other payables	7,090	-	7,090	7,090
Bank borrowings	58,909	-	58,909	58,909
	<u>65,999</u>	<u>-</u>	<u>65,999</u>	<u>65,999</u>
Lease liabilities	<u>1,995</u>	<u>2,554</u>	<u>4,549</u>	<u>4,461</u>
	On demand or within one year HK\$'000	After 1 year but within 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2021				
Trade and other payables	4,421	-	4,421	4,421
Bank borrowings	35,406	-	35,406	35,406
	<u>39,827</u>	<u>-</u>	<u>39,827</u>	<u>39,827</u>
Lease liabilities	<u>1,235</u>	<u>619</u>	<u>1,854</u>	<u>1,791</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “on demand or within one year” time band in the above maturity analysis. At 31 March 2022, the aggregate principal amounts of these bank borrowings amounted to HK\$58,909,000 (2021: HK\$35,406,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the respective loan agreements, details of which are set out below.

	Less than 1 year <i>HK\$'000</i>	1-2 years <i>HK\$'000</i>	2-5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total undiscounted cash outflows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
31 March 2022	<u>22,392</u>	<u>4,403</u>	<u>12,080</u>	<u>27,205</u>	<u>66,080</u>	<u>58,909</u>
31 March 2021	<u>4,918</u>	<u>4,866</u>	<u>8,820</u>	<u>22,878</u>	<u>41,482</u>	<u>35,406</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
Sales of diesel	1,279,672	734,721
Provision of fleet cards service	31,176	28,922
Sales of lubricant oil	50,429	48,984
Sales of others	8,350	3,747
	<u>1,369,627</u>	<u>816,374</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disaggregation of revenue by timing of recognition		
Timing of revenue recognition		
At a point in time	<u>1,369,627</u>	<u>816,374</u>

8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purposes of allocating resources and assessing performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follow:

- (i) Sales of diesel
- (ii) Provision of fleet cards service
- (iii) Sales of lubricant oil
- (iv) Sales of others

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 March 2022

	Sales of diesel HK\$'000	Provision of fleet cards HK\$'000	Sales of lubricant oil HK\$'000	Sales of others HK\$'000	Total HK\$'000
Segment revenue	1,279,672	31,176	50,429	8,350	1,369,627
Segment results	12,549	11,317	12,096	1,342	37,304
Other income					2,743
Corporate expenses					(27,034)
Finance costs					(1,153)
Profit before tax					11,860

For the year ended 31 March 2021

	Sales of diesel HK\$'000	Provision of fleet cards HK\$'000	Sales of lubricant oil HK\$'000	Sales of others HK\$'000	Total HK\$'000
Segment revenue	734,721	28,922	48,984	3,747	816,374
Segment results	16,304	12,456	12,077	1,466	42,303
Other income					3,674
Corporate expenses					(22,609)
Finance costs					(927)
Profit before tax					22,441

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results mainly represented profit before tax earned by each segment, excluding expenses of corporate functions, other income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. SEGMENT INFORMATION (CONTINUED)

Other segment information

For the year ended 31 March 2022

	Sales of diesel <i>HK\$'000</i>	Provision of fleet cards service <i>HK\$'000</i>	Sales of lubricant oil <i>HK\$'000</i>	Sales of others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets						
Depreciation of right-of-use assets	-	-	-	-	2,125	2,125
Reversal of impairment loss on inventories (<i>Note</i>)	-	-	(24)	-	-	(24)
Gain on lease termination	-	-	-	-	(29)	(29)
Depreciation of property, plant and equipment	1,063	2,793	2,319	-	499	6,674
Depreciation of investment properties	-	-	-	-	2,298	2,298

For the year ended 31 March 2021

	Sales of diesel <i>HK\$'000</i>	Provision of fleet cards service <i>HK\$'000</i>	Sales of lubricant oil <i>HK\$'000</i>	Sales of others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets						
Depreciation of right-of-use assets	-	-	-	-	1,946	1,946
Reversal of impairment loss on inventories (<i>Note</i>)	-	-	(23)	-	-	(23)
Depreciation of property, plant and equipment	924	1,652	2,285	-	609	5,470
Depreciation of investment properties	-	-	-	-	934	934

Note: During the year ended 2022, certain long aged inventories were sold. As a result, a reversal of write-down of inventories of approximately HK\$24,000 (2021: HK\$23,000) has been recognised and included in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. SEGMENT INFORMATION (CONTINUED)

Geographical information

An analysis of the Group's revenue from external customers is presented based on the location of customers as below:

	2022	2021
	HK\$'000	HK\$'000
Hong Kong	1,358,020	806,083
Macau	1,319	1,276
Vietnam	9,732	8,807
Malaysia	556	208
	1,369,627	816,374

The Group's property, plant and equipment and investment properties are solely located in Hong Kong.

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group are as follows:

	2022	2021
	HK\$'000	HK\$'000
Customer A ¹	303,673	216,436
Customer B ¹	181,633	100,088
Customer C ¹	N/A²	93,179
Customer D ¹	N/A²	82,144
Customer E ¹	N/A²	82,126

¹ Revenue from sales of diesel and lubricant oil.

² The corresponding revenue does not contribute over 10% of total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

9. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income of bank deposits	28	182
Gain on lease termination	29	–
Government subsidies (<i>Note</i>)	187	2,101
Gain on disposal of property, plant and equipment	601	505
Rental income from investment properties		
– Lease payments that are fixed	1,887	846
Others	11	40
	2,743	3,674

Note:

During the year ended 31 March 2022, the Group recognised government subsidies of HK\$187,000 provided by the Hong Kong Productivity Council to support enterprises to adopt IT solutions to continue their business and services during the epidemic.

During the year ended 31 March 2021, the Group recognised government subsidies of HK\$2,101,000 in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

The government subsidies with no unfulfilled conditions or contingencies and recognised as other income upon receipts during the years ended 31 March 2022 and 2021.

10. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on:		
– Bank borrowings	1,075	834
– Lease liabilities	78	93
	1,153	927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current income tax		
Hong Kong Profits Tax		
– Current year	2,628	3,879
– Under (over)-provision in prior year	79	(345)
	<u>2,707</u>	<u>3,534</u>
Deferred taxation (Note 25)	(16)	567
	<u>2,691</u>	<u>4,101</u>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for the year (2021: 16.5%).

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

	2022 HK\$'000	2021 HK\$'000
Profit before tax	<u>11,860</u>	<u>22,441</u>
Tax calculated at the domestic income tax rate of 16.5% (2021: 16.5%)	1,957	3,702
Tax effect of expenses not deductible for tax purpose	718	705
Tax effect of income not taxable for tax purpose	(16)	(372)
Under (over)-provision in prior year	79	(345)
Effect of two-tiered profits tax rate regime	(165)	(165)
Utilisation of tax losses previously not recognised	(70)	–
Tax losses not recognised	218	606
Tax concession (Note)	30	(30)
Income tax expense for the year	<u>2,691</u>	<u>4,101</u>

Note: During the year ended 31 March 2022, three (2021: three) subsidiaries entitled tax concession of HK\$10,000 (2021: HK\$10,000) for the year.

Details of the deferred taxation are set out in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

12. PROFIT FOR THE YEAR

	2022 HK\$'000	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (<i>Note 13</i>)	4,120	3,829
Other staff costs:		
Salaries and allowances	8,618	7,742
Contributions to retirement benefit scheme	346	333
Total staff costs	13,084	11,904
Auditor's remuneration	600	600
Cost of inventories recognised as expenses (included in cost of sales)	1,306,347	752,556
Rental income from investment properties less direct outgoings of approximately HK\$11,000 (2021: HK\$7,000)	(1,876)	(839)
Reversal of impairment loss on inventories (included in cost of sales)	(24)	(23)
Depreciation of property, plant and equipment	6,674	5,470
Depreciation of investment properties	2,298	934
Depreciation of right-of-use assets	2,125	1,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the nine (2021: nine) directors of the Company and the chief executive officer (“CEO”) of the Group during the year were as follows:

For the year ended 31 March 2022

	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries				
Executive directors:				
Mr. Hui	-	845	18	863
Ms. Tong	-	845	18	863
Ms. Hui Wing Man Rebecca (“Ms. Rebecca Hui”)	-	390	9	399
Mr. Eric Hui	-	845	18	863
Mr. Kong Man Ho (“Mr. Kong”)	-	524	18	542
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries				
Non Executive director:				
Mr. Wong Chun Man	120	-	-	120
Independent non-executive directors:				
Mr. Leung Ho Chi	150	-	-	150
Mr. Tse Yung Hoi	200	-	-	200
Mr. Chan Ching Sum	120	-	-	120
Total	590	3,449	81	4,120

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2021

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries				
Executive directors:				
Mr. Hui	–	650	18	668
Ms. Tong	–	650	18	668
Ms. Rebecca Hui	–	600	18	618
Mr. Eric Hui	–	650	18	668
Mr. Kong	–	531	18	549
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries				
Non Executive director:				
Mr. Wong Chun Man	188	–	–	188
Independent non-executive directors:				
Mr. Leung Ho Chi	150	–	–	150
Mr. Tse Yung Hoi	200	–	–	200
Mr. Chan Ching Sum	120	–	–	120
Total	658	3,081	90	3,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

Mr. Eric Hui is also the CEO of the Group and his emoluments disclosed above include those for services rendered by him as the CEO. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

(b) Employees' emoluments

All of the five highest paid individuals were directors of the Company during the years ended 31 March 2022 and 2021, whose emoluments are included in the analysis presented above. There were no performance related incentive payments during the years ended 31 March 2022 and 2021.

No emoluments were paid by the Group to the five highest paid individuals or any of the directors or CEO of the Company as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. DIVIDEND

	2022	2021
	HK\$'000	HK\$'000
Dividends recognised as distribution during the year:		
2021 Interim – HK1 cent	<u>10,000</u>	<u>–</u>

The directors of the Company do not recommend any final dividend for the current year.

15. EARNINGS PER SHARE

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

	2022	2021
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	<u>9,169</u>	<u>18,340</u>
	2022	2021

Number of shares:

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>
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The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer hardware and software <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2020	77,619	4,179	3,657	-	14,300	99,755
Additions	-	568	761	-	5,013	6,342
Transferred to investment properties	(2,428)	-	-	-	-	(2,428)
Disposals	-	-	-	-	(1,755)	(1,755)
At 31 March 2021 and 1 April 2021	75,191	4,747	4,418	-	17,558	101,914
Additions	-	642	526	803	958	2,929
Transferred to investment properties	(2,273)	-	-	-	-	(2,273)
Transferred from investment properties	5,345	-	-	-	-	5,345
Disposals	-	-	-	-	(1,309)	(1,309)
At 31 March 2022	78,263	5,389	4,944	803	17,207	106,606
ACCUMULATED DEPRECIATION						
At 1 April 2020	6,723	1,179	2,457	-	9,757	20,116
Provided for the year	2,508	1,038	435	-	1,489	5,470
Transferred to investment properties	(59)	-	-	-	-	(59)
Eliminated on disposals	-	-	-	-	(448)	(448)
At 31 March 2021 and 1 April 2021	9,172	2,217	2,892	-	10,798	25,079
Provided for the year	2,097	1,291	589	140	2,557	6,674
Transferred to investment properties	(209)	-	-	-	-	(209)
Transferred from investment properties	34	-	-	-	-	34
Eliminated on disposals	-	-	-	-	(1,309)	(1,309)
At 31 March 2022	11,094	3,508	3,481	140	12,046	30,269
CARRYING VALUES						
At 31 March 2022	67,169	1,881	1,463	663	5,161	76,337
At 31 March 2021	66,019	2,530	1,526	-	6,760	76,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land and buildings	Over the term of the relevant lease
Leasehold improvements	Over the shorter of the term of the relevant lease or 5 years
Furniture, fixtures and equipment	Over 5 years
Computer hardware and software	Over 5 years
Motor vehicles	Over 3 to 5 years

As at 31 March 2022, the Group pledged its leasehold land and buildings with carrying values of HK\$61,956,000 (2021: HK\$63,868,000) to secure its bank borrowings.

The leasehold land and buildings are located in Hong Kong.

17. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
COST	
At 1 April 2020	–
Additions	36,953
Transferred from property, plant and equipment	<u>2,428</u>
At 31 March 2021 and 1 April 2021	39,381
Additions	36,958
Transferred from property, plant and equipment	2,273
Transferred to property, plant and equipment	<u>(5,345)</u>
At 31 March 2022	<u>73,267</u>
ACCUMULATED DEPRECIATION	
At 1 April 2020	–
Provided for the year	934
Transferred from property, plant and equipment	<u>59</u>
At 31 March 2021 and 1 April 2021	993
Provided for the year	2,298
Transferred from property, plant and equipment	209
Transferred to property, plant and equipment	<u>(34)</u>
At 31 March 2022	<u>3,466</u>
CARRYING VALUES	
At 31 March 2022	<u>69,801</u>
At 31 March 2021	<u>38,388</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the Group's investment properties as at 31 March 2022 was approximately HK\$72,300,000 (2021: HK\$38,400,000). The fair value has been arrived at based on a valuation carried out by Prudential Surveyors (Hong Kong) Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions and is categorised as level 3 of the fair value hierarchy.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

During the year ended 31 March 2022, the Group has transferred a property with carrying amount of approximately HK\$5,311,000 from investment properties to property, plant and equipment due to the change in use, which is evidenced by commencement of owner occupation with a view to owner occupation.

During the year ended 31 March 2022, the Group has transferred a property with carrying amount of approximately HK\$2,064,000 (2021: HK\$2,369,000) from property, plant and equipment to investment properties due to the change in use, which is evidenced by an inception of an operating lease to another party.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the lease
------------------------------	----------------------------

As at 31 March 2022, the Group pledged its investment property with carrying values of HK\$30,843,000 (2021: HK\$32,064,000) to secure its bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2022	2021
	HK\$'000	HK\$'000
Buildings	4,194	1,324
Motor vehicle	348	590
	4,542	1,914

In respect of lease arrangement for renting motor vehicle, the Group has options to purchase motor vehicle for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such lease.

As at 31 March 2022, the net book value of the leased motor vehicle under a hire purchase agreement of approximately HK\$348,000 (2021: HK\$590,000) is secured by the lessor's title.

Additions to the right-of-use assets for the year ended 31 March 2022 amounted to approximately HK\$4,779,000 (2021: HK\$1,407,000), due to new leases of warehouses.

During the year ended 31 March 2022, the Group terminated a lease of car park and derecognised right-of-use assets and lease liabilities of approximately HK\$26,000 and HK\$55,000 respectively, resulting in a gain on early termination of lease of approximately RMB29,000 being recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(ii) Lease liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current	2,527	599
Current	1,934	1,192
	<u>4,461</u>	<u>1,791</u>

Amounts payable under lease liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	1,934	1,192
After one year but within two years	1,737	599
After two years but within five years	790	–
	4,461	1,791
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,934)</u>	<u>(1,192)</u>
Amount due for settlement after 12 months	<u>2,527</u>	<u>599</u>

The Group has lease arrangements for offices and car parks and motor vehicle. The lease terms are generally ranged from 2 to 3 years with fixed lease payment and no renewal/termination option. The weighted average lessee's incremental borrowing rates applied to the lease liabilities was 2.4% per annum (2021: 3.9% per annum) for the year ended 31 March 2022.

As at 31 March 2022, the lease liabilities in respect of leased motor vehicle under hire purchase agreement with a purchase option amounted to approximately HK\$211,000 (2021: HK\$431,000) were secured by the lessor's title to the leased assets.

During the year ended 31 March 2022, the Group entered into three new lease agreements in respect of new leases of warehouses and recognised lease liabilities of approximately HK\$4,779,000 (2021: HK\$1,407,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(iii) Amounts recognised in profit or loss

	Year ended	
	2022	2021
	HK\$'000	HK\$'000
Depreciation expense on right-of-use assets		
– Buildings	1,883	1,762
– Motor vehicle	242	184
Interest expense on lease liabilities	78	93
Gain on lease modification	29	–

(iv) Others

During the year ended 31 March 2022, the total cash outflow for leases amount to approximately HK\$2,132,000 (2021: HK\$2,217,000).

19. INVENTORIES

	2022	2021
	HK\$'000	HK\$'000
Raw materials	901	233
Finished goods	6,963	6,811
	7,864	7,044

As 31 March 2022, the carrying amounts of the Group's inventories were net of impairment provisions of approximately HK\$111,000 (2021: HK\$135,000).

During the year ended 31 March 2022, inventories of approximately HK\$24,000 (2021: HK\$23,000) which was fully impaired in prior years were sold at a consideration above HK\$24,000 (2021: HK\$23,000). As a result, reversal of impairment on inventories of approximately HK\$24,000 (2021: HK\$23,000) was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	36,589	45,687
Trade deposits paid	14,622	16,374
Deposits and prepayments	625	458
Receivables due from suppliers	1,631	2,194
	53,467	64,713

The Group allows an average credit period of 15 to 30 days (2021: 15 to 30 days) to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	27,278	40,328
31 to 60 days	4,192	2,054
61 to 90 days	1,726	1,320
Over 90 days	3,393	1,985
	36,589	45,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group performs ongoing credit evaluations of its customers and credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers.

The Group has policy regarding impairment losses on trade receivables. The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are assessed by using a provision matrix based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

As at 31 March 2022 and 2021, the identified impairment loss in respect of trade receivables was immaterial, no loss allowance was made on trade receivables.

The assessments on ECL of other receivables and deposits are set out in Note 6.

21. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Details of amount due from ultimate holding company are as follows:

	As at 31 March		Maximum amount During the year ended 31 March	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Max Fortune	<u>39</u>	<u>30</u>	<u>39</u>	<u>30</u>

The amount is non-trade related, unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

22. TIME DEPOSIT/BANK BALANCES

Time deposit

As at 31 March 2022, deposit with a bank of approximately HK\$1,026,000 (2021: HK\$1,021,000), with original maturity of more than three months, carried interest rate of 0.01% (2021: 0.40%) per annum.

Bank balances

The bank balances comprised cash at banks and short-term bank deposits with an original maturity of three months or less. The bank balances at 31 March 2022 carried interest at the prevailing market rate from 0.001% to 0.1% (2021: 0.001% to 0.1%) per annum.

23. TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables (Note)	558	478
Trade deposits received	550	658
Accrued directors' emoluments	594	594
Other payables and accruals	5,938	3,349
	<u>7,640</u>	<u>5,079</u>

Note: The aging analysis of trade payables presented based on the invoice dates at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	<u>558</u>	<u>478</u>

The average credit period on purchase of goods is from 30 days to 60 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

24. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Variable-rate bank borrowings:		
Secured and guaranteed	<u>58,909</u>	<u>35,406</u>
Bank borrowings repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	21,133	4,080
More than one year but not exceeding two years	3,518	4,133
More than two years but not exceeding five years	9,897	6,159
More than five years	<u>24,361</u>	<u>21,034</u>
	<u>58,909</u>	<u>35,406</u>
Less: Carrying amounts of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(37,776)	(31,326)
Less: Carrying amounts of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	<u>(21,133)</u>	<u>(4,080)</u>
Amount shown under current liabilities	<u>(58,909)</u>	<u>(35,406)</u>
Amount shown under non-current liabilities	<u>-</u>	<u>-</u>

All bank borrowings were secured by charges over certain leasehold land and buildings and investment property of the Group with carrying value of HK\$61,956,000 and HK\$30,843,000 respectively as at 31 March 2022 (2021: HK\$63,868,000 and HK\$32,064,000 respectively).

As at 31 March 2022, the bank borrowings carried interests at HK Prime Rate less 2.0% to 2.8% per annum and 1 month Hong Kong Interbank Rate plus 2.5% (2021: HK Prime Rate less 2.6% to 2.8% per annum). The effective interest rates of the bank borrowings as at 31 March 2022 (which are also equal to contractual interest rate) ranged from 2.1% to 2.7% per annum (2021: from 2.4% to 2.6% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2020	1,019
Charged to profit or loss (<i>Note 11</i>)	<u>567</u>
At 31 March 2021 and 1 April 2021	1,586
Credited to profit or loss (<i>Note 11</i>)	<u>(16)</u>
At 31 March 2022	<u>1,570</u>

As at 31 March 2022, certain subsidiaries of the Group had aggregate unused tax losses of HK\$12,766,000 (2021: HK\$11,869,000) available for offset against future profits. No deferred tax asset has been recognised as at 31 March 2022 and 2021 due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

26. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company are as follows:

	Number of share	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>1,000,000,000</u>	<u>10,000</u>

27. OPERATING LEASES ARRANGEMENT

The Group as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of within 1 to 3 years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	2,426	1,173
After 1 year but within 2 years	895	1,145
After 2 years but within 3 years	—	134
	<u>3,321</u>	<u>2,452</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investment in a subsidiary		52,036	52,036
Amounts due from subsidiaries	a	80,895	93,297
		<u>132,931</u>	<u>145,333</u>
Current assets			
Prepayments		65	–
Bank balances		411	1,000
		<u>476</u>	<u>1,000</u>
Current liability			
Other payables and accruals		643	628
Net current (liabilities) assets		<u>(167)</u>	<u>372</u>
Net assets		<u>132,764</u>	<u>145,705</u>
Capital and reserves			
Share capital		10,000	10,000
Reserves	b	122,764	135,705
Total equity		<u>132,764</u>	<u>145,705</u>

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and are not expected to be recoverable within the next twelve months from the end of the reporting period.

(b) **Movements in reserves**

	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
As at 1 April 2020	62,978	74,832	813	138,623
Loss and total comprehensive expense for the year	–	–	(2,918)	(2,918)
As at 31 March 2021 and 1 April 2021	62,978	74,832	(2,105)	135,705
Loss and total comprehensive expense for the year	–	–	(2,941)	(2,941)
Dividend declared and paid	–	–	(10,000)	(10,000)
As at 31 March 2022	<u>62,978</u>	<u>74,832</u>	<u>(15,046)</u>	<u>122,764</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

29. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees. The contributions from each of the employer and employees are subject to a cap of HK\$1,500 per month.

The Group made contributions to the retirement benefits schemes of HK\$427,000 (2021: HK\$ HK\$423,000) for the year ended 31 March 2022.

30. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions with related parties during the year.

(a) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year was as follows:

	2022	2021
	HK\$'000	HK\$'000
Short-term employee benefits	4,817	4,415
Post-employment benefits	111	120
	4,928	4,535

The remuneration of the directors of the Company and key management personnel of the Group is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

30. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (b) During the year, the Group entered into the following significant transactions with related parties:

Related parties	Nature of transactions	2022 HK\$'000	2021 HK\$'000
Yee Sing Hong Petroleum Products Limited (<i>Note</i>)	Lease and interest payment	175	420
Bright Ford Development Limited (<i>Note</i>)	Lease and interest payment	809	648
Sunny Gainer Investment Limited (<i>Note</i>)	Lease and interest payment	525	336
Grand Winning Holdings Limited (<i>Note</i>)	Lease and interest payment	15	36
Mr. Hui	Lease and interest payment	160	384

Note: Mr. Hui/Ms. Tong are the controlling shareholders of these companies.

These transactions were carried out at terms determined and agreed by the Group and the relevant parties. During the years ended 31 March 2018 and 2022, the Group entered into several leases with three year lease terms in respect of certain properties from related parties and Mr. Hui, the director of the Group. During the year ended 31 March 2022, the amounts of rent payable by the Group under the lease is HK\$140,000 per month (2021: HK\$152,000 per month) in total. As at 31 March 2022, the total carrying amounts of such lease liabilities is HK\$3,891,000 (2021: HK\$754,000).

31. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2022, the Group entered into new arrangements in respect of warehouses. Right-of-use assets and lease liabilities of approximately HK\$4,779,000 (2021: HK\$1,407,000) were recognised at the commencement of the lease.
- (b) During the year ended 31 March 2021, the Group has an addition of investment properties amounting to approximately HK\$36,953,000, out of which approximately HK\$5,550,000 was settled by the deposit paid in year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 April 2021 HK\$'000	Financing cash flows HK\$'000	Non-cash changes		31 March 2022 HK\$'000	
			New lease arrangements HK\$'000	Finance costs incurred HK\$'000		Lease modification HK\$'000
Bank borrowings	35,406	22,428	-	1,075	-	58,909
Lease liabilities	1,791	(2,132)	4,779	78	(55)	4,461
	<u>37,197</u>	<u>20,296</u>	<u>4,779</u>	<u>1,153</u>	<u>(55)</u>	<u>63,370</u>

	1 April 2020 HK\$'000	Financing cash flows HK\$'000	Non-cash changes		31 March 2021 HK\$'000
			New lease arrangements HK\$'000	Finance costs incurred HK\$'000	
Bank borrowings	30,109	4,463	-	834	35,406
Lease liabilities	2,508	(2,217)	1,407	93	1,791
	<u>32,617</u>	<u>2,246</u>	<u>1,407</u>	<u>927</u>	<u>37,197</u>

33. CONTINGENT LIABILITIES

As at 31 March 2021 and 2022, the Group had issued a letter of guarantee through the banking facilities granted, to a supplier amounting to HK\$4,000,000. The facilities are secured by corporate guarantee of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 March 2022 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation	Issued and fully paid capital		Shareholding/ equity interest attributable to the Company		Proportion ownership interest held by the Company				Principal activities
			2022	2021	2022	2021	Directly		Indirectly		
							2022	2021	2022	2021	
Billion Harvest	The BVI	5 January 2018	US\$11,000	US\$11,000	100%	100%	100%	100%	-	-	Investment holding
Billion Faith	Hong Kong	17 October 2005	HK\$10,000	HK\$10,000	100%	100%	-	-	100%	100%	Sales of lubricant oil
Carmen Logistics	Hong Kong	19 March 2012	HK\$2	HK\$2	100%	100%	-	-	100%	100%	Provision of transportation services to the Group's subsidiaries
Diamond Decade	The BVI	23 January 2018	US\$1,000	US\$1,000	100%	100%	-	-	100%	100%	Investment holding
Grand Wealthy	Hong Kong	12 March 2003	HK\$10,000	HK\$10,000	100%	100%	-	-	100%	100%	Sales of lubricant oil
Lion Champion Holdings Limited	Hong Kong	20 December 2019	HK\$1	HK\$1	100%	100%	-	-	100%	100%	Property holding
Panda Champion Holdings Limited	Hong Kong	30 October 2020	HK\$1	HK\$1	100%	100%	-	-	100%	100%	Property holding
Tien Fung Hong	Hong Kong	4 February 2004	HK\$50,000	HK\$50,000	100%	100%	-	-	100%	100%	Provision of fleet cards service and handling sales of lubricant oil for the Group's subsidiaries
Tiger Champion Limited	Hong Kong	5 July 2018	HK\$10,000	HK\$10,000	100%	100%	-	-	100%	100%	Property holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation	Issued and fully paid capital		Shareholding/ equity interest attributable to the Company		Proportion ownership interest held by the Company				Principal activities
			2022	2021	2022	2021	Directly		Indirectly		
							2022	2021	2022	2021	
Trillion Star	The BVI	1 December 2016	US\$1,000	US\$1,000	100%	100%	-	-	100%	100%	Investment holding
Tycoon City	The BVI	28 November 2016	US\$1,000	US\$1,000	100%	100%	-	-	100%	100%	Investment holding
Yee Sing Hong	Hong Kong	1 February 2002	HK\$200	HK\$200	100%	100%	-	-	100%	100%	Sales of diesel, lubricant oil and Others
Yee Sing Logistics	Hong Kong	20 September 2002	HK\$10,000	HK\$10,000	100%	100%	-	-	100%	100%	Provision of transportation services to the Group's subsidiaries

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

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes above.

RESULTS	For the year ended 31 March				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	1,369,627	816,374	1,045,348	1,076,998	828,139
Gross profit	43,479	47,163	46,937	45,438	47,484
Profit before taxation	11,860	22,441	20,937	23,247	12,265
Income tax expense	(2,691)	(4,101)	(4,925)	(5,259)	(5,449)
Profit for the year	9,169	18,340	16,012	17,988	6,816
Profit and total comprehensive income for the year attributable to the owners of the Company	9,169	18,340	16,012	17,988	6,816

ASSETS AND LIABILITIES	As at 31 March				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Non-current asset	150,880	117,671	87,642	76,499	20,650
Current assets	117,079	128,235	130,278	118,045	157,027
Non-current liabilities	4,097	2,185	1,773	647	237
Current liabilities	69,568	48,596	39,362	23,124	24,655
Net current assets	47,511	79,639	90,916	94,921	132,372
Total assets less current liabilities	198,391	197,310	178,558	171,420	153,022