



**State Energy Group International
Assets Holdings Limited**
國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 918

ANNUAL REPORT 2021/22



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Zhang Jinbing (*Chairman*)

Mr. Tian Wenxi

Mr. Wu Tingjun

Independent Non-executive Directors:

Mr. Chen Conghu

(appointed on 15 December 2021)

Ms. Choi Ka Ying

(appointed on 15 December 2021)

Ms. He Xiaodong

(appointed on 15 March 2022)

Mr. Chow Hiu Tung

(resigned on 15 December 2021)

Ms. Yang Yanli

(resigned on 15 March 2022)

Mr. Zhao Hangen

(resigned on 15 December 2021)

COMPANY SECRETARY

Ms. Lee Eva

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL OFFICE

Unit 13, 5/F, Tower 1

Harbour Centre

1 Hok Cheung Street

Hung Hom, Kowloon

Hong Kong

AUDITOR

CL Partners CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking

Corporation Limited

Bank of Communications

Hang Seng Bank Limited

Public Bank (Hong Kong)

SOLICITORS

Bermuda:

Conyers Dill & Pearman

Hong Kong:

WE Lawyers

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda:

MUFG Fund Services (Bermuda) Limited

4th Floor North

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

Hong Kong:

Tricor Abacus Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

0918

CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of State Energy Group International Assets Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), I hereby present the audited annual results of the year ended 31 March 2022 of the Group to our shareholders.

During the year ended 31 March 2022, the Group was continuing its principal business of sourcing, subcontracting and trading of garments (the “**Garment Business**”), property investment (the “**Property Investment Business**”) and marketing and promotional services at online and offline platforms for external customers and related companies (the “**Marketing and Promotional Services**”). The Group has recorded a turnover of approximately HK\$207.2 million, representing an decrease of 25.2% as compared to that of approximately HK\$276.9 million in 2021. The turnover of the Garment Business and the Property Investment Business were approximately HK\$162.5 million and HK\$4.0 million respectively, representing an decrease of 25.3% and a decrease of 2.4% from that of previous year. The loss attributable to owners of the Company was HK\$11.7 million, compared to profit of HK\$7.6 million in previous year. For the detailed overview of business, please refer to the “Management Discussion and Analysis” of this annual report.

On behalf of the Board, I would like to express our utmost sincere gratitude towards our respectable business partners, clients and shareholders for their continuous support and trust and to thank our management team and all staff members for their hard work. Moving forward, the Group will be united as one and put our best foot forward in the face of future opportunities and challenges, and endeavor to optimise the return to our shareholders.

Zhang Jinbing

Chairman

Hong Kong, 30 June 2022

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Jinbing (“Mr. Zhang”)

Mr. Zhang, aged 50, is the chairman and executive Director and was appointed as the chairman of remuneration committee and nomination committee of the Company since October 2018. He is also the controlling shareholder (as defined in the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company. Mr. Zhang graduated with a Bachelor of Arts degree from Guangzhou Foreign Language Institute in 1994. Mr. Zhang has extensive experience in corporate management. He has served as co-chairman of the board of directors and non-executive director of Apollo Future Mobility Group Limited (“**Apollo FMG**”), a company listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 860) for the period from 24 November 2017 to 19 March 2021. Prior to that, he was an executive director of Apollo FMG for the period from January 2015 to 23 November 2017 and also appointed as chairman in June 2015 until 23 November 2017. Mr Zhang is also an executive director and chairman of the board of Chong Kin Group Holdings Limited, a company listed on The Stock Exchange (stock code: 1609) since January 2018. He was an executive director of Synertone Communication Corporation, a company listed on the Stock Exchange (stock code: 1613), for the period from August 2012 to April 2014.

Mr. Tian Wenxi (“Mr. Tian”)

Mr. Tian, aged 53, joined the Group in December 2019, is an executive Director of the Company. Mr. Tian obtained the Doctor of Finance from the Murdoch University in Australia and the qualification of economist in the People’s Republic of China (the “**PRC**”). Mr. Tian has extensive professional knowledge and experience in strategic planning, operation and business management in the marketing, trading and culture and tourism industry in the PRC. Mr. Tian has been working and is holding directorship at 廣州萬燕集團有限公司 (Guangzhou Wanyan Group Co., Ltd.*) since 2014. He is also holding senior management positions in other companies in the PRC, including but not limited to (i) director and chief executive officer at 廣州萬燕科技文化傳媒有限公司 (Guangzhou Wanyan Culture & Media Technology Co., Ltd*), a company listed on the National Equities Exchange and Quotations from December 2016 to August 2018, which is principally engaged in market research, advertising, brand strategy promotion, brand effectiveness evaluation, theatrical performance business and film and television business; (ii) executive director at 廣州萬燕商貿有限公司 (Guangzhou Wanyan Trading Co., Ltd.*), a company principally engaged in wholesale trade and import and export of goods and technology; (iii) executive director at 九江萬燕置業有限公司 (Jiujiang Wanyan Real Estate Co., Ltd.*), a company principally engaged in tourism project development and management; (iv) executive director at 廣東萬燕網絡科技有限公司 (Guangdong Wanyan Network Technology Co., Ltd.*); (v) executive director at 廣東萬燕資產管理有限公司 (Guangdong Wanyan Asset Management Co., Ltd.*); (vi) executive director at 廣州賽格投資發展有限公司 (Guangzhou Saige Investment Development Co., Ltd*); (vii) legal representative at 廣州市睿意品牌策劃有限公司 (Guangzhou Ruiyi Branding Co Ltd*) and 廣州酷影文化傳媒有限公司 (Guangzhou Kuying Culture and Media Co Ltd*); and (viii) general partner at 廣州裕德投資合夥企業(有限合夥) (Guangzhou Yude Investment Partnership Enterprise (limited partnership)*).

* for identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS (CONTINUED)

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Wu Tingjun (“Mr. Wu”)

Mr. Wu, aged 52, joined the Group in December 2019, is an executive Director of the Company. He obtained a Bachelor Degree in International Trade from Guangdong University of Foreign Studies in the PRC. Mr. Wu has over 25 years of experience in brand management business. He is the founder and CEO of 北京墨蘇科技有限公司 (Beijing Mosu Technology Co., Ltd.*), which is principally engaged in the distribution of branded apparel in the PRC, Hong Kong and Macau via direct selling through retail stores and online stores and provides top to bottom services to branded apparel owners including but not limited to the promotion, distribution and retailing their products in the PRC, Hong Kong and Macau. Prior to that, Mr. Wu served as the Partner and Vice President of 尚品網 (Shangpin Famous Brand*) for the period from 2015 to 2018, General Manager of 上海墨蘇貿易有限公司 (Shanghai Mosu Trading Co., Ltd.*) for the period from 2008 to 2010 and worked in the COFCO Group for the period from 1997 to 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDs”)

Mr. Chen Conghu (“Mr. Chen”)

Mr. Chen, aged 51, joined the Group on 15 December 2021, is an independent non-executive Director. He is also a member of audit committee and nomination committee of the Company. Mr. Chen obtained a bachelor of laws degree from Anqing Normal University (formerly known as Anqing Normal College), the PRC. Mr. Chen has been a qualified lawyer in the PRC since 2005. Mr. Chen set up 廣東悅盈律師事務所 (Guangdong Yueying Law Office*) in 2015 and had been working with the firm until August 2019. He is also the founder and supervisor of 廣東金橋百信 (中山) 律師事務所 since September 2019 (Guangdong Jinqiao Baixin (Zhongshan) Law Office*).

* for identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDs”) (CONTINUED)

Ms. Choi Ka Ying (“Ms. Choi”)

Ms. Choi, aged 37, joined the Group on 15 December 2021, is an independent non-executive Director. She is also the chairman of audit committee and member of remuneration committee of the Company. Ms. Choi obtained a bachelor of business in Hong Kong in 2006. Ms. Choi is the Chief Financial Officer and the Company Secretary of Sino Golf Holdings Limited, a company listed on The Stock Exchange (stock code: 361). Ms Choi is also an Independent Non-Executive Director, Chairman of Audit Committee, Member of Nomination and Remuneration committee of Alco Holdings Limited, a company listed on The Stock Exchange (stock code : 328). Ms. Choi is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of The Association of Chartered Certified Accountants. Prior to joining the Company, she worked for international audit firm and has over 16 years of experience in accounting, auditing and financial management.

Ms. He Xiaodong (“Ms. He”)

Ms. He, aged 38, joined the Group on 15 March 2022, is an independent non-executive Director. She is also a member of audit committee, remuneration committee and nomination committee of the Company. Ms. He obtained a bachelor degree in Accountancy from South China Normal University in the People’s Republic of China in January 2012. For the period from March 2017 to May 2019, Ms. He worked as an accountant at Guangzhou Big-Want Foods Ltd., a wholly-owned subsidiary of Want Want China Holdings Limited, a company listed on The Stock Exchange (stock code: 151). From July 2019 onwards, Ms. He worked as an accountant at 廣州市祥景陵園有限公司 (Guangzhou Xiangjing Cemetery Company Limited)*.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

GARMENT BUSINESS

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in the PRC which are then exported to overseas market. The Group has started the export of wax print clothes to Africa, which are fabric mostly used for traditional clothing in Africa, since December 2017 (the “**Africa Business**”). During the year ended 31 March 2022 (the “**Year**”), the Africa Business had shown a decrease due to the unstable pandemic situation.

In December 2018, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong, especially licensed products under the brand of bearing the brand names “ACCAPI”, an Italian brand and distribution of sportswear products under the brand name of “Super X”, a Hong Kong brand respectively (the “**ACCAPI Business**”). During the year ended 31 March 2022, the ACCAPI Business had seen a drop in view of the dampened consumer sentiment in general.

PROPERTY INVESTMENT

As at 31 March 2022, the Group held six investment properties located in the PRC and five investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the “**Investment Properties**”). As at 31 March 2022, other than one car parking space, all the remaining investment properties were fully leased out.

The value of the Investment Properties amounted to approximately HK\$105.0 million based on the independent valuation of the Investment Properties as at 31 March 2022 (2021: approximately HK\$118.5 million).

MARKETING AND PROMOTIONAL SERVICES

Since 2020, leveraging on the experience of the marketing division of the Garment Business of the Group in promoting its licensed brands ACCAPI and Super X, the Group has commenced to offer marketing and promotional services (the “**Marketing and Promotional Services**”) at online and offline platforms for external customers and related companies. The Company expanded its marketing division, targeting to provide services including market analysis, planning of marketing and promotional campaigns, new product launching, product development and market positioning, setting up and management of online shops, design of advertisements and promotional materials, product packaging designs, and displays of physical and online shops, etc. The marketing division is also engaged in organising events such as annual meetings, product launch or marketing conferences, roadshows and exhibitions for external customers. During the year ended 31 March 2022, the Marketing and Promotional Services had seen a decrease due to the pandemic situation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

TURNOVER

The Group recorded a turnover of approximately HK\$207.2 million for the year ended 31 March 2022, representing a significant decrease of approximately 25.2% as compared to that of approximately HK\$276.9 million for the year ended 31 March 2021.

Turnover derived from the Garment Business decreased by approximately 25.3% from approximately HK\$217.5 million for the year ended 31 March 2021 to approximately HK\$162.5 million for the year ended 31 March 2022. The decrease was due to the decrease in the Africa Business by approximately 11.9% from approximately HK\$103.5 million for the year ended 31 March 2021 to approximately HK\$91.2 million for the year ended 31 March 2022 and a drop in the ACCAPI Business by approximately 36.6% from approximately HK\$109.2 million for the year ended 31 March 2021 to approximately HK\$69.2 million for the year ended 31 March 2022.

Turnover derived from property investment slightly decreased by approximately 2.4% from approximately HK\$4.1 million for the year ended 31 March 2021 to approximately HK\$4.0 million for the year ended 31 March 2022.

Turnover derived from Marketing and Promotional Services was decreased by approximately 26.5% from HK\$55.4 million for the year ended 31 March 2021 to HK\$40.7 million for the year ended 31 March 2022.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$21.1 million in respect of the Garment Business for the year ended 31 March 2022, representing a decrease of approximately 27.5% as compared to approximately HK\$29.1 million for the year ended 31 March 2021. The decrease was in line with the decrease in revenue.

The gross profit margin of the Garment Business was approximately 13.0% for the year ended 31 March 2022 compared to approximately 13.4% for the year ended 31 March 2021.

The Group recorded a gross profit of approximately HK\$4.0 million in respect of the property investment business for the year ended 31 March 2022, representing a decrease of approximately 2.4% as compared to approximately HK\$4.1 million for the year ended 31 March 2021.

The Group recorded a gross profit of approximately HK\$10.0 million in respect of the Marketing and Promotional Services for the year ended 31 March 2022 when compared to approximately HK\$13.3 million for the year ended 31 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses decreased by approximately 20.7% from approximately HK\$5.8 million for the year ended 31 March 2021 to approximately HK\$4.6 million for the year ended 31 March 2022. The decrease was mainly due to the decrease in marketing related expenses of the Garment Business.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 39.2% from approximately HK\$19.9 million for the year ended 31 March 2021 to approximately HK\$12.1 million for the year ended 31 March 2022. The decrease was mainly due to the decrease in staff costs and legal and professional fee.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS (“ECL”) ECL MODEL, NET OF REVERSAL

Impairment losses under ECL model, net of reversal represented the net impairment losses on trade and other receivables, which increased by 493.1% from approximately HK\$2.9 million for the year ended 31 March 2021 to approximately HK\$17.2 million for the year ended 31 March 2022. The increase was mainly due to the increased uncertainty on the recoverability of those receivables under the current pandemic situation assessed by the management.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net loss on fair value change of investment properties of approximately HK\$13.4 million (2021: net loss of approximately HK\$3.3 million) represented fair value adjustment of the Group’s properties located in Hong Kong and the PRC as at 31 March 2022.

These properties were revalued based on their open market value as at 31 March 2022 by Valplus Consulting Limited, an independent qualified professional valuer.

FINANCE COSTS

Finance costs decreased by approximately 89.3% from approximately HK\$2.8 million for the year ended 31 March 2021 to approximately HK\$0.3 million for the year ended 31 March 2022. This was mainly due to decrease in interest on loans from a related company and bank borrowings for general working capital.

PROSPECTS

During the Year, the Group has recorded a net loss attributable to the shareholders. However, the global economy was still severely hindered by the continuous outbreak of COVID-19 epidemic. Business activities were put to a halt or significantly slowed down globally. The Garment Business was negatively affected by the dampened consumer sentiments due to lockdowns, travel restrictions and social distancing measures. Although measures including the introduction of vaccines are implemented to combat and control the recurrences, the extent of recovery of the economy and retail market is still uncertain. Therefore, the Group will take a prudent approach to the Garment Business under this situation that the Group will regularly review the product range in order to maintain existing profit margin and to retain the current customer base.

As regards the Group's property business, the Group intends to hold the properties for rental income purpose and to monitor the performance of the property markets in Hong Kong and the PRC and consider reorganising its property portfolio should suitable opportunities arise.

Since 2020, leveraging on the experience of the marketing division of the Company in promoting its licensed brands ACCAPI and Super X, the Group continued to develop the Marketing and Promotional Services, which is a natural expansion from the Garment Business. The Group has achieved satisfactory result in this business during the Year that a gross profit of approximately HK\$10.0 million was recorded. The Group will continue to strengthen the manpower for the marketing division, to build up its expertise and credentials to serve a wider range of customers and enhance market presence.

The Group will take a prudent approach to look for new business opportunities to diversify its business in order to generate better returns for the shareholders of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the year ended 31 March 2022, the Group financed its operations and investments mainly by internally generated funds and debt financing.

CASH POSITION

The Group had total cash and bank balances of approximately HK\$66.1 million as of 31 March 2022 (2021: approximately HK\$7.6 million).

BANK AND OTHER BORROWINGS

As of 31 March 2022, bank and other borrowings of the Group amounted to approximately HK\$5.0 million, which represented a revolving loan of HK\$5.0 million. All bank and other borrowings of HK\$5.0 million are repayable within one year or on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 March 2021, bank and other borrowings of the Group amounted to approximately HK\$156.6 million, including shareholder's loans of approximately HK\$156.6 million. All bank and other borrowings of approximately HK\$156.6 million are repayable within one year or on demand.

EQUITY FINANCING

The Company had completed rights issue on the basis of three right shares for every one share (the "Rights Issue") during the financial year ended 31 March 2022, details of which are set out in the Company's announcements dated 8 April 2021, 13 July 2021 and 27 August 2021.

The net proceeds from the Rights Issue were approximately HK\$197.8 million, of which (i) approximately HK\$160.5 million had been used for repayment of the shareholder's loan due to Always Profit Development Limited; and (ii) the remaining amount of approximately HK\$37.3 million had been applied for repayment of bank borrowings (in the form of bills payable) and general working capital of the Group.

As at the date of this report, the net proceeds from the Rights Issue had been utilised as intended.

LEVERAGE

The ratio of current assets to current liabilities of the Group was approximately 2.5 as at 31 March 2022 compared to approximately 0.9 as at 31 March 2021. The improvement in current ratio was mainly due to the decrease in amount due to a shareholder and increase in bank balances and cash. The Group's gearing ratio as at 31 March 2022 was approximately 1.7% (31 March 2021: approximately 134.7%), which is calculated based on the Group's bank and other borrowings of approximately HK\$5.0 million (31 March 2021: approximately HK\$156.6 million) and the Group's total equity approximately HK\$300.3 million (31 March 2021: approximately HK\$116.3 million). The decrease in gearing ratio was due to the increase in total equity.

The cash and bank balances and the available banking facilities can provide adequate liquidity and capital resources for the ongoing operation needs of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal financial instruments include trade and other receivables, trade and other payables, amount due to a shareholder, bank borrowings and bank balances and cash. We also have various financial assets and financial liabilities arising from our business operations. Our financial instruments are mainly subject to foreign currency risk, credit risk and liquidity risk. We aim to minimise these risks and hence maximise investment returns.

FOREIGN CURRENCY RISK

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars, Renminbi and United States dollars (“**US\$**”). In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the Year. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and mitigating the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2022 and 2021, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group’s foreign currency exposure and take actions as appropriate.

CREDIT RISK

The Group’s credit exposure generally arises from counterparty risk in the course of engaging in the Garment Business, the property investment business and the provision of marketing service business. As at 31 March 2022, trade receivables and trade and bills payables of the Group were approximately HK\$134.6 million and approximately HK\$76.4 million (2021: approximately HK\$154.9 million and approximately HK\$70.1 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

LIQUIDITY RISK

Liquidity risk is the risk that funds will not meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. The objectives of the Group’s liquidity risk management are: (1) maintaining the stability of the Group’s principal business, timely monitoring cash and bank balances position; (2) projecting cash flows; and (3) evaluating the level of current assets to maintain sufficient liquidity of the Group.

TREASURY POLICIES

As at 31 March 2022, bank and other borrowings of approximately HK\$5.0 million (2021: approximately HK\$156.6 million) were denominated in Hong Kong dollars. The Group's bank borrowings are subject to floating interest rates. The loans from shareholder do not have any interest.

Cash and cash equivalents held by the Group were mainly denominated in USD, Renminbi and Hong Kong dollars. The Group currently does not have foreign currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

CHARGE OF ASSETS

As at 31 March 2022, the investment properties and leasehold land and building in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$103.3 million (2021: approximately HK\$116.7 million) were pledged as first legal charges for the Group's banking facilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the year ended 31 March 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 March 2022.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the year ended 31 March 2022 are set out in note 6 to the consolidated financial statements attached to this annual report.

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2022.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2022, the utilised facilities amounted to approximately HK\$8.4 million (2021: approximately HK\$9.7 million).

Except for the foregoing, as at 31 March 2022, the Group had no other significant contingent liabilities or pending litigation.

PERFORMANCE GUARANTEE IN RELATION TO THE ACQUISITION OF 40% OF THE ISSUED SHARE CAPITAL OF GBR (HK) LIMITED

As disclosed in the announcement of the Company dated 18 January 2021 in relation to the acquisition of 40% of the issued share capital of GBR (HK) Limited, 8,608,923 Consideration Shares (the “**Second Batch Incentive Shares**”), being part of the Consideration in the sum of HK\$3.28 million shall be allotted and issued by the Company, to be credited as fully paid, to the Vendor (or its nominee(s)) within 14 days following the issue of the audited consolidated financial statements of the GBR (HK) Limited and its subsidiaries (the “**Target Group**”) for the year ending 31 March 2022 if the consolidated profit after tax of the Target Group (excluding the profit generated from the provision of services by the Target Group to other companies in the Group and the profit generated from activities not in its ordinary and usual course of business) (the “**PAT**”) for each of the two years ended 31 March 2021 and 2022 is not less than HK\$8.20 million and HK\$9.84 million respectively.

According to the audited financial statements of the Target Group, the loss after tax of the Target Group for the year ended 31 March 2022 is in the sum of HK\$2.0 million which falls below the PAT of HK\$9.84 million, the Second Batch Incentive Shares will not be allotted and issued to the Vendor (or its nominee(s)).

SUBSEQUENT EVENTS

As at 31 March 2022, details of the subsequent events of the Group are set out in note 41 to the consolidated financial statements attached to this annual report.

STAFF AND REMUNERATION POLICIES

As of 31 March 2022, the Group had a total of 27 employees (2021: 44 employees). Total staff costs (including directors' emoluments) for the year ended 31 March 2022 amounted to approximately HK\$6.7 million (31 March 2021: approximately HK\$11.7 million). Primary means of remuneration include competitive wages, contributory provident funds, insurance and standard medical benefits. The emoluments of the directors are decided by the remuneration committee of the Company (the "**Remuneration Committee**") based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As of 31 March 2022, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "**Audit Committee**") include reviewing and supervising of the Group's financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2022 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards.

The Audit Committee currently comprises of three independent non-executive directors, namely Ms. Choi Ka Ying, Mr. Chen Conghu and Ms. He Xiaodong.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products, property investment and provision of marketing services.

An analysis of the Group's results, assets and liabilities by business and geographical segments is set out in note 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The description of principal risks and uncertainties facing the Group are set out in the "Management Discussion and Analysis" on pages 7 to 15.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2022 attributable to the Group's major customers and suppliers are as follows:

	2022 %	2021 %
Sales		
– The largest customer	34	28
– Five largest customers combined	77	58
Purchases		
– The largest supplier	39	25
– Five largest suppliers combined	83	64

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers as mentioned above.

ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the "Management Discussions and Analysis" on pages 7 to 15.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2022 (2021: HK\$Nil).

DIVIDEND POLICY

The Company aims to provide a set of standard procedures/guidelines to be followed by the Board in deciding/recommending the amount of dividend (interim or final) per share. The objective of the dividend policy of the Company is to reward its shareholders by sharing a portion of the profits/earnings, while also ensures that enough funds are retained for future growth and operation of the Company. In proposing any dividend payout, the Company would consider various factors including but not limited to the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity position, future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group. Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and regulations and the Company's constitutional documents. The Company does not have any predetermined dividend distribution proportion or distribution ratio. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be scheduled for Monday, 22 August 2022 (the "AGM"), the Register of Members of the Company (the "Register of Members") will be closed from Wednesday, 17 August 2022 to Monday, 22 August 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) OR 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Tuesday, 16 August 2022.



REPORT OF THE DIRECTORS

Remarks: The address of the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, will be changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from Wednesday, 15 August 2022.

RESERVES

Movements in the reserves of the Group and those of the Company during the year ended 31 March 2022 are set out in pages 52 and note 38 to the consolidated financial statements respectively.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity of the Group during the year ended 31 March 2022 is shown on pages 52.

DONATIONS

The Group did not make any donations during the year ended 31 March 2022 (2021: HK\$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the investment properties held by the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at 31 March 2022 (2021: HK\$Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years ended 31 March 2022 is set out on page 158.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares during the year ended 31 March 2022.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2022 are set out in note 39 to the consolidated financial statements.

ANALYSIS OF BANK AND OTHER BORROWINGS

The Group's bank borrowings (disregarding the effect of any repayment on demand clause) as at 31 March 2022 were repayable over the following periods:

	Bank borrowings HK\$'000
Within one year or on demand	5,000

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 March 2022 and up to the date of this report are as follows:

Executive Directors

Mr. Zhang Jinbing (*Chairman*)

Mr. Tian Wenxi

Mr. Wu Tingjun

Independent non-Executive Directors

Ms. Choi Ka Ying (“Ms. Choi”) (appointed on 15 December 2021)

Mr. Chen Conghu (“Mr. Chen”) (appointed on 15 December 2021)

Ms. He Xiaodong (“Ms. He”) (appointed on 15 March 2022)

Mr. Chow Hiu Tung (resigned on 15 December 2021)

Mr. Zhao Hangen (resigned on 15 December 2021)

Ms. Yang Yanli (resigned on 15 March 2022)

All the Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Bye-law 86(2) of the Company’s bye-laws (the “**Bye-laws**”). Mr. Tian and Mr. Wu, Ms. Choi, Mr. Chen and Ms. He will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS’ SERVICE CONTRACTS

Mr. Zhang has entered into a service agreement with the Company on 12 September 2018, pursuant to which he has been appointed for a term of two years as an executive Director with effect from 12 September 2018 and renewable automatically for a successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws. Each of Mr. Tian and Mr. Wu has entered into a service agreement with the Company on 24 December 2019, pursuant to which each of Mr. Tian and Mr. Wu has been appointed for a term of two years as an executive Director with effect from 24 December 2019, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

Each of the independent non-executive Directors (the “**INEDs**”), Ms. Choi, Mr. Chen and Ms. He, has entered into a service agreement with the Company, pursuant to which each of the INEDs has been appointed for a term of two years as an INED with effect from the date of their appointment, and renewable automatically for a successive term of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of the Directors’ emoluments are set out in note 11(A) to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year nor had there been any contract of significance which had been entered into between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Except for the Directors' service contracts as mentioned above, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2022.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 March 2022, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(I) LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director or chief executive	Nature of interest	Number of issued shares held	Percentage of the issued share capital
Mr. Zhang	Interest in controlled corporation (<i>Note 1</i>)	552,238,938 (<i>Note 1</i>)	71.38%
Mr. Tian	Interest in controlled corporation (<i>Note 2</i>)	13,774,277 (<i>Note 2</i>)	1.78%

Note:

- These shares were held by Always Profit Development Limited ("Always Profit"). Always Profit was wholly-owned by Mr. Zhang. Hence Mr. Zhang was deemed to be interested in the 552,238,938 Shares in the Company held by Always Profit pursuant to the SFO.
- 8,608,923 out of 13,774,277 shares were held by Wenxi Investment Management Co., Ltd. ("Wenxi Investment") and 5,165,354 out of 13,774,277 shares were held by Dye Culture Development Limited ("Dye Culture"). Both Wenxi Investment and Dye Culture were wholly-owned by Mr. Tian. Hence Mr. Tian was deemed to be interested in the 13,774,277 Shares in the Company held by Wenxi Investment and Dye Culture pursuant to the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (CONTINUED)

(II) LONG POSITIONS IN THE SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director or chief executive	Name of associated corporation	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Zhang	Always Profit	Beneficial owner <i>(Note)</i>	1	100%

Note:

Always Profit is a company incorporated in British Virgin Islands with limited liability which owned 552,238,938 Shares of the Company (representing 71.38% of the issued share capital of the Company), and thus was the direct holding company of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2022.

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company in which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of an acquisition of Shares, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the year ended 31 March 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executives of the Company, as at 31 March 2022, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Number of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
Always Profit	Beneficial owner	552,238,938	71.38%

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2022.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11(A) and note 11(B) to the consolidated financial statements attached to this annual report.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved and adopted by resolutions of the shareholders at the annual general meeting held on 28 September, 2016.

(1) Who may join?

(i) Any executive or non-executive director including independent non-executive director or any employee (whether full-time or part-time) of each member of the Group; (ii) any discretionary object of a discretionary trust established by any substantial shareholder of the Company or any employees, executive or non-executive director of each member of the Group; (iii) any consultant, professional and other adviser to each member of the Group; (iv) any chief executive or substantial shareholder of each member of the Group; (v) any associate of director, chief executive or substantial shareholder of each member of the Group; (vi) any employee (whether full-time or part-time) of any substantial shareholder of each member of the Group; (vii) any supplier of goods or services to any member of the Group; and (viii) any customer of any member of the Group, provided that the Board shall have absolute discretion to determine whether one falls within the aforesaid categories (collectively, the “**Participants**”).

(2) Purpose

The purpose of the Share Option Scheme is for the Company to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

(3) Maximum number of shares subject to the share options

The shares which may be issued upon exercise of all right to subscribe for Shares (the “**Options**”) to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 77,540,600 Shares (representing 10% of the aggregate of the Shares in issue as at the date of approval of the Share Option Scheme on 28 September 2016 (the “**Scheme Mandate Limit**”).

The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time (“**Scheme Limit**”).

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Any further grant of Options to any Participant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

(5) Option period

The period within which the shares shall be taken up under an Option shall be a period to be notified by the Board to each grantee of the Option at the time of making an offer, which shall be determined by the Board in its absolute discretion at the date of grant of the relevant Option, but such period shall not expire later than 10 years from the date of grant of the relevant Option.

(6) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an Option must be held before it can be exercised shall be determined by the Board at its absolute discretion and notified by the Board to each grantee of the Option at the time of making an offer.

(7) Payment on acceptance of Option offer

An Option shall remain open for acceptance by the Participant concerned for a period of 28 days exclusive of the date on which the offer is made to the Participant. HK\$1.00 is payable by the grantee of the Option to the Company on acceptance of the offer of the Option.

(8) Subscription price

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer at the time of the offer, and shall be no less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant Option, which shall be a business day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant Option; and
- (c) the nominal value of a Share on the date of grant of the relevant Option.

(9) Remaining life of the Share Option Scheme

Ten years from 28 September 2016, that is, up to 27 September 2026.

REPORT OF THE DIRECTORS

No Options under the above scheme were granted nor exercised during the year ended 31 March 2022 and no Options were outstanding as at 31 March 2022.

At no time during the year ended 31 March 2021 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of an acquisition of Shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditor in matters coming within the scope of audit of the Group. It also reviews the effectiveness of the external audit, the internal controls and risk evaluation.

The Audit Committee currently comprises of three INEDs, namely Ms. Choi, Mr. Chen and Ms. He. Three meetings were held during the year ended 31 March 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNMENT REPORT

A separate environmental, social and governance report will be published on the respective websites of the Stock Exchange and the Company no later than three months after this annual report has been published.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers in order to meet its immediate and long term goals. During the year ended 31 March 2022, there is no material or significant dispute between the Group and its supplier and customers.

PERMITTED INDEMNITY PROVISION

Under the Bye-laws, every Director or other officer of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of their duty in their respective offices.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2022.

CONNECTED TRANSACTIONS

During the year under review, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. Details of related party transactions undertaken in the usual course of business are set out in Note 40 to the consolidated financial statement. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operations of the Group during the year under review.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs, namely Ms. Choi, Mr. Chen and Ms. He, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2022.



REPORT OF THE DIRECTORS

AUDITOR

KTC Partners CPA Limited (“**KTC**”) was appointed as auditor of the Company on 3 February 2021. For details, please refer to the announcement of the Company dated 3 February 2021. KTC had resigned as auditor of the Company on 15 March 2022. CL Partners CPA Limited (“**CL Partners**”) was appointed as auditor of the Company to fill the vacancy following the resignation of KTC on 16 March 2022. For details, please refer to the announcements of the Company dated 16 March 2022. Save as disclosed above, there was no change in auditor during the past three years.

The consolidated financial statements for the year ended 31 March 2022 have been audited by CL Partners who will retire at the conclusion of the 2022 annual general meeting and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming annual general meeting to re-appoint CL Partners as the independent auditor.

For and on behalf of the Board

Zhang Jinbing

Chairman & Executive Director

Hong Kong, 30 June 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the shareholders and other stakeholders.

The Company has applied the principles and complied with the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the year ended 31 March 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Having made specific enquiries of all Directors regarding any non-compliance with the Model Code during the year ended 31 March 2022, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2022.

The Company has also established written guidelines for senior management and employees in certain functions in respect of their dealings in the securities of the Company for their strict compliance. The Company issued notices to all Directors, senior management and relevant employees reminding them to comply with the restriction on dealing of securities of the Company under the above code and guidelines 60 days prior to the publication of the annual results and 30 days prior to the publication of the interim results.

BOARD OF DIRECTORS

The Board currently consists of a total of six Directors, comprising three executive Directors and three INEDs. The composition of the Board during the year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. Zhang Jinbing (*Chairman*)

Mr. Tian Wenxi

Mr. Wu Tingjun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Conghu (*appointed on 15 December 2021*)

Ms. Choi Ka Ying (*appointed on 15 December 2021*)

Ms. He Xiaodong (*appointed on 15 March 2022*)

Mr. Chow Hiu Tung (*resigned on 15 December 2021*)

Mr. Zhao Hangen (*resigned on 15 December 2021*)

Ms. Yang Yanli (*resigned on 15 March 2022*)

None of the existing Directors have any personal relationship (including financial, business, family or other material/relevant relationship), with any other existing Director.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

In compliance with code provision A.6.5 of the CG Code, the Company encourages the Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains relevant. All the Directors have confirmed with the Company that they have participated in appropriate continuous professional development activities, which relate to financial and general management, regulatory and compliance requirement and corporate governance, either by attending seminars or by reading materials relevant to the Group's business or Directors' duties and responsibilities during the year ended 31 March 2022.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT (CONTINUED)

The individual training records of each existing Director for the year ended 31 March 2022 are set out below:

Name of Directors	Attending seminars/ conferences/ forums	Reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.
Executive Directors		
Mr. Zhang Jinbing (<i>Chairman</i>)	√	√
Mr. Tian Wenxi	√	√
Mr. Wu Tingjun	√	√
INEDs		
Mr. Chen Conghu (as from 15 December 2021)	√	√
Ms. Choi Ka Ying (as from 15 December 2021)	√	√
Ms. He Xiaodong (as from 15 March 2022)	√	√

INEDS

Throughout the year ended 31 March 2022, the Company has complied with the requirements under Rules 3.10A, 3.10(1) and (2) of the Listing Rules that require every board of directors of a listed issuer to include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. One INED is a qualified accountant.

The INEDs actively participated in board meetings of the Company. The members of Audit Committee, the Remuneration Committee, Nomination Committee of the Company comprise a majority of INEDs.

INEDS (CONTINUED)

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of directors. The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers that all INEDs are independent.

RESPONSIBILITIES OF DIRECTORS AND MANAGEMENT

The Board is responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate capital and managerial resources to implement the adopted business strategies, adequacy of systems of financial and internal controls and conduct of business in conformity with applicable laws and regulations. All Directors have made full and active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group.

All newly appointed Directors will receive a formal and tailored induction on the first occasion of their appointment in order to ensure that they will have a proper understanding of the operations and business of the Company and that they will be fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements, and the Company's business and governance policies.

The executive Directors and the senior management are delegated with respective levels of authorities with regard to key corporate strategies and policy and contractual commitments. Senior management is responsible for the day-to-day operations of the Group with divisional heads responsible for different aspects of the Group's business.

The Board is also responsible for the preparation of the consolidated financial statements. The Company has adopted the generally accepted accounting standards in Hong Kong in preparing the consolidated financial statements, appropriate accounting policies have been adopted and applied consistently, and reasonable and prudent judgment and estimates have been made.

CORPORATE GOVERNANCE FUNCTION

According to Code Provision D.3.1 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has the following duties and responsibilities for performing the corporate governance duties of the Company:

1. to develop and review the Group's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of the Directors and senior management of the Group;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
5. to review the Group's compliance with the Code and disclosure in the corporate governance report and in the annual report of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

SUMMARY OF THE BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having diversity which will enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard as to whether it will benefit the Board's diversity. The implementation and effectiveness of the Board Diversity Policy is reviewed annually by the Board.

MEASURABLE OBJECTIVES

Selection of candidates for Board membership will be based on a range of perspectives to maintain the Board's diversity, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

MONITORING AND REPORTING

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skills and experiences appropriate for the business of the Company.

BOARD MEETING

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year ended 31 March 2022, eleven meetings have been held by the Board and the attendance of each of the Directors is as follows:

Name of Directors	Attendance/number of meetings held during the year ended 31 March 2022				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meetings
Executive Directors					
Mr. Zhang Jinbing (<i>Chairman</i>)	9/11	n/a	3/3	3/3	0/1
Mr. Tian Wenxi	6/11	n/a	n/a	n/a	1/1
Mr. Wu Tingjun	11/11	n/a	n/a	n/a	1/1
INEDs					
Mr. Chen Conghu (<i>appointed on 15 December 2021</i>)	3/11	1/3	0/3	1/3	n/a
Ms. Choi Ka Ying (<i>appointed on 15 December 2021</i>)	3/11	1/3	1/3	0/3	n/a
Ms. He Xiaodong (<i>appointed on 15 March 2022</i>)	1/11	1/3	0/3	0/3	n/a
Mr. Chow Hiu Tung (<i>resigned on 15 December 2021</i>)	4/11	2/3	1/3	0/3	1/1
Ms. Yang Yanli (<i>resigned on 15 March 2022</i>)	7/11	1/3	2/3	2/3	1/1
Mr. Zhao Hangen (<i>resigned on 15 December 2021</i>)	6/11	2/3	n/a	1/3	1/1

AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs:

Ms. Choi Ka Ying (appointed on 15 December 2021) (*Chairman*)

Mr. Chen Conghu (appointed on 15 December 2021)

Ms. He Xiaodong (appointed on 15 March 2022)

The Audit Committee was responsible for, amongst other things, overseeing the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control and risk management of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

During the year ended 31 March 2022, there was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor. The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements.

During the year ended 31 March 2022, the Audit Committee held three meetings. Matters considered at the meetings included review of the Group's interim results for the six months ended 30 September 2021 and the annual results for the year ended 31 March 2022, the fees for engaging the external auditors to provide the audit for the relevant years, the independence of the external auditors, and the Company's financial control, internal control and risk management system. The attendance of each member at the Audit Committee meetings held during the year has been disclosed earlier in this report.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director:

Mr. Zhang Jinbing (appointed on 15 December 2021) (*Chairman*)

Ms. Choi Ka Ying (appointed on 15 December 2021)

Ms. He Xiaodong (appointed on 15 March 2022)

The objectives of the Remuneration Committee are to determine and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and key executives to operate the Company successfully. The Remuneration Committee also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies. The Remuneration Committee is provided with other resources to enable it to fully discharge its duties. The terms of reference of the Remuneration Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2022, three Remuneration Committee meetings were held and the attendance of each of the members of the Remuneration Committee has been disclosed earlier in this report. The Remuneration Committee has considered the remuneration of the executive Directors and senior management and made recommendations to the Board. The Board has no disagreement with the Remuneration Committee on remuneration or compensation arrangements with regard to executive Directors and senior management.

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding Directors' remuneration and the five highest paid employees are shown in note 11 to the consolidated financial statements.

Remuneration payable to senior managements who are not Directors for the year ended 31 March 2022 is set out below:

	Number of employees
Nil to HK\$1,000,000	3
HK\$1,000,001 to HK\$1,500,000	1
	4

NOMINATION COMMITTEE

The Nomination Committee comprises two INEDs and one executive Director:

Mr. Zhang Jinbing (*Chairman*)

Ms. Chen Conghu (appointed on 15 December 2021)

Ms. He Xiaodong (appointed on 15 March 2022)

The objectives of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Nomination Committee should identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals eligible for nomination of directorships, assess the independence of the INEDs, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Board has adopted the following policies for the nomination of directors.

Nomination Policy

In determining the suitability of a candidate, the Nomination Committee and the Board shall consider the potential contributions that a candidate can bring to the Board and/or the Group.

The Nomination Committee would consider a candidate in terms of qualifications, skills, experiences, independence and other factors. The following shows a non-exhaustive list of selection criteria:

- the candidate's race, reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgment and experiences which are relevant to the operations of the Group; and
- the relevant factors set out in the Board Diversity Policy (as amended from time to time).

During the year ended 31 March 2022, three Nomination Committee meetings were held and the attendance of each of the members of the Nomination Committee has been disclosed earlier in this report.

NOMINATION COMMITTEE (CONTINUED)

Nomination Procedures

The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria and the Board Diversity Policy.

In the context of appointment of any proposed candidate to the Board:

- the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of candidates, including referrals from the Directors, shareholders, management, advisers of the Company;
- the Nomination Committee shall identify and ascertain the character, qualification, knowledge and experience of the candidate and perform adequate due diligence in respect of such candidate; and
- the Nomination Committee shall make recommendations by submitting the candidate's personal profile to the Board for its consideration.

A new director will be informed of the role of the Board and his/her duties and obligation of being a director of a listed company. The terms of reference of the Nomination Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2022, the Nomination Committee held three meetings to consider the revision of the structure, size and composition of the Board, qualifications of all Directors and senior management of the Group and independence of the INEDs. The attendance of each of the members of the Nomination Committee has been disclosed earlier in this report.

COMPANY SECRETARY

Ms. Lee Eva ("**Ms. Lee**") was appointed as the Company Secretary of the Company (the "**Company Secretary**") on 5 September 2019. The role of the Company Secretary is to ensure that the Directors have access to all necessary information and that all Board procedures are followed. She also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Ms. Lee reports directly to the chairman and the senior management of the Company, and all Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. Ms. Lee has confirmed that she has fulfilled the requirement of taking no less than 15 hours of relevant professional training during the year ended 31 March 2022.

AUDITOR'S REMUNERATION

The fees paid to the external auditor of the Company, for audit services for the year ended 31 March 2022 amounted to approximately HK\$500,000.

In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint CL Partners CPA Limited as the external auditor of the Company for the year ending 31 March 2022, subject to approval by the shareholders of the Company at the forthcoming annual general meeting. There is no external auditor of the Company acting as a member of the Audit Committee within one year commencing on the date of his cessation of being a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

ACCOUNTABILITY

Being accountable for the proper stewardship of the Group's affairs, the Directors acknowledge their responsibility for ensuring that proper accounting records are kept and relevant consolidated financial statements, as in the annual report and the interim report of the Company, are prepared to give a true and fair view of the state of affairs of the Group for each of the financial periods.

In preparing the consolidated financial statements for the year ended 31 March 2022, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants
- selected and applied consistently the appropriate accounting policies
- made judgments and estimates that are prudent and reasonable
- prepared the consolidated financial statements on the going concern basis

The management provides the Board with such information and explanations necessary to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The statement by the auditor of the Company about their reporting responsibilities are set out on pages 48 to 49 of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has, through the Audit Committee, conducted interim and annual reviews of the adequacy and effectiveness of the Group's internal control system covering the financial, operational, compliance and risk management functions. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

While the Audit Committee conducts continuous review on the adequacy and effectiveness of existing internal controls and risk management systems of the Company on behalf of the Board, the day-to-day responsibility for the conduct of these control procedures, the on-going monitoring of risks and the effectiveness of the corresponding internal controls rest with the management of each business unit.

The Company has engaged Global Link CPA Limited ("**Global Link**") to perform a review of the procedures, systems, controls and potential risk areas for the Group. Global Link has submitted its internal control review and risk assessment reports for the Group to the Audit Committee and the Board in June 2022. Findings and recommendations concerning improvements to the Group's internal controls have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate, and to further enhance the effectiveness of the internal control and risk management, the Company has implemented an ongoing internal control and risk management review measure suggested by Global Link.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy (the "**Policy**") to maintain an on-going dialogue with its shareholders and investors in a timely and transparent manner. The implementation and effectiveness of the Policy is reviewed annually with the latest review made in March 2022. It emphasises the Company's commitment to enhance communication with shareholders and the investment community and specifies various communication platforms and channels through which its shareholders and investors can communicate their views with the Company, the Company considered that the policy was effective.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at annual general meetings and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR NOMINATION OF A DIRECTOR

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his/her willingness to be elected together with his/her personal particulars and information required to be disclosed under Rule 13.51(2) of the Listing Rules shall be lodged at the Company's principal place of business (Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong) or at its branch share registrar in Hong Kong, Tricor Abacus Limited (Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

RIGHT AND PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Special general meetings shall be convened on the written requisition of one or more shareholders of the Company holding, at the date of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary (Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company. Such meeting shall be held within 2 months after the deposit of such requisition.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of State Energy Group International Assets Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 50 to 158, 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 (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of 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.

Key audit matter

How our audit addressed the key audit matter

Valuations of land and building included in property, plant and equipment and investment properties

Refer to notes 16 and 17 to the consolidated financial statements

As at 31 March 2022, the fair value of land and building included in property, plant and equipment of the Group was approximately HK\$32,204,000. Decrease in fair value of land and building included in property, plant and equipment of approximately HK\$3,013,000 was recognised in other comprehensive income for the year ended 31 March 2022.

As at 31 March 2022, the fair value of investment properties of the Group was approximately HK\$104,979,000. Decrease in fair value of investment properties of approximately HK\$13,420,000 were recognised in profit or loss for the year ended 31 March 2022.

To support management's determination of the fair value, the Group engaged an independent external valuer to perform valuations on the land and building and investment properties at the end of the reporting period.

Given that the valuations are significant to the Group and significant estimation and judgement are required by management to determine the fair value of the land and building and investment properties, we have identified the valuations of land and building included in property, plant and equipment and investment properties as key audit matter.

We have performed the following procedures to address this key audit matter:

- Obtaining the valuation reports and evaluating the management's process in respect of reviewing the valuations performed by the independent external valuer;
 - Evaluating the competence, capabilities and objectivity of the independent external valuer;
 - Evaluating the valuation techniques and assessing the reasonableness of the key inputs used in the valuations based on available market data;
 - Assessing the integrity of information provided by the management to the independent external valuer by comparing the details of rentals on a sample basis to the respective underlying existing lease agreements; and
 - Checking, on a sample basis, the market transactions and market rents of similar properties and locations, and assessing the appropriateness of specific assumptions made on adjustments of the properties by reference to size and other individual factors which affect the valuations of land and building and investment properties.
-

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of trade receivables

Refer to notes 20 and 34(B)(d) to the consolidated financial statements

As at 31 March 2022, the Group had trade receivables of approximately HK\$134,553,000 (net of provision for impairment of HK\$20,066,000).

Management recognises a loss allowance for lifetime expected credit losses (“ECL”) on the trade receivables individually or collectively. Except for significant balances or credit-impaired amounts which are assessed for impairment individually, the remaining trade receivables are grouped under a collective assessment after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for supportable forward-looking information that is reasonable and supportable available without due costs or effort. The Group engaged an independent external valuer to assist in estimation of ECL for trade receivables.

We identified the impairment assessment of trade receivables as a key audit matter due to the involvement of significant management judgement and estimates in evaluating the ECL of the Group's trade receivables.

We have performed the following procedures to address this key audit matter:

- Understanding key controls on how the management estimates the loss allowance for trade receivables;
- Testing the accuracy of information used by the management in determining credit loss allowance including trade receivables ageing analysis as at 31 March 2022 on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents;
- Discussing with the management and evaluating the basis in determining loss allowance on trade receivables as at 31 March 2022 including the reasonableness of the management's basis of estimated loss rates applied (with reference to historical observed default rates and forward-looking information);

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
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*Impairment assessment of trade receivables
(continued)*

Refer to notes 20 and 34(B)(d) to the consolidated financial statements (continued)

- Inquiring management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers;
 - Obtaining the valuation reports and evaluating the management's process in respect of reviewing the estimation of ECL for trade receivables performed by the independent external valuer; and
 - Evaluating the competence, capabilities and objectivity of the independent external valuer.
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INDEPENDENT AUDITOR'S REPORT

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 10 June 2021.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are 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 Section 90 of Bermuda Companies Act 1981, 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

CL Partners CPA Limited

Certified Public Accountants

Lee Wai Chi

Practising Certificate Number: P07830

Hong Kong

30 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Turnover	6	207,226	276,890
Cost of sales		(172,081)	(230,439)
Gross profit		35,145	46,451
Other gains	7	189	646
Other income	7	2,139	3,473
Selling and distribution expenses		(4,604)	(5,784)
Administrative expenses		(12,059)	(19,944)
Impairment losses under expected credit loss model, net of reversal		(17,155)	(2,886)
Impairment loss on property, plant and equipment		—	(409)
Impairment loss on right-of-use assets		—	(1,618)
Fair value loss on investment properties	17	(13,420)	(3,314)
Fair value gain (loss) on contingent consideration payable	27	547	(383)
Finance costs	9	(298)	(2,838)
(Loss) profit before taxation	10	(9,516)	13,394
Income tax expense	12	(2,200)	(3,144)
(Loss) profit for the year		(11,716)	10,250
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	14	498	591
Item that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of land and building held for own use	14	(3,013)	1,303
Total comprehensive (expense) income for the year		(14,231)	12,144
(Loss) profit for the year attributable to:			
Owners of the Company		(11,716)	7,614
Non-controlling interests		—	2,636
		(11,716)	10,250
Total comprehensive (expense) income attributable to:			
Owners of the Company		(14,231)	9,234
Non-controlling interests		—	2,910
		(14,231)	12,144
(Loss) earnings per share			(restated)
– basic (HK cents)	15	(2.13)	12.68
			(restated)
– diluted (HK cents)	15	(2.13)	12.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	16	32,291	36,887
Investment properties	17	104,979	118,471
Right-of-use assets	18	130	650
Rental deposit	20	—	680
		137,400	156,688
Current assets			
Inventories	19	39,045	27,328
Trade and other receivables	20	166,455	172,693
Bank balances and cash	21	66,145	7,609
		271,645	207,630
Total assets		409,045	364,318
Current liabilities			
Trade and other payables	22	89,300	73,934
Contract liabilities	23	5,241	4,825
Bank borrowings	26	5,000	—
Amount due to a shareholder	25	—	156,627
Lease liabilities	24	413	1,953
Tax payable		6,625	5,332
		106,579	242,671
Net current assets (liabilities)		165,066	(35,041)
Total assets less current liabilities		302,466	121,647

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Lease liabilities	24	—	413
Contingent consideration payable	27	—	547
Rental deposit received	22	175	771
Deferred tax liabilities	28	2,025	3,654
		2,200	5,385
Net assets		300,266	116,262
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	7,737	95,631
Reserves		292,529	20,631
Total equity		300,266	116,262

The consolidated financial statement on pages 50 to 158 were approved and authorised for issue by the board of directors on 30 June 2022 and are signed on its behalf by:

Zhang Jinbing
Chairman

Tian Wenxi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company												Non-Controlling Interests	Total	
	Share Capital	Share Premium	Revaluation Reserve	Consolidation Reserve	PRC		Contributed			Accumulated Losses	Sub Total	Non-Controlling Interests			Total
					Statutory Reserve	Translation Reserve	Capital Reserve	Surplus Reserve	Other Reserve						
					Note (d)	Note (e)	Note (f)	Note (g)	Note (h)						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 April 2020	77,540	66,894	10,070	2,214	226	(54)	10,254	-	-	(135,692)	31,452	1,516	32,968		
Profit for the year	-	-	-	-	-	-	-	-	-	7,614	7,614	2,636	10,250		
Other comprehensive income for the year	-	-	1,303	-	-	317	-	-	-	-	1,620	274	1,894		
Total comprehensive income for the year	-	-	1,303	-	-	317	-	-	-	7,614	9,234	2,910	12,144		
Transfer of reserve	-	-	-	-	595	-	-	-	-	(595)	-	-	-		
Issue of shares under share placement (note 29)	15,508	56,604	-	-	-	-	-	-	-	-	72,112	-	72,112		
Transaction costs attributable to issue of shares	-	(798)	-	-	-	-	-	-	-	-	(798)	-	(798)		
Acquisition of non-controlling interests (note 33)	2,583	7,257	-	-	-	-	-	-	(5,578)	-	4,262	(4,426)	(164)		
At 31 March 2021	95,631	129,957	11,373	2,214	821	263	10,254	-	(5,578)	(128,673)	116,262	-	116,262		
Loss for the year	-	-	-	-	-	-	-	-	-	(11,716)	(11,716)	-	(11,716)		
Other comprehensive (expense) income for the year	-	-	(3,013)	-	-	498	-	-	-	-	(2,515)	-	(2,515)		
Total comprehensive (expense) income for the year	-	-	(3,013)	-	-	498	-	-	-	(11,716)	(14,231)	-	(14,231)		
Transfer of reserve	-	-	-	-	(183)	-	-	-	-	183	-	-	-		
Capital reorganisation (note 29)	(93,718)	(129,957)	-	-	-	-	-	93,718	-	129,957	-	-	-		
Issue of shares pursuant to the rights issue (note 29)	5,738	195,088	-	-	-	-	-	-	-	-	200,826	-	200,826		
Issue of shares under contingent consideration (note 29)	86	3,194	-	-	-	-	-	-	(3,280)	-	-	-	-		
Transaction costs for the rights issue	-	(2,591)	-	-	-	-	-	-	-	-	(2,591)	-	(2,591)		
At 31 March 2022	7,737	195,691	8,360	2,214	638	761	10,254	93,718	(8,858)	(10,249)	300,266	-	300,266		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

Notes:

a) Share premium

The application of the share premium is governed by section 40 of the Companies Act 1981 of Bermuda.

b) Revaluation reserve

It represents gains/losses arising on the revaluation of the Group's land and buildings (other than investment properties). The balance on this reserve is wholly non-distributable.

c) Consolidation reserve

It represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganisation.

d) PRC statutory reserve

According to the relevant requirements in the Articles of Association of the Group's subsidiaries in the People's Republic of China ("PRC"), a portion of their profits after taxation is transferred to PRC statutory reserve. The transfer must be made before the distribution of a dividend to equity owners. The PRC statutory reserve can be used to make up the prior year losses, if any. The PRC statutory reserve is non-distributable other than upon liquidation.

e) Translation reserve

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

f) Capital reserve

It represents the differences between the loans nominal amount of approximately HK\$183,162,000 and the fair value of approximately HK\$172,908,000 of loans granted by a shareholder in between the year ended 31 March 2018 and year ended 31 March 2020. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loans nominal amount and present value of approximately HK\$10,254,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

g) Contributed surplus reserve

It represents as a result of the Capital Reduction, a credit of approximately HK\$93,718,000 deducted from the share capital arose, and was transferred to the contributed surplus account of the Company, together with the amount arising from the reduction of share premium account and any credit which arose as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, was applied in full by the Board to set off the accumulated losses of the Company.

h) Other reserve

The other reserve represents the difference between the fair value of consideration paid to increase the shareholding in a subsidiary GBR (HK) Limited ("GBR (HK)") and the amount of adjustment to non-controlling interests (note 33).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Operating activities			
(Loss) profit before taxation		(9,516)	13,394
Impairment losses under expected credit loss model, net of reversal		17,155	2,886
Gain on disposal of subsidiaries	8	—	(253)
Depreciation of property, plant and equipment		1,583	1,762
Depreciation of right-of-use asset		520	1,815
Impairment loss on property, plant and equipment		—	409
Impairment loss on right-of-use assets		—	1,618
Fair value loss on investment properties		13,420	3,314
Fair value (gain) loss on contingent consideration payable		(547)	383
Bank interest income		(1)	(1)
Interest income from a loan to a third party		(2,101)	—
Interest on bank borrowings and overdrafts		211	1,008
Interest on loans from a related company		—	1,632
Interest on lease liabilities		87	198
Exchange loss		72	—
Operating cash flow before movements in working capital		20,883	28,165
Increase in inventories		(11,717)	(6,036)
Increase in trade and other receivables		(10,237)	(72,207)
Increase in trade and other payables		14,770	28,608
Increase in contract liabilities		416	4,059
Cash generated from (used in) operations		14,115	(17,411)
Hong Kong Profits Tax paid		(2,467)	(214)
PRC Enterprise Income Tax paid		(69)	—
Net cash flows from (used in) operating activities		11,579	(17,625)
Investing activities			
Bank interest received		1	1
Interest income received from a loan to a third party		2,101	—
Loan to a third party		(16,500)	—
Repayment from a loan to a third party		16,500	—
Net cash outflow from disposal of subsidiaries	8	—	(213)
Net cash flows from (used in) investing activities		2,102	(212)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Financing activities		
Proceeds from bank borrowings	5,000	60,414
Repayment of bank borrowings	—	(60,414)
Proceeds from loans from a shareholder	3,858	18,995
Repayment of loans from a shareholder	(160,485)	—
Interest paid	(298)	(2,838)
Repayment of loan from a related company	—	(72,800)
Repayment of lease liabilities	(1,953)	(1,842)
Proceeds from issue of shares	—	71,314
Proceeds from issue of shares pursuant to rights issue	200,826	—
Transaction costs for rights issue	(2,591)	—
Net cash flow from financing activities	44,357	12,829
Net increase (decrease) in cash and cash equivalents	58,038	(5,008)
Cash and cash equivalents at the beginning of the year	7,609	12,272
Effects of exchange rate changes, net	498	345
Cash and cash equivalents at the end of the year, representing bank balances and cash	66,145	7,609
<i>21</i>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

State Energy Group International Assets Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares (the “**Share**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate holding company is Always Profit Development Limited, a company incorporated in British Virgin Islands. Its ultimate controlling party is Mr. Zhang Jinbing, who is also the Chairman and Executive Director of the Company. The address of its principal place of business is Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the “**Group**”) are sourcing, subcontracting, marketing and selling of garments and sportswear products, property investment and provision of marketing services.

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

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

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform — Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19 Related Rent Concessions for the first time for their annual reporting periods commencing 1 April 2020.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the 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 IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts and the 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 related amendments to Hong Kong Interpretation 5 (2020) 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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ¹

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

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 IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

AMENDMENTS TO HKAS 1 “CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND RELATED AMENDMENTS TO HONG KONG INTERPRETATION 5 (2020)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

AMENDMENTS TO HKAS 1 AND HKFRS PRACTICE STATEMENT 2 “DISCLOSURE OF ACCOUNTING POLICIES”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those 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 IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED) AMENDMENTS TO HKAS 1 AND HKFRS PRACTICE STATEMENT 2 “DISCLOSURE OF ACCOUNTING POLICIES” (CONTINUED)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

AMENDMENTS TO HKAS 8 “DEFINITION OF ACCOUNTING ESTIMATES”

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. BASIS OF PREPARATION (CONTINUED)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

CHANGES IN THE GROUP'S INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

EXISTENCE OF SIGNIFICANT FINANCING COMPONENT

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

PRINCIPAL VERSUS AGENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. 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 deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost, or revalued amount, less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

	Depreciation rates	Method
– Land and building	over the lease terms	straight-line
– Leasehold improvements	15-20% or over the lease terms, whichever is shorter	straight-line
– Furniture and fixtures	15-20%	reducing balance
– Motor vehicles	15-25%	reducing balance
– Office and computer equipment	15-33%	reducing balance

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, the revaluation surplus included in reserves is transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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 disposal. 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 profit or loss in the period in which the property is derecognised.

IMPAIRMENT ON RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At the end of the reporting period, the Group reviews the carrying amounts of its right-of-use assets and property, plant and equipment with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of right-of-use assets and property, plant and equipment are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT ON RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 cash-generating units. 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 cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

FINANCIAL INSTRUMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction cost directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

(A) FINANCIAL ASSETS

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

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

A financial asset is held for trading if:

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

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

(i) AMORTISED COST AND INTEREST INCOME

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables and bank balances and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(i) Significant increase in credit risk (continued)

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

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 entity.

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

(B) FINANCIAL LIABILITIES AND EQUITY

CLASSIFICATION AS DEBT OR EQUITY

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

(i) Equity instruments

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

(ii) Financial liabilities

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank borrowings and amount due to a shareholder are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

CLASSIFICATION AS DEBT OR EQUITY (CONTINUED)

(ii) Financial liabilities (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

CLASSIFICATION AS DEBT OR EQUITY (CONTINUED)

(ii) Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

DERECOGNITION/MODIFICATION OF FINANCIAL LIABILITIES

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

(A) DEFINITION OF A LEASE

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

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

(B) THE GROUP AS A LESSEE

ALLOCATION OF CONSIDERATION TO COMPONENTS OF A CONTRACT

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

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

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

RIGHT-OF-USE ASSETS

The cost of right-of-use asset includes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (CONTINUED)

RIGHT-OF-USE ASSETS (CONTINUED)

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

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

REFUNDABLE RENTAL DEPOSITS

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

LEASE LIABILITIES

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

The lease payments include:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (CONTINUED)

LEASE LIABILITIES (CONTINUED)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

LEASE MODIFICATIONS

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (CONTINUED)

COVID-19-RELATED RENT CONCESSIONS

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021/2022; and
- there is no substantive change to other terms and conditions of the lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

(C) THE GROUP AS A LESSOR

CLASSIFICATION AND MEASUREMENT OF LEASES

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 incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss 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 such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

ALLOCATION OF CONSIDERATION TO COMPONENTS OF A CONTRACT

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customer* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

REFUNDABLE RENTAL DEPOSITS

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

LEASE MODIFICATION

Changes in considerations of lease contracts that were not part of the original terms conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

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 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 purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes 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 the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS

(A) RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

(B) SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(C) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

SHARE OPTIONS GRANTED TO EMPLOYEES

Equity-settled share-based payment to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payment determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE OPTIONS GRANTED TO EMPLOYEES (CONTINUED)

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

PROVISIONS

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

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

CONTINGENT LIABILITIES

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED PARTIES

A related party is a person or entity that is related to the Group in these consolidated financial statements, as follows:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third entity.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(A) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, 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 in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(A) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

DEFERRED TAXATION ON INVESTMENT PROPERTIES

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that the carrying amounts of these investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the PRC, the management concluded that they are depreciable and are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the management determined that the presumption that the carrying amounts of these investment properties measured using the fair value model are recovered through sale is rebutted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

FAIR VALUE OF LAND AND BUILDING INCLUDED IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Land and building included in property, plant and equipment, and investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in notes 16 and 17.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Whilst the Group considers valuations of the Group's land and buildings and investment properties are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, travel restrictions implemented by many countries, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's land and building and investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company have performed internal assessment on the risks of change in macroeconomic environment through performing sensitivity analysis in relation to the Group's land and building and investment properties.

As at 31 March 2022, the carrying amount of the Group's land and building and investment properties are approximately HK\$32,204,000 (2021: HK\$36,600,000) and HK\$104,979,000 (2021: HK\$118,471,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

IMPAIRMENT ASSESSMENT OF TRADE RECEIVABLES

The Group calculates ECL for the trade receivables individually or collectively. Except for significant balances or credit-impaired amounts which are assessed for impairment individually, the remaining trade receivables are grouped under a collective assessment after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for supportable forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 20 and 34(B) (d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products, property investment and provision of marketing services. Turnover mainly represents the consideration of goods sold, rental income received and receivable and marketing services provided. An analysis of turnover is as follows:

(i) Analysis of revenue

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 – at point in time basis		
Export sales of garments and sportswear products	91,188	103,483
Local sales of garments and sportswear products	71,340	113,969
Marketing services income	40,674	55,370
	203,202	272,822
Revenue from other sources		
Rental income	4,024	4,068
	207,226	276,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(ii) Performance obligations for contracts with customers

Revenue from export sales and local sales of garments and sportswear products is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Marketing services income are recognised at the point in time when the related services are taken place.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for export and local sales of garments and sportswear products, and marketing services income such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts for export sales and local sales of garments and sportswear products, and marketing services income that had an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

The Group operates mainly in Hong Kong and the PRC and in the following business segments:

- i) Garment business - Sales of garments to both local and overseas customers

The Group satisfies its performance obligation upon delivery of the goods sold to the customers;

- ii) Property investment - Investing and letting of properties; and

- iii) Marketing services – Provision of marketing services.

The Group organises marketing and promotional events. The Group satisfies its performance obligations upon completion of the events. In addition, the Group also provides promotional services for the advertised products specified by the customers in a wide range of online channels. The Group satisfies its obligations upon releases of the promotional products to the online channels.

Segment profit or loss represents the profit or loss from each segment without allocation of corporate income, central administrative costs, finance costs, fair value gain (loss) on contingent consideration payable, gain on disposal of subsidiaries and professional expenses which are for corporate use purpose.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, inventories, bank balances and cash, trade receivables, deposits, prepayments and other receivables. They exclude assets used for corporate functions.

Segment liabilities consist primarily of trade and bills payables, other payables and accrued charges, contract liabilities, bank borrowings, rental deposit received and lease liabilities. They exclude tax payable, deferred tax liabilities, contingent consideration payable and amount due to a shareholder and liabilities used for corporate functions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

	2022			Total HK\$'000
	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	
Turnover	162,528	4,024	40,674	207,226
Segment operating profit (loss)	3,081	(10,005)	157	(6,767)
Unallocated corporate income				2,139
Unallocated corporate expenses				(5,137)
Fair value gain on contingent consideration payable				547
Operating loss				(9,218)
Finance costs				(298)
Loss before taxation				(9,516)
Income tax expense				(2,200)
Loss for the year				(11,716)
Segment assets	231,575	107,531	50,549	389,655
Unallocated assets				19,390
Total assets				409,045
Segment liabilities	65,955	175	32,531	98,661
Unallocated liabilities				1,468
Tax payable				6,625
Deferred tax liabilities				2,025
Total liabilities				108,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2022				Total HK\$'000
	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	Corporate HK\$'000	
Depreciation of property, plant and equipment	1,564	—	—	19	1,583
Depreciation of right-of-use assets	520	—	—	—	520
Fair value loss on investment properties	—	13,420	—	—	13,420
Fair value gain on contingent consideration payable	—	—	—	(547)	(547)
Impairment losses under expected credit loss model, net of reversal	8,656	599	7,900	—	17,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2021			Total HK\$'000
	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	
Turnover	217,452	4,068	55,370	276,890
Segment operating profit	10,256	976	11,365	22,597
Unallocated corporate income				2,130
Unallocated corporate expenses				(8,365)
Fair value loss on contingent consideration payable				(383)
Gain on disposal of subsidiaries				253
Operating profit				16,232
Finance costs				(2,838)
Profit before taxation				13,394
Income tax expense				(3,144)
Profit for the year				10,250
Segment assets	218,171	119,823	24,774	362,768
Unallocated assets				1,550
Total assets				364,318
Segment liabilities	71,806	771	7,696	80,273
Unallocated liabilities				1,623
Tax payable				5,332
Amount due to a shareholder				156,627
Contingent consideration payable				547
Deferred tax liabilities				3,654
Total liabilities				248,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2021				Total HK\$'000
	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	Corporate HK\$'000	
Depreciation of property, plant and equipment	1,734	—	—	28	1,762
Depreciation of right-of-use assets	1,815	—	—	—	1,815
Fair value loss on investment properties	—	3,314	—	—	3,314
Fair value loss on contingent consideration payable	—	—	—	383	383
Gain on disposal of subsidiaries	—	—	—	(253)	(253)
Impairment loss on property, plant and equipment	409	—	—	—	409
Impairment loss on right-of-use assets	1,618	—	—	—	1,618
Impairment losses under expected credit loss model, net of reversal	2,532	—	354	—	2,886

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	2022	
	Turnover HK\$'000	Non-current assets HK\$'000
Africa	91,188	—
Hong Kong	50,224	103,510
PRC	65,814	33,890
	207,226	137,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS (CONTINUED)

	2021	
	Turnover HK\$'000	Non-current assets HK\$'000
Africa	103,483	—
Hong Kong	75,291	117,637
PRC	98,116	38,371
	276,890	156,008

Revenue is allocated based on the country in which the customers are located. Non-current assets (excluded rental deposit) are allocated based on where the assets are located.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers in the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2022 HK\$'000	2021 HK\$'000
Customer A from the garment business	71,041	78,245
Customer B ¹ from the garment business	36,363	N/A

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. OTHER GAINS/OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Other gains		
Gain on disposal of subsidiaries (note 8)	—	253
Net exchange gain	189	393
	189	646
Other income		
Interest income from a loan to a third party (Note (i))	2,101	—
Bank interest income	1	1
Commission income	—	1,285
Government grants (Note (ii))	—	1,605
Sundry income	37	582
	2,139	3,473

Notes:

- (i) During the year ended 31 March 2022, the Group recognised interest income from a loan to a third party of approximately HK\$2,101,000 (2021: nil) which carried interest at a fixed rate of 2% per month.
- (ii) During the year ended 31 March 2021, the Group recognised government grants of approximately HK\$1,525,000 (2022: nil) in respect of COVID-19-related subsidies which were granted to the Group under the Employment Support Scheme provided by the Hong Kong government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. GAIN ON DISPOSAL OF SUBSIDIARIES

DISPOSAL OF SUBSIDIARIES DURING THE YEAR ENDED 31 MARCH 2021

- (a) In August 2020, the Company entered into an agreement for the disposal of the subsidiary, Union Beauty Limited (“**Union Beauty**”) for consideration of HK\$10,000. Completion of the disposal was taken place on 10 August 2020.

Union Beauty holds 100% equity interests in Liande Zhihui Technology Limited (“**聯德智慧科技有限公司**”), which was disposed upon the completion of disposal of Union Beauty on 10 August 2020.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the date of disposal were as follows:

	2021 HK\$'000
Other receivables and deposits paid	9,949
Bank balances and cash	353
Other payables and deposits received	(488)
Amount due to a shareholder	(10,041)
Net liabilities disposed of	(227)
Gain on disposal of subsidiaries	237
Total consideration	10
Net cash flow arising on disposal:	
Bank balances and cash received	10
Bank balances and cash disposed of	(353)
	(343)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. GAIN ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

DISPOSAL OF SUBSIDIARIES DURING THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

- (b) In November 2020, the Company entered into an agreement with Mr. Zhang Jinbing for the disposal of the subsidiary, Sunwise Illusion Limited (“**Sunwise**”) for consideration of HK\$143,000. Completion of the disposal was taken place on 19 November 2020.

The aggregate amounts of the assets and liabilities attributable to Sunwise on the date of disposal were as follows:

	2021 HK\$'000
Inventories	254
Trade receivables	1
Bank balances and cash	13
Other payables and accruals	(141)
Net assets disposed of	127
Gain on disposal of subsidiaries	16
Total consideration	143
Net cash flow arising on disposal:	
Bank balances and cash received	143
Bank balances and cash disposed of	(13)
	130

The subsidiaries disposed of during the year ended 31 March 2021 did not contribute significantly to the results and cash flows of the Group during the year ended 31 March 2021 prior to the disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

9. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank borrowings and overdrafts	211	1,008
Interest on lease liabilities	87	198
Interest on loans from a related company (Note)	—	1,632
	298	2,838

Note: On 6 November 2018, the amounts of approximately HK\$125,087,000 and its related interests payable due to the Company's former immediate holding company, State Energy HK Limited ("State Energy HK") was assigned to a related company of the Group by a court order.

The interest expense was accrued in accordance with the loan agreements carrying contracted interest rates at 4.25% signed with State Energy HK and the effective interest rates were ranged from 4.25% to 5.75% during the year ended 31 March 2021. The loans from a related company were fully repaid in 2021.

10. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is stated after charging the following:

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold	141,419	188,349
Auditor's remuneration	500	580
Depreciation of property, plant and equipment	1,583	1,762
Depreciation of right-of-use assets	520	1,815
Legal and professional fees	1,339	4,033
Staff costs, including directors' emoluments		
— Salaries, bonus and allowance	6,446	11,293
— Retirement benefits scheme contributions	248	396
Total staff costs	6,694	11,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. DIRECTORS' AND SENIOR MANagements' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each director of the Company for the year ended 31 March 2022 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total (Note) HK\$'000
Executive directors:					
Zhang Jinbing	—	—	—	—	—
Tian Wenxi	—	360	—	—	360
Wu Tingjun	—	—	—	—	—
Independent non-executive directors:					
Yang Yanli ¹	115	—	—	—	115
Chow Hiu Tung ²	85	—	—	—	85
Zhao Hangen ³	85	—	—	—	85
Chen Conghu ⁴	35	—	—	—	35
Choi Ka Ying ⁵	35	—	—	—	35
He Xiaodong ⁶	5	—	—	—	5
Total	360	360	—	—	720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. DIRECTORS' AND SENIOR MANagements' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

The remuneration of each director of the Company for the year ended 31 March 2021 is set out below:

	Fee	Salaries	Other	Retirement	Total
	HK\$'000	HK\$'000	benefits	benefits	(Note)
			HK\$'000	contributions	HK\$'000
				HK\$'000	HK\$'000
Executive directors:					
Zhang Jinbing	—	—	—	—	—
Tian Wenxi	—	360	—	—	360
Wu Tingjun	—	—	—	—	—
Independent non-executive directors:					
Yang Yanli	120	—	—	—	120
Chow Hiu Tung	120	—	—	—	120
Zhao Hangen	120	—	—	—	120
Total	360	360	—	—	720

¹ Ms. Yang Yanli has resigned as an independent non-executive director, member of audit committee, remuneration committee and nomination committee of the Company with effect from 15 March 2022.

² Mr. Chow Hiu Tung has resigned as an independent non-executive director, chairman of audit committee and member of remuneration committee of the Company with effect from 15 December 2021.

³ Mr. Zhao Hangen has resigned as an independent non-executive director, member of audit committee and nomination committee of the Company with effect from 15 December 2021.

⁴ Mr. Chen Conghu was appointed as an independent non-executive Director, member of audit committee and nomination committee of the Company with effect from 15 December 2021.

⁵ Ms. Choi Ka Ying was appointed as an independent non-executive Director, chairman of audit committee and member of remuneration committee of the Company with effect from 15 December 2021.

⁶ Ms. He Xiaodong was appointed as an independent non-executive Director, member of audit committee, remuneration committee and nomination committee of the Company with effect from 15 March 2022.

Notes: The executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No waiver of emoluments, corporation loss and inducement to join or upon joining the Group nor paid to directors of the Company or the five highest paid individuals during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. DIRECTORS' AND SENIOR MANagements' EMOLUMENTS (CONTINUED)

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2021: none) of the directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the four (2021: five) individuals during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	2,663	3,374
Retirement benefits scheme contributions	66	87
	2,729	3,461

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
Nil to HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

12. INCOME TAX EXPENSE

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

	2022 HK\$'000	2021 HK\$'000
Current tax		
Hong Kong Profits Tax	772	508
PRC Enterprise Income tax (the "EIT")	2,024	2,943
	2,796	3,451
Underprovision in respect of prior years:		
Hong Kong Profits Tax	1,033	—
Deferred tax		
Current year (Note 28)	(1,629)	(307)
	2,200	3,144

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

12. INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's (loss) profit before taxation differs from the theoretical amount that would arise using applicable tax rates as follows:

	2022 HK\$'000	2021 HK\$'000
(Loss) profit before taxation	(9,516)	13,394
Tax (credit) charge at the domestic income tax rate of 16.5% (2021: 16.5%)	(1,570)	2,045
Effect of different tax rates of subsidiaries operating in other jurisdictions	688	967
Tax effect of income not taxable for tax purpose	(747)	(956)
Tax effect of expenses not deductible for tax purpose	3,255	2,126
Tax effect of tax losses not recognised	457	133
Utilisation of tax losses previously not recognised	(633)	(775)
Tax effect of temporary differences not recognised	(118)	(366)
Tax reduction	(165)	(30)
Underprovision in prior years	1,033	—
Income tax expense	2,200	3,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 March 2022 and 2021.

14. OTHER COMPREHENSIVE (EXPENSE) INCOME

Tax effect relating to each component of other comprehensive (expense) income is as follows:

	2022			2021		
	Before tax amount HK\$'000	Tax expense HK\$'000	Net of tax amount HK\$'000	Before tax amount HK\$'000	Tax expense HK\$'000	Net of tax amount HK\$'000
Exchange differences on translation of financial statements of overseas subsidiaries	498	—	498	591	—	591
(Loss) gain on revaluation of land and building held for own use	(3,013)	—	(3,013)	1,303	—	1,303
Other comprehensive (expense) income	(2,515)	—	(2,515)	1,894	—	1,894

15. (LOSS) EARNINGS PER SHARE

BASIC (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK\$11,716,000 (2021: profit for the year attributable to the owner of the Company of HK\$7,614,000) and the weighted average number of ordinary shares in issue during the year of 550,200,000 shares (2021 (restated): 60,058,000 shares).

The weighted average number of ordinary shares in issue for the year ended 31 March 2021 has been adjusted retrospectively to reflect the capital reorganisation completed on 26 July 2021 and the rights issue completed on 23 August 2021.

DILUTED (LOSS) EARNINGS PER SHARE

There was no dilutive potential ordinary shares outstanding during both years as the Company did not have potential ordinary shares outstanding during the years ended 31 March 2022 and 2021. Accordingly, the diluted (loss) earnings per share is same as basic (loss) earnings per share for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office and computer equipment HK\$'000	Total HK\$'000
Year ended 31 March 2022					
Opening net book amount	36,600	163	5	119	36,887
Depreciation	(1,383)	(129)	(2)	(69)	(1,583)
Loss upon revaluation	(3,013)	—	—	—	(3,013)
Closing net book amount	32,204	34	3	50	32,291
At 31 March 2022					
Cost or valuation	32,204	1,317	9	470	34,000
Accumulated depreciation and impairment	—	(1,283)	(6)	(420)	(1,709)
Net book amount	32,204	34	3	50	32,291
Analysis of cost or valuation:					
At cost	—	1,317	9	470	1,796
At valuation	32,204	—	—	—	32,204
	32,204	1,317	9	470	34,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office and computer equipment HK\$'000	Total HK\$'000
Year ended 31 March 2021					
Opening net book amount	36,500	1,044	7	204	37,755
Depreciation	(1,203)	(472)	(2)	(85)	(1,762)
Impairment	–	(409)	–	–	(409)
Gain upon revaluation	1,303	–	–	–	1,303
Closing net book amount	36,600	163	5	119	36,887
At 31 March 2021					
Cost or valuation	36,600	1,317	9	470	38,396
Accumulated depreciation and impairment	–	(1,154)	(4)	(351)	(1,509)
Net book amount	36,600	163	5	119	36,887
Analysis of cost or valuation:					
At cost	–	1,317	9	470	1,796
At valuation	36,600	–	–	–	36,600
	36,600	1,317	9	470	38,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's land and building were revalued on 31 March 2022 and 2021 by an independent qualified professional valuer on the basis of market comparable approach. Valuations were carried out by Valplus Consulting Limited (2021: LCH (Asia-Pacific) Surveyors Limited), an independent firm of The Hong Kong Institute of Surveyors. If the buildings were stated under the cost model, the amounts would be as follows:

	2022 HK\$'000	2021 HK\$'000
Cost	39,100	39,100
Accumulated depreciation	(3,401)	(2,018)
Impairment loss	(3,495)	(482)
	32,204	36,600

Please refer to note 17 for details of fair value measurement of the land and building.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group leases out properties under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 3 years (2021: 2 to 3 years).

The Group is exposed to foreign currency risk as a result of the lease arrangements, as certain leases are denominated in the currency other than functional currency of the group entity. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term. The financial risk management objectives and policies of the Group in managing the currency risk are set out in note 34 to the consolidated financial statements.

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	118,471	121,785
Changes in fair value included in profit or loss	(13,420)	(3,314)
Exchange adjustment	(72)	—
At the end of the year	104,979	118,471

Notes:

- The fair value of the Group's investment properties as at 31 March 2022 and 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Valplus Consulting Limited (2021: LCH (Asia-Pacific) Surveyors Limited), an independent qualified professional valuer not connected to the Group. The management works closely with the quality external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company every half-year to explain the cause of fluctuations in the fair value of the property.
- Certain investment properties were pledged to secure banking facilities (note 32) granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) Fair value hierarchy (continued)

	Fair value measurements as at 31 March 2022 categorised into			
	Fair value at 31 March 2022 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	33,890	–	–	33,890
– Commercial – Hong Kong	65,289	–	–	65,289
– Car parking spaces – Hong Kong	5,800	–	–	5,800
	104,979	–	–	104,979
Property held for own use:				
– Land and building – Hong Kong (note 16)	32,204	–	–	32,204

	Fair value measurements as at 31 March 2021 categorised into			
	Fair value at 31 March 2021 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	38,371	–	–	38,371
– Commercial – Hong Kong	72,900	–	–	72,900
– Car parking spaces – Hong Kong	7,200	–	–	7,200
	118,471	–	–	118,471
Property held for own use:				
– Land and building – Hong Kong (note 16)	36,600	–	–	36,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) *Fair value hierarchy (continued)*

At 31 March 2022 and 2021, the fair value of the vacant portion of the investment properties and a land and building located in Hong Kong is determined using sales comparison approach (also known as market approach) on the assumption that the properties could be sold with the benefit of vacant possession as at 31 March 2022 and 2021. The sales comparison approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title. The fair value of remaining investment properties located in Hong Kong and PRC which were subject to tenancy agreements as at 31 March 2022 and 2021, is determined using the term and reversion method of the income approach. The underlying assumption of this approach is that an investor will pay no more for the property than he or she would have to be paid for another property with an income stream of comparable amount, duration, and certainty.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(ii) Information about Level 3 fair value measurements for the year ended 31 March 2022

Investment properties	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
– Commercial and car parking spaces – Hong Kong (leased portion)	Income approach	Taking into account the yield of 3.8% and unit rate per square feet (“sqf”) of the similar properties, which ranged from HK\$4,300 per sqf to HK\$5,400 per sqf.	The lower the yield, the higher the fair value; and the higher the unit rate, the higher the fair value.
– Car parking spaces – Hong Kong (vacant portion)	Sales comparison approach	Taking into account the recent transaction prices of similar properties, which ranged from HK\$1,500,000 to HK\$2,700,000 per unit.	The closer to the ground floor, the higher the fair value.
– Commercial – PRC	Income approach	Taking into account the yield of 5.3% and unit rate per square meter (“sqm”) of the similar properties, which ranged from RMB25,000 per sqm to RMB35,000 per sqm.	The lower the yield, the higher the fair value; and the higher the unit rate, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(ii) Information about Level 3 fair value measurements for the year ended 31 March 2022 (continued)

Land and building	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
– Commercial – Hong Kong	Sales comparison approach	Taking into account the recent transaction prices of similar properties, which ranged from HK\$4,300 to HK\$5,400 per sqf.	The lower level of the property, the higher the fair value; the older the building age, the lower the fair value; and the larger the property, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(ii) Information about Level 3 fair value measurements for the year ended 31 March 2021

Investment properties	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
— Commercial — Hong Kong	Income approach	Taking into account the yield of 2.3% to 3.4% and unit rate per square feet (“sqf”) of the similar properties, which ranged from HK\$5,900 per sqf to HK\$7,300 per sqf.	The lower the yield, the higher the fair value; and the higher the unit rate, the higher the fair value.
— Car parking spaces — Hong Kong (vacant portion)	Sales comparison approach	Taking into account the recent transaction prices for similar car parking spaces adjusted for location and conditions of the car parking spaces, which ranged from HK\$2,010,000 to HK\$3,460,000 per unit.	The closer to the ground floor, the higher the fair value.
— Car parking spaces — Hong Kong (leased portion)	Income approach	Taking into account the yield of 2.3% to 3.4% and unit rate per unit of the similar car parking spaces, which ranged from HK\$2,010,000 per unit to HK\$3,460,000 per unit.	The lower the yield, the higher the fair value; and the higher the unit rate, the higher the fair value.
— Commercial — PRC	Income approach	Taking into account the yield of 4.5% to 6.5% and unit rate per square meter (“sqm”) of the similar properties, which ranged from RMB28,500 per sqm to RMB36,800 per sqm.	The lower the yield, the higher the fair value; and the higher the unit rate, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(ii) Information about Level 3 fair value measurements for the year ended 31 March 2021 (continued)

Land and building	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
– Commercial – Hong Kong	Sales comparison approach	Taking into account the recent transaction prices for similar properties adjusted for nature, location, conditions and size of the properties, which ranged from HK\$5,900 to HK\$7,300 per sqf.	The lower level of the property, the higher the fair value; the older the building age, the lower the fair value; and the larger the property, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(ii) Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2022 HK\$'000	2021 HK\$'000
Investment properties:		
– Commercial – Hong Kong		
At 1 April	72,900	72,900
Fair value changes on investment properties	(7,611)	–
At 31 March	65,289	72,900
Investment properties:		
– Car parking spaces – Hong Kong		
At 1 April	7,200	6,100
Fair value changes on investment properties	(1,400)	1,100
At 31 March	5,800	7,200
Investment properties:		
– Commercial – PRC		
At 1 April	38,371	42,785
Fair value changes on investment properties	(4,409)	(4,414)
Exchange adjustment	(72)	–
At 31 March	33,890	38,371
Property held for own use:		
– Land and building – Hong Kong (note 16)		
At 1 April	36,600	36,500
Depreciation	(1,383)	(1,203)
(Loss) gain upon revaluation	(3,013)	1,303
At 31 March	32,204	36,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(ii) Information about Level 3 fair value measurements (continued)

There were no transfer into or out of Level 3 during the years ended 31 March 2022 and 2021.

Fair value adjustment of investment properties is recognised in the line item “fair value loss on investment properties” in profit or loss on the face of the consolidated statement of profit or loss and other comprehensive income.

Fair value adjustment of property held for own use is recognised in other comprehensive income (expense) on revaluation of land and building held for own use.

THE ANALYSIS OF NET BOOK VALUE OF PROPERTIES IS AS FOLLOWS:

	2022 HK\$'000	2021 HK\$'000
In Hong Kong		
– medium-term leases	103,293	116,700
Outside Hong Kong		
– medium-term leases	33,890	38,371
	137,183	155,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. RIGHT-OF-USE ASSETS (CONTINUED)

As at 31 March 2022, the carrying amount of assets before impairment loss related to the use of retail store in Hong Kong included property, plant and equipment and right-of-use assets amounting to HK\$34,000 and HK\$130,000 respectively (2021: HK\$572,000 and HK\$2,268,000 respectively). The Group regards the retail store as a separately identifiable cash-generating unit. Management carried out an impairment assessment for the retail store assets, including property, plant and equipment and right-of-use assets, which have an impairment indicator. Given the potential adverse impact on the performance of the Group's retail store as a result of the COVID-19 epidemic, management performed impairment assessment for the retail store in Hong Kong.

The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as budgeted revenue, gross profit margin and net profit margin. The budgeted revenue is based on the estimated timing of easing quarantine restrictions at the borders and the recovery of Mainland tourist arrivals and the consequential effect on the foot traffic of the Group's retail store. The budgeted gross profit margin and net profit margin are based on estimated cost and historical data.

As a result, no impairment loss on property, plant and equipment and right-of-use assets were recognised in profit or loss during the year ended 31 March 2022 (2021: HK\$409,000 and HK\$1,618,000 impairment loss recognised respectively).

19. INVENTORIES

	2022	2021
	HK\$'000	HK\$'000
Raw materials	6,673	6,673
Finished goods	32,372	20,655
	39,045	27,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	154,619	158,369
Less: Allowance for credit losses	(20,066)	(3,503)
Trade receivables, net	134,553	154,866
Deposits paid to suppliers (note i)	29,066	15,953
Other receivables, net (note ii)	1,431	1,332
Prepayments	389	278
Rental, utility and sundry deposits	1,016	944
	31,902	18,507
Total trade and other receivables	166,455	173,373
Less: Current portion	166,455	172,693
Non-current portion	—	680

Notes:

- (i) As at 31 March 2022, included in deposits paid to suppliers of approximately HK\$28,372,000 (2021: HK\$14,093,000) is deposits paid to suppliers for marketing services.
- (ii) As at 31 March 2022, included in other receivables of approximately HK\$209,000 (2021: HK\$444,000) relating to the trading of electronic parts for which the Group is considered as an agent to arrange the trades.

At the end of the reporting period, the ageing analysis of trade receivables based on the invoice date and net of allowance for credit losses, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	27,569	15,823
1 to 3 months	24,520	34,160
3 to 6 months	29,896	68,053
Over 6 months	52,568	36,830
	134,553	154,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

The trade receivables were denominated in United States dollars (“**US\$**”), HK\$ and Renminbi (“**RMB**”).

The majority of the Group’s sales to overseas customers are generally on open account of 120 days (2021: 120 days) from the date of invoice. The credit period granted to local customers is 90 days (2021: 90 days). The credit period granted to marketing services customers is ranging from 0 to 5 days from the date of completion and due on date of invoice.

Details of impairment assessment are set out in note 34 (B) (d).

21. BANK BALANCES AND CASH

Cash and cash equivalents are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
US\$	6,163	4,424
RMB (i)	1,419	663
HK\$	58,269	2,215
Euro	294	307
	66,145	7,609

At 31 March 2022, bank balances carry interests at prevailing market rates at 0.001% (2021: 0.001%) per annum.

- (i) The conversion of bank balances and cash of the Group denominated in RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC.

Details of impairment assessment are set out in note 34 (B) (d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

22. TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	72,961	60,385
Bills payables	3,393	9,698
Trade and bills payables	76,354	70,083
Deposits received	3,237	771
Accrued expenses	4,028	3,145
Other tax payables	1,273	156
Other payables	4,583	550
	13,121	4,622
Total trade and other payables	89,475	74,705
Less: Current portion	89,300	73,934
Non-current portion	175	771

At the end of the reporting period, the ageing analysis of trade and bills payables based on the invoice date is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	7,623	9,342
1 to 3 months	16,829	30,422
3 to 6 months	10,347	16,780
Over 6 months	41,555	13,539
	76,354	70,083

The trade and bills payables were mainly denominated in HK\$, US\$ and RMB.

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days (2021: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2021: 30 days). For marketing services providers, the credit period was 0 day from the date of completion or date of invoice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

23. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Sales of garments	2,311	860
Marketing services income	2,930	3,965
	5,241	4,825

The Group receives a designated amount of the contract value from customers in advance. The advances result in contract liabilities being recognised as revenue until the customer obtains control of a promised garment products (for sales of garments) or the marketing services are taken place (for marketing services income) and the entity satisfies a performance obligation.

24. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Lease liabilities payable:		
Within one year	413	1,953
Within a period of more than one year but not more than two years	—	413
	413	2,366
Less: Amount due for settlement within 12 months shown under current liabilities	(413)	(1,953)
Amount due for settlement after 12 months shown under non-current liabilities	—	413

The weighted average incremental borrowing rate applied to lease liabilities was 5.88% (2021: 5.88%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. AMOUNT DUE TO A SHAREHOLDER

	2022 HK\$'000	2021 HK\$'000
Due to a shareholder		
Always Profit Development Limited	—	156,627

As at 31 March 2021, the balance was unsecured, interest-free and repayable on demand. The balance had been fully settled during the year ended 31 March 2022.

26. BANK BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Variable rate and secured borrowings, repayable within one year	5,000	—

At 31 March 2022, variable-rate HK\$ denominated bank borrowings carry interests at Hong Kong Interbank Offered Rate + 2% (2021: nil) per annum.

The bank borrowings are secured and guaranteed by:

- first legal charge over the Group's investment properties and a land and building in Hong Kong with an aggregate carrying value of approximately HK\$103,293,000 (2021: approximately HK\$116,700,000);
- corporate guarantees from the Company and certain of its subsidiaries; and
- personal guarantee from the ultimate controlling party Mr. Zhang Jinbing, who is also the Executive Director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. CONTINGENT CONSIDERATION PAYABLE

	HK\$'000
At fair value	
At 1 April 2020	—
Acquisition of non-controlling interests (note 33)	164
Change in fair value	383
At 31 March 2021	547
Change in fair value	(547)
At 31 March 2022	—

It represents the second batch incentive shares payable under the sale and purchase agreement related to the acquisition of a further 40% of equity interests in a subsidiary, GBR (HK) (note 33), the Group is committed to issue of 8,608,923 shares of the Company's shares as contingent payment to the sellers if the profits after tax of GBR (HK) and its subsidiary for each of the two years ended 31 March 2021 and 2022 is not less than HK\$8.20 million and HK\$9.84 million respectively. As at 31 March 2022, the fair value gain on contingent consideration payable of HK\$547,000 was recognised to profit and loss as the profits after tax of GBR (HK) and its subsidiary for the year ended 31 March 2022 is less than HK\$9.84 million.

As at 31 March 2021, the contingent consideration payable represented the fair value of the profit guarantees in accordance with the share purchase agreements for the acquisition of a further 40% of equity interests in GBR (HK) which is estimated by LCH (Asia-Pacific) Surveyors. As at 31 March 2021, the fair value of the contingent consideration payable was estimated by applying Monte-Carlo simulation analysis.

The variables and assumptions used in computing the fair value of the contingent consideration payable were based on the management's best estimate. The value of the contingent consideration payable varies with different variables of certain subjective assumptions.

The fair value of contingent consideration payable is a level 3 recurring fair value measurement. The key input and assumptions used by LCH (Asia-Pacific) Surveyors included cost of equity of the Company of 18%, and expected volatility of the Company's shares of 76%.

An increase in the cost of equity of the Company used in isolation would result in an increase in the fair value measurement of the contingent consideration payable, and vice versa. A 5% increase/decrease in the cost of equity of the Company holding all other variables constant would increase/decrease the carrying amount of the contingent consideration payable by approximately HK\$9,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

An increase in the expected volatility of the Company's share used in isolation would result in a decrease in the fair value measurement of the contingent consideration payable, and vice versa. A 5% increase/decrease in the expected volatility of the Company's share holding all other variables constant would decrease/increase the carrying amount of the contingent consideration payable by approximately HK\$3,000.

28. DEFERRED TAX (ASSETS) LIABILITIES

The following are the major deferred tax (assets) liabilities recognised by the Group:

	Depreciation allowance in excess of the related depreciation HK\$'000	Revaluation of properties HK\$'000	Unused tax losses HK\$'000	Total HK\$'000
At 1 April 2020	(23)	4,842	(858)	3,961
(Credit) charge to profit or loss	(141)	(410)	244	(307)
At 31 March 2021	(164)	4,432	(614)	3,654
Credit to profit or loss	(21)	(1,534)	(74)	(1,629)
At 31 March 2022	(185)	2,898	(688)	2,025

The following is the analysis of the deferred tax liabilities for financial reporting purpose:

	2022 HK\$'000	2021 HK\$'000
Deferred tax liabilities	2,025	3,654

At the end of the reporting period, the Group has unused tax losses of approximately HK\$196,471,000 (2021: approximately HK\$197,091,000) available for offset against future profits. No deferred tax assets have been recognised for the tax losses of HK\$193,619,000 (2021: approximately HK\$194,687,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. DEFERRED TAX (ASSETS) LIABILITIES (CONTINUED)

Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB9,271,000 (equivalent to HK\$10,437,000) (2021: RMB10,779,000 (equivalent to HK\$12,266,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

AUTHORISED AND ISSUED CAPITAL

	Number of shares	Ordinary shares HK\$'000
Authorised:		
At 1 April 2020 and 31 March 2021		
Ordinary shares of HK\$0.1 each	3,000,000,000	300,000
Capital reorganisation (note iii)	27,000,000,000	—
At 31 March 2022		
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000
Issued and fully paid:		
At 1 April 2020	775,406,000	77,540
Issue of shares		
– shares issued in placing arrangement (note i)	155,080,000	15,508
– upon acquisition of non-controlling interest (note ii)	25,826,771	2,583
At 31 March 2021	956,312,771	95,631
Issue of shares		
– capital reorganisation (note iii)	(765,050,217)	(93,718)
– issue of shares pursuant to rights issue (note iv)	573,787,662	5,738
– issue of shares under contingent consideration (note v)	8,608,923	86
At 31 March 2022	773,659,139	7,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

29. SHARE CAPITAL (CONTINUED)

AUTHORISED AND ISSUED CAPITAL (CONTINUED)

Notes:

- (i) On 25 January 2021, pursuant to a placing agreement dated 20 January 2021 between the Company and a placing agent, the Company issued an aggregate of 155,080,000 new ordinary shares of HK\$0.1 each at a price of HK\$0.465 per share to independent parties. The proceeds would be used to partially repay the outstanding loans in the approximate sum of HK\$174.9 million as of 30 September 2020 due to Always Profit Development Limited, the Company's controlling shareholder and Chong Kin Group Holdings Limited ("Chong Kin"), a related company of the Company, for which, Mr. Zhang Jinbing, the Company's controlling shareholder is also a controlling shareholder of Chong Kin. Details of the share placement were contained in the Company's announcements dated 20 January 2021 and 26 January 2021.
- (ii) As stated in note 33, during the year ended 31 March 2021, the Company issued 25,826,771 ordinary shares of HK\$0.10 each for the acquisition of further 40% equity interest in a subsidiary, GBR (HK).
- (iii) On 26 July 2021, the Company implemented capital reorganisation (the "Capital Reorganisation"), which involved the following:
 - (a) every five issued and unissued existing shares of HK\$0.10 each were consolidated into one share of HK\$0.50 each (the "Share Consolidation");
 - (b) following the Share Consolidation, the par value of the issued share capital of the Company was reduced from HK\$0.50 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.49 on each of the issued shares (the "Capital Reduction"); and
 - (c) immediately following the Capital Reduction, each of the authorised but unissued shares of HK\$0.50 each are sub-divided into 50 new shares of HK\$0.01 each. The new shares in issue immediately following the Capital Reorganisation becoming effective will rank pari passu with each other in all respects.

As a result of the Capital Reduction, a credit of approximately HK\$93,718,000 deducted from the share capital arose, and was transferred to the contributed surplus account of the Company, together with the amount arising from the reduction of share premium account and any credit which arose as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, was applied in full by the Board to set off the accumulated losses of the Company.

Details of the Capital Reorganisation were contained in the Company's announcements dated 8 April 2021 and 7 July 2021 and the Company's circulars dated 21 June 2021 and 26 July 2021.

- (iv) On 23 August 2021, the Company issued and allotted 573,787,662 ordinary shares of HK\$0.01 each under the rights issue on the basis of three rights shares for every one share of the Company held on 30 July 2021 at the subscription price of HK\$0.35 per rights share, details of which were disclosed in the Company's prospectus dated 2 August 2021 and announcement dated 27 August 2021.
- (v) On 14 March 2022, the Company issued and allotted 8,608,923 new shares (the "Consideration Shares") of HK\$0.381 per Consideration Share in fulfillment of the Issuer's payment obligation pursuant to the share purchase agreement for the acquisition of further 40% equity interest in a subsidiary, GBR (HK).
- (vi) The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the amount due to a shareholder disclosed in note 25, equity attributable to equity holders of the Company comprising share capital and reserves.

The Board of the Company reviews the capital structure periodically. As part of the review, the Board assesses the annual budget prepared by the finance department taking into account the provision of funding.

The Group is not subject to any externally imposed capital requirements.

31 SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) which became effective on 28 September 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company’s shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the Company’s 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 the Company’s share.

No share options were granted nor exercised during each of the two years ended 31 March 2022 and 31 March 2021. No share options were outstanding as at 31 March 2022 and 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. BANKING FACILITIES

At 31 March 2022, the Group's banking facilities amounted to approximately HK\$75,000,000 (2021: approximately HK\$65,000,000) were secured by the following:

- (a) first legal charge over the Group's investment properties and a land and building in Hong Kong with an aggregate carrying value of approximately HK\$103,293,000 (2021: approximately HK\$116,700,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries; and
- (c) personal guarantee from the ultimate controlling party Mr. Zhang Jinbing, who is also the Executive Director of the Company.

The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised at 31 March 2022 amounted to approximately HK\$8,393,000 (2021: approximately HK\$9,698,000).

33. ACQUISITION OF NON-CONTROLLING INTERESTS

On 5 March 2021, the Group acquired a further 40% of equity interests in a subsidiary, GBR (HK) which is engaged in provision of marketing and promotional services, increasing its equity interests from 60% to 100%. The consideration is satisfied by allotment and issue of 25,826,771 shares of the Company (note 29), and additional shares of the Company on a contingency basis (note 27). The difference of approximately HK\$8,858,000 (including HK\$3,280,000 arising from issue of shares under contingent consideration during the year ended 31 March 2022) between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interests have been debited to other reserve.

The transactions have been accounted for as equity transactions with the non-controlling interests as follows:

	HK\$'000
Consideration paid for 40% equity interest	9,840
Contingent consideration payable (note 27)	164
Less: net assets attributable to 40% ownership interest	(4,426)
Decrease in equity attributable to owners of the Company (included in other reserve)	5,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2022 HK\$'000	2021 HK\$'000
Financial assets		
— At amortised cost	203,145	164,751
Financial liabilities		
— At amortised cost	88,994	232,927
— At fair value through profit or loss	—	547

(B) FINANCIAL RISK MANAGEMENT

The Group's activities expose to a variety of financial risks including foreign exchange risk, liquidity risk, cash flow and fair value interest rate risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) FOREIGN EXCHANGE RISK

Foreign exchange risk arises from transactions, recognised assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate, primarily with respect to the US\$, RMB and HK\$. Any changes in the exchange rates of HK\$ to US\$ and RMB will impact the Group's operating results.

As HK\$ is pegged to US\$, foreign exchange exposure on US\$ denominated transactions, assets or liabilities is considered as minimal. The volume of RMB denominated transactions and recognised assets and liabilities is not significant, therefore, the foreign exchange risk is still considered as minimal. The Group currently does not undertake any foreign currency hedging.

(b) 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 to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) LIQUIDITY RISK (CONTINUED)

The Group relies on bank borrowings, bills payables and loans from a shareholder as significant sources of liquidity. As at 31 March 2022, the Group has available unutilised banking facilities of approximately HK\$66,607,000 (2021: HK\$55,302,000). Details of which are set out in note 32. The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2022					
	Contractual undiscounted cash outflow					Carrying amount at 31 March HK\$'000
	Within 1	More than	More than			
	year or on	1 year but	2 years but	More than	Total	
demand	less than	less than	5 years	HK\$'000		
	HK\$'000	2 years	5 years	HK\$'000	HK\$'000	HK\$'000
Trade and bills payables	76,354	—	—	—	76,354	76,354
Other payables and accrued charges	7,227	—	—	—	7,227	7,227
Lease liabilities	417	—	—	—	417	413
Bank borrowings	5,007	—	—	—	5,007	5,000
	89,005	—	—	—	89,005	88,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) LIQUIDITY RISK (CONTINUED)

	2021					Carrying amount at 31 March HK\$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000	
Trade and bills payables	70,083	—	—	—	70,083	70,083
Other payables and accrued charges	3,851	—	—	—	3,851	3,851
Amount due to a shareholder	156,627	—	—	—	156,627	156,627
Lease liabilities	2,040	417	—	—	2,457	2,366
Contingent consideration payable	—	547	—	—	547	547
	232,601	964	—	—	233,565	233,474

The directors have given careful consideration on the measures currently undertaken by the Group in respect of the Group's liquidity position. As detailed in note 3, the directors believe that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

(c) INTEREST RATE RISK

The Group do not expose any fair value interest rate risk in relation to its borrowings for the years ended 31 March 2021.

The Group is exposed to cash flow interest rate risk in relation to its variable rate bank borrowings and bank balances. The Group considered that the effect of the cash flow interest rate is minimal and no sensitivity analysis to interest rate risk is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT

The Group is exposed to concentrations of credit risk. At 31 March 2022, the Group had a concentration of credit risk as 37% (2021: 39%) of the Group's trade receivables were due from one (2021: one) major customer. Furthermore, 88% (2021: 95%) of the Group's other receivables were due from four debtors (2021: four debtors).

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2022 and 2021 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

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. The Group regularly reviews the credit terms and credit limits granted to individual customers. There are policies in place to ensure that sales are made to customers with satisfactory credit record.

The Group performs impairment assessment under ECL model on trade balances individually or collectively. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group does not hold any collaterals over these balances.

For other receivables and deposits, the management of the Group make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Group believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Impairment loss of approximately HK\$421,000 was recognised (2021: HK\$4,000 was reversed) during the year ended 31 March 2022.

The credit risk of the bank balances is limited because the majority of the counterparties are international banks and state-owned banks with good reputation. Majority of the bank balances are placed in banks with credit ratings of AA and A. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

The Group engaged an independent external valuer to assist in estimation of ECL of trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	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	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost, which are subject to ECL assessment:

	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
			2022 HK\$'000	2021 HK\$'000
Financial assets at amortised cost				
Trade receivables	Note 1	Lifetime ECL – not credit-impaired	154,619	158,052
	Loss	Lifetime ECL – credit-impaired	–	317
			154,619	158,369
Other receivables and deposits (Note 2)	Low risk Doubtful	12m ECL Lifetime ECL – not credit-impaired	1,930	2,312
			972	–
			2,902	2,312
Bank balances	N/A	12m ECL	66,145	7,609

Notes:

- (1) As at 31 March 2022, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. As part of the Group's credit risk management, the Group used an internal credit rating by assigning an individual loss rate to each of its debtors. The Group applied internal credit risk grading assessment comprises the following categories:

Qualification classification definition:

“Strong”: The counterparty has low probability of default considering relative size, country, business relationship and repayment history. Debtors frequently settles before due date.

“Good”: The counterparty has low default risk considering relative size, country, business relationship and repayment history. Debtors frequently settles after due date but usually settles in full.

“Satisfactory”: The counterparty has moderate default risk considering relative size, country, business relationship and repayment history. Debtors frequently settles after past due 90 days or more.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

GROSS CARRYING AMOUNT

As at 31 March 2022, the following table provides information about the exposure to credit risk for trade receivables which are assessed individually within lifetime ECL (not credit-impaired) for garment business, marketing services and property investment. No debtors with credit-impaired amounts as at 31 March 2022 were assessed individually.

	Garment business 2022	
	Average loss rate	Trade receivables HK\$'000
Internal credit rating		
Strong	0.32%	62,602
Good	0.82%	21,086
Satisfactory	26.63%	39,894
		<u>123,582</u>

	Marketing services 2022	
	Average loss rate	Trade receivables HK\$'000
Internal credit rating		
Strong	0.07%	2,836
Good	0.30%	2,318
Satisfactory	36.78%	23,009
		<u>28,163</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

GROSS CARRYING AMOUNT (CONTINUED)

	Property investment 2022	
	Average loss rate	Trade receivables HK\$'000
Internal credit rating		
Strong	0.50%	1,193
Good	1.53%	393
Satisfactory	45.57%	1,288
		<u>2,874</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management to ensure relevant information about specific debtors is updated.

As at 31 March 2021, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix grouped by customer portfolio and past due status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

As at 31 March 2021, as part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired) for garment business and marketing services. The ECL on trade receivables for the business segment of property investment are insignificant and thus no loss allowance was recognised. Debtors with credit-impaired with gross carrying amounts of HK\$317,000 as at 31 March 2021 were assessed individually.

	Garment business		
	2021		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	0.43%	59,689	256
0 to 30 days past due	1.43%	14,511	207
31 to 60 days past due	2.02%	27,022	545
61 to 90 days past due	3.42%	12,170	416
Over 91 days past due	4.01%	33,348	1,337
		146,740	2,761
	Marketing services		
	2021		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	0.91%	4,087	37
0 to 30 days past due	5.74%	3,154	181
31 to 60 days past due	6.90%	1,392	96
61 to 90 days past due	7.98%	1,391	111
		10,024	425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2022, the Group recognised approximately HK\$16,734,000 loss allowance for trade receivable (2021: approximately HK\$2,890,000).

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022 Lifetime ECL Total HK\$'000	2021 Lifetime ECL Total HK\$'000
Balance at 1 April	3,503	613
Changes due to financial instruments recognised as at 1 April:		
– Impairment losses recognised during the year	12,441	2,890
– Write-offs	(317)	–
New financial assets originated	4,293	–
Exchange adjustment	146	–
Balance at 31 March	20,066	3,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

Notes:

- (2) For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK\$'000	Not past due/ no fixed repayment terms HK\$'000	Total HK\$000
2022			
Other receivables and deposits	972	1,930	2,902
2021			
Other receivables and deposits	—	2,312	2,312

Movement in the loss allowance account in respect of other receivables and deposits during the year is as follows:

	2022 Total and 12m ECL HK\$'000	2021 Total and 12m ECL HK\$'000
Balance at 1 April	36	40
Changes due to financial instruments recognised as at 1 April:		
– Impairment losses recognised (reversed) during the year	421	(4)
Exchange adjustment	(2)	—
Balance at 31 March	455	36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial instruments at amortised cost are not materially different from their fair values.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to a related company HK\$'000	Amount due to a shareholder HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
Changes from financing cash flow:					
At 1 April 2020	72,800	147,673	—	4,208	224,681
Proceeds from bank borrowings	—	—	60,414	—	60,414
Repayment of bank borrowings	—	—	(60,414)	—	(60,414)
Repayment of loan from a related Company	(72,800)	—	—	—	(72,800)
Proceeds from loans from a shareholder	—	18,995	—	—	18,995
Repayment of lease liabilities	—	—	—	(1,842)	(1,842)
Interest paid	(1,632)	—	(1,008)	(198)	(2,838)
Total changes from financing cash flows	(74,432)	18,995	(1,008)	(2,040)	(58,485)
Other changes					
Disposal of subsidiaries	—	(10,041)	—	—	(10,041)
Interest expenses	1,632	—	1,008	198	2,838
Total other changes	1,632	(10,041)	1,008	198	(7,203)
At 31 March 2021	—	156,627	—	2,366	158,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(A) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Amount due to a shareholder HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
Changes from financing cash flow:				
At 1 April 2021	156,627	—	2,366	158,993
Proceeds from bank borrowings	—	5,000	—	5,000
Proceeds from loans from a shareholder	3,858	—	—	3,858
Repayment of loans from a shareholder	(160,485)	—	—	(160,485)
Repayment of lease liabilities	—	—	(1,953)	(1,953)
Interest paid	—	(211)	(87)	(298)
Total changes from financing cash flows	(156,627)	4,789	(2,040)	(153,878)
Other changes				
Interest expenses	—	211	87	298
Total other changes	—	211	87	298
At 31 March 2022	—	5,000	413	5,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

37. COMMITMENTS UNDER OPERATING LEASES

THE GROUP AS LESSOR

All of the properties held for rental purposes have committed lessees for the next three years. Certain of the Group's properties held for rental purposes.

Minimum lease payments receivable on leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	2,079	4,114
In the second year	867	2,039
In the third year	—	847
	2,946	7,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

38. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	39	58
Investments in subsidiaries	81,616	78,336
	81,655	78,394
Current assets		
Other receivables	352	203
Amounts due from subsidiaries	181,075	156,747
Bank balances and cash	18,999	1,347
	200,426	158,297
Total assets	282,081	236,691
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS		
Share capital	7,737	95,631
Reserves (<i>Note</i>)	272,876	(17,701)
Total equity	280,613	77,930
LIABILITIES		
Current liabilities		
Other payables	1,468	1,623
Amounts due to subsidiaries	—	1
Amount due to a shareholder	—	157,137
	1,468	158,761
Total liabilities	1,468	158,761
Total equity and liabilities	282,081	236,691
Net current assets (liabilities)	198,958	(464)
Total assets less current liabilities	280,613	77,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

38. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Note: The Company's reserves movement is as follows:

	Contributed				Total
	Share Premium	Surplus Reserve (Note a)	Capital Reserve (Note b)	Accumulated Losses (Note c)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2020 and 1 April 2020					
Total comprehensive income for the year	66,894	67,992	10,254	(260,241)	(115,101)
Issue of shares under share placement	—	—	—	34,337	34,337
Transaction costs attributable to issue of shares	56,604	—	—	—	56,604
Acquisition of non-controlling interests	(798)	—	—	—	(798)
	7,257	—	—	—	7,257
At 31 March 2021	129,957	67,992	10,254	(225,904)	(17,701)
Total comprehensive income for the year	—	—	—	1,168	1,168
Capital reorganisation	(129,957)	93,718	—	129,957	93,718
Issue of shares pursuant to the rights issue	195,088	—	—	—	195,088
Transaction costs for the rights issue	(2,591)	—	—	—	(2,591)
Issue of shares under contingent consideration	3,194	—	—	—	3,194
At 31 March 2022	195,691	161,710	10,254	(94,779)	272,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

38. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Notes: (continued)

a. Contributed surplus reserve

It represents the excess of the consolidated net assets value of Takson (B.V.I.) Limited upon its merger with the Company over the nominal value of the Company's shares issued in the exchange thereof. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to the equity holders, unless there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

It also represents as a result of the Capital Reduction, a credit of approximately HK\$93,718,000 deducted from the share capital arose, and was transferred to the contributed surplus account of the Company, together with the amount arising from the reduction of share premium account and any credit which arose as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, was applied in full by the Board to set off the accumulated losses of the Company.

b. Capital reserve

It represents the differences between the loans nominal amount of approximately HK\$183,162,000 and the fair value of approximately HK\$172,908,000 of loans granted by a shareholder. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and present value of approximately HK\$10,254,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

c. Accumulated losses

At 31 March 2022, the Company had no reserves available for distribution to shareholders (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company	
				2022	2021
<i>Interest held directly</i>				2022	2021
Takson (B.V.I.) Limited	BVI	Investment holding	US\$1,000	100%	100%
<i>Interest held indirectly</i>					
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of garments in the PRC, property investment in the PRC	HK\$200,000	100%	100%
Gold Wealth Holdings Limited	Hong Kong	Property investment in Hong Kong	HK\$1	100%	100%
King Crest Limited	Hong Kong	Property investment in Hong Kong	HK\$1	100%	100%
GBR (HK)	Hong Kong	Investment holding and trading of garments	HK\$100	100%	100%
Gold Pine International Holdings Limited	Hong Kong	Trading of garments	HK\$1	100%	100%
Takson Sportswear Limited	BVI	Property investment in Hong Kong	US\$50,000 (Paid up US\$1)	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company	
Unite Smart Limited	Hong Kong	Sourcing, subcontracting and sales of garments	HK\$500,000	100%	100%
Guangzhou Tianze Shangwu Limited ("Guangzhou Tianze") ^{1, 2}	PRC	Provision of marketing services	US\$1,000,000	100%	100%

1: The company is registered as Taiwan, Hong Kong and Macau sole proprietorship owned enterprise established under the laws of the PRC with limited liability and indirectly acquired through acquisition of GBR (HK).

2: For identification purpose only.

40. RELATED PARTY AND CONNECTED TRANSACTIONS

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 11, is as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	3,383	1,976
Post-employment benefits	66	33
	3,449	2,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

40. RELATED PARTY AND CONNECTED TRANSACTIONS (CONTINUED)

(B) OUTSTANDING BALANCE WITH RELATED PARTIES

	2022 HK\$'000	2021 HK\$'000
a) Amount due to a shareholder	—	156,627
b) Outstanding balances with related companies in which the executive director of the Company is a director (Includes the PRC value-added tax and before net of loss allowance):		
– Trade payables from 廣州萬燕科技文化傳媒有限公司 (“廣州萬燕”)	(11,588)	(147)
– Prepayment from 廣州市睿意品牌策劃有限公司	14,839	—
– Trade payables from 廣州酷影文化傳媒有限公司 (“廣州酷影”)	(555)	—
– Other receivables from 廣州裕德投資合夥企業 (有限合夥)	37	—
– Other receivables from 廣州萬燕	914	—

(C) RELATED PARTY TRANSACTIONS

	note	2022 HK\$'000	2021 HK\$'000
Transactions with related companies in which the executive director of the Company is a director -cost of marketing services:			
– 廣州萬燕	(i)	14,179	5,967
– 廣州萬燕新媒體科技有限公司	(i)	—	2,162
– 廣州酷影	(i)	546	—

(i) Marketing service charged to/from 廣州萬燕, 廣州萬燕新媒體科技有限公司 and 廣州酷影 were conducted on mutually agreed terms and were charged at a negotiated value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

40. RELATED PARTY AND CONNECTED TRANSACTIONS (CONTINUED)

(D) CONNECTED TRANSACTIONS

During the year ended 31 March 2021, the Company disposed the subsidiary, Sunwise Illusion Limited, to Mr. Zhang Jinbing, the executive director of the Company (note 8(b)); and acquired a further 40% of equity interests in a subsidiary, GBR (HK), from Wenxi Investment Management Co., Ltd, which is solely owned by an executive director of the Company (note 33).

41. EVENTS AFTER THE REPORTING PERIOD

On 24 May 2022, the Company entered into a sale and purchase agreement with independent third party (the “**Vendor**”), pursuant to which the Vendor conditionally agreed to sell, and the Company conditionally agreed to acquire the entire issued share capital of a target company, a company incorporated in the British Virgin Islands, at a total consideration of HK\$50,000,000 which had been satisfied by the Company in cash. Completion of the transaction contemplated under the said sale and purchase agreement took place on 14 June 2022. Details of the transaction are set out in the Company’s announcement dated 24 May 2022.

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last five financial years are as follows:

	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Turnover	207,226	276,890	210,179	96,434	19,133
(Loss) profit attributable to Owners of the Company	(11,716)	7,614	9,376	(28,249)	13,339
Assets and Liabilities					
Total assets	409,045	364,318	310,528	239,786	200,723
Total liabilities	(108,779)	(248,056)	(277,560)	(210,578)	(146,720)
Net assets	300,266	116,262	32,968	29,208	54,003

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31 March 2022 and 31 March 2021 are as follows:

Location	Gross floor area (sq. ft.)	Type	Tenure
Workshop Units Nos. 11 and 12 On 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	13,665	Commercial	Medium Lease
Car Parking Spaces Nos. P19 and P20 On Basement Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
Car Parking Space No. L14 On Ground Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
中華人民共和國 上海市 延安西路726號 華敏翰尊國際大廈東樓 23層E室, F室, G室, H室, I室及L室	11,116	Commercial	Medium Lease