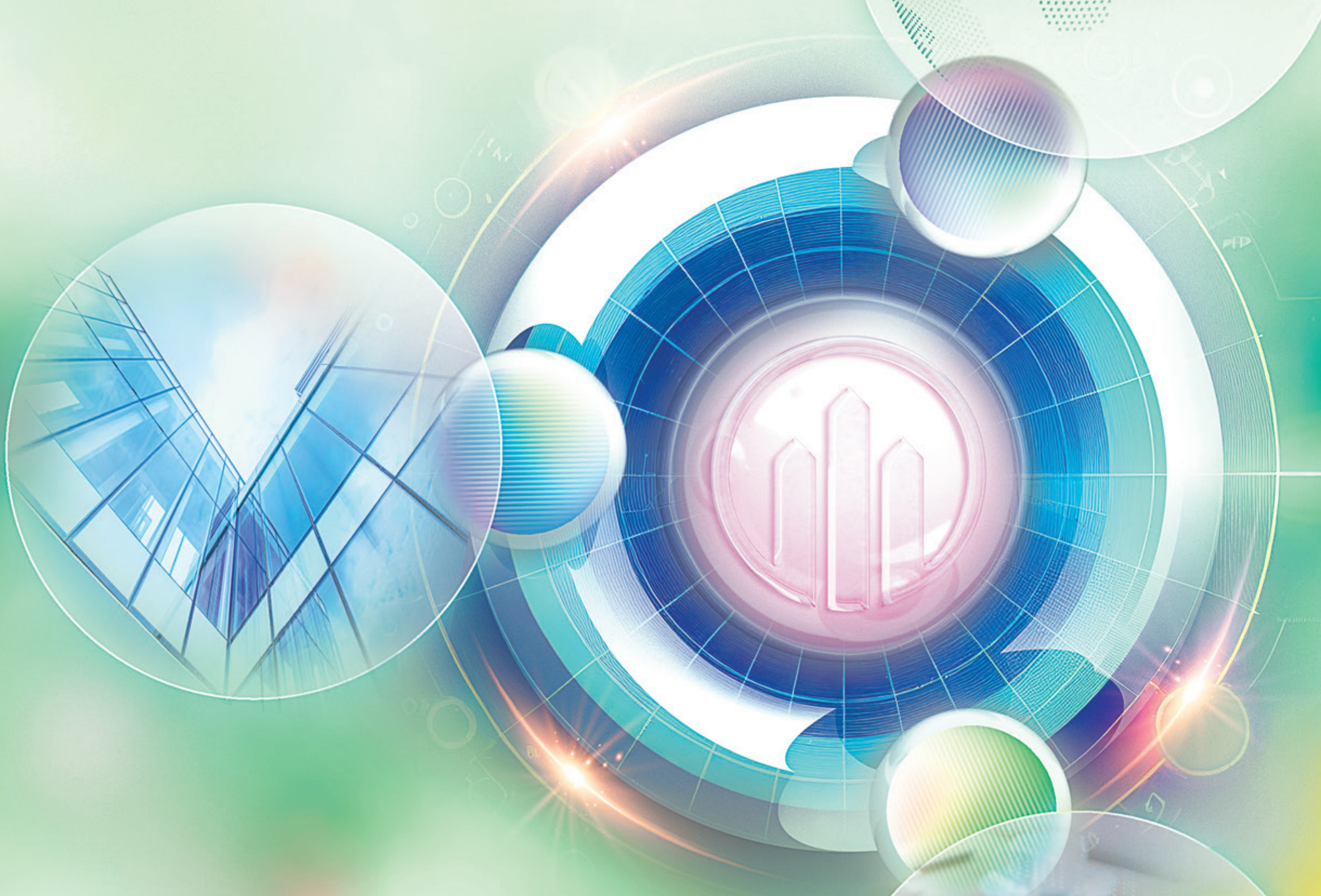
ANNUAL REPORT 2022/23



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

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:
Mr. Zhang Jinbing *(Chairman)*
Mr. Tian Wenxi (resigned on 17 October 2022)
Mr. Wu Tingjun

Independent Non-executive Directors:
Mr. Chen Conghu
Ms. Choi Ka Ying
Ms. He Xiaodong

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
Hang Seng Bank Limited

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

STOCK CODE

00918

Dear Shareholders,

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 am delighted to present the annual report of the Group for the year ended 31 March 2023 (the "**Year**").

The Group was continuing its principal business of the wholesale of consumer products including timepieces and accessories and garment and sportswear products (the "**Wholesale Business**"), property investment (the "**Property Investment Business**"), and the provision of marketing services (the "**Marketing Services**").

The Group recorded a revenue of approximately HK$213.7 million, representing an increase of 3.1% as compared to that of approximately HK$207.2 million for the year ended 31 March 2022 (the "**Previous Year**"). The increase in revenue was mainly attributable from new wholesale revenue from new product line of timepieces and accessories products since the acquisition of new subsidiaries in June 2022 and net off with a decrease in revenue in sale of garment and sportwear products. The overall gross profit decreased by approximately HK$7.9 million from gross profit of approximately HK$35.1 million for the Previous Year to the gross profit of approximately HK$27.2 million for the Year.

The Group recorded the loss attributable to the owners of the Company of approximately HK$24.7 million for the Year, representing an increase of approximately HK$13.0 million as compared with the loss attributable to the owners of the Company of approximately HK$11.7 million for the Previous Year.

Over the Year, the Group has faced numerous challenges, including the recurring COVID-19 epidermic and increasing downturn pressure in macro economy. Business activities were put to a halt or significant slowed down globally. The Wholesale 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, even more the relaxation on lockdowns policies by the countries around the world, the extent of recovery of the economy and retail market is still uncertain. Therefore, the Group will take a prudent approach to the Wholesale Business and 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 Investment 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.

During the Year, the Group commenced the wholesale of timepieces and accessories through newly acquired subsidiaries since the completion of the acquisition in June 2022, the Group believed that this new product line serves a lateral expansion of the Group's business in sale, trading, distribution and processing of branded consumer products, creates a platform for business co-operation of the Group with international reputable brands of consumer products and help broaden the source of income of the Company.

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, 26 June 2023

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Jinbing ("Mr. Zhang")

Mr. Zhang, aged 51, 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. Wu Tingjun ("Mr. Wu")

Mr. Wu, aged 53, 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.

* for identification purpose only

DIRECTORS (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")

Mr. Chen Conghu ("Mr. Chen")

Mr. Chen, aged 52, 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 Colleage), the PRC. Mr. Chen has been a qualified lawyer in the PRC since 2005. Mr. Chen set up 廣東悦盈律師事務所 (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*).

Ms. Choi Ka Ying ("Ms. Choi")

Ms. Choi, aged 38, 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 was an Independent Non-Executive Director, Chairman of Audit Committee, Member of Nomination and Remuneration committee of Alco Holdings Limited, from June to September 2022, 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 17 years of experience in accounting, auditing and financial management.

Ms. He Xiaodong ("Ms. He")

Ms. He, aged 39, 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

BUSINESS OVERVIEW

During the year ended 31 March 2023 (the "**Year**", "**Reporting Period**"), the Group is principally engaged in the wholesale of consumer products including timepieces and accessories ("**Watch products**") and garment and sportswear products (the "**Wholesale Business**"), property investment (the "**Property Investment Business**"), and the provision of marketing services (the "**Marketing Services**").

WHOLESALE BUSINESS

Watch products

On 24 May 2022, the Company entered into a sale and purchase agreement to acquire the entire issued shares of Sinoforce Group Limited ("**Sinoforce**") at a total consideration of HK$50,000,000 (the "**Acquisition**"). The Acquisition was completed on 14 June 2022, the date on which the control of Sinoforce was passed to the Company. Sinoforce and its subsidiaries ("**Sinoforce Group**") are engaging in the wholesale of timepieces and accessories, being the exclusive distributor of the timepieces and accessories bearing the trademarks of GIRARD-PERREGAUX and JEANRICHARD, in Hong Kong, Taiwan and the PRC. The Group believed that this new product line serves a lateral expansion of the Group's business in sale, trading, distribution and processing of branded consumer products, creates a platform for business co-operation of the Group with international reputable brands of consumer products and help broaden the source of income of the Company.

Garment and sportswear products

The Group carries on the business of wholesale and trading of garment and sportswear products in the PRC which are then exported to overseas market and to Africa. During the Year, both the PRC and Africa markets had shown a decrease in revenue due to the unstable COVID-19 epidermic situation.

PROPERTY INVESTMENT BUSINESS

As at 31 March 2023, 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 2023, 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$100.5 million based on the independent valuation of the Investment Properties as at 31 March 2023 (2022: approximately HK$105.0 million).

MARKETING SERVICES

During the Year, the Group offerred marketing and promotional services at online and offline platforms for external customers and related companies and engaged in organising events such as annual meetings, product launch or marketing conferences, roadshows and exhibitions for external customers in the PRC. During the Year, the Marketing Services had seen a decrease due to the COVID-19 epidermic situation in the PRC. Subsequent to the Year, the Group discontinued this unperforming business by disposing entire interest in GBR (HK) Limited, which was an indirect wholly-owned subsidiary of the Company and was engaged the Marketing Services as at 31 March 2023, to an independent third party in May 2023 (the "**Disposal**"). The Directors believe that the Disposal is in the best interest of the Company for better allocation of the Group's resources.

FINANCIAL REVIEW

REVENUE

The Group recorded a revenue of approximately HK$213.7 million, representing an increase of 3.1% as compared to that of approximately HK$207.2 million for the year ended 31 March 2022 (the "**Previous Year**").

Revenue derived from the Wholesale Business increased by approximately 24.7% from approximately HK162.5 million for the Previous Year to approximately HK$202.7 million for the Year. The increase was due to the new revenue of approximately HK$115.1 million from the wholesale of timepieces and accessories products since the Acquisition and netting off with a decrease in revenue in sale of garment and sportwear products by approximately 46.1% from approximately HK$162.5 million for the Previous Year to approximately HK$87.6 million for the Year.

Revenue derived from Property Investment Business was steady with approximately HK$3.8 million for the Year (Previous Year: HK$4.0 million).

Revenue derived from Marketing Services was in the sum of approximately HK$7.1 million for the Year, representing a decreased of 82.6% as compared to HK$40.7 million for the Previous Year.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK$27.2 million, representing a decrease of approximately 22.5% as compared to approximately HK$35.1 million for the Previous Year. The gross profit margin for the Year was approximately 12.7%, as compared to the gross profit margin of 17.0% for the Previous Year. The decrease was mainly attributable from decrease in revenue in Marketing Services.

The Group recorded a gross profit and gross profit margin of approximately HK$34.0 million and 16.8% respectively in the Wholesale Business for the Year, representing an increase of approximately 12.1% as compared to approximately HK$21.1 million for the Previous Year. The increase was in line with the increase in revenue.

The Group recorded a gross profit of approximately HK$3.8 million in respect of the property investment business for the Year, representing steady performance as compared to approximately HK$4.0 million for the Previous Year.

The Group recorded a gross loss of approximately HK$10.5 million of the Marketing Services for the Year, representing a decrease of approximately 205.0% as compared to a gross profit of approximately HK$10.0 million for the Previous Year.

SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses increased by approximately 119.6% from approximately HK$4.6 million for the Previous Year to approximately HK$10.1 million for the Year. The increase was mainly attributable to the new subsidiaries acquired upon the Acquisition as discussed above during the Year.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 52.9% from approximately HK$12.1 million for the Previous Year to approximately HK$18.5 million for the Year. The increase was mainly attributable from new subsidiaries acquired upon the Acquisition as discussed above during the Year.

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

Impairment losses under ECL model, net of reversal represented the net impairment losses on trade and other receivables, which decreased by 25.6% from approximately HK$17.2 million for the Previous Year to approximately HK$12.8 million for the Year. In assessing the ECL of the Group’s trade and other receivables, a credit rating analysis of the underlying debtors was adopted by reviewing the historical default rates, past-due status and ageing information of the grouped debtors and the forward-looking information of the Group’s receivables at the end of the Year.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net loss on fair value change of investment properties of approximately HK$1.6 million (Previous Year: net loss of approximately HK$13.4 million) represented fair value adjustment of the Group’s properties located in Hong Kong and the PRC as at 31 March 2023.

These properties were revalued based on their open market value as at 31 March 2023 by Vincorn Group Holdings Limited, an independent qualified professional valuer.

FINANCE COSTS

Finance costs increased by approximately 366.7% from approximately HK$0.3 million for the Previous Year to approximately HK$1.4 million for the Year. This was mainly due to increase in interest on bank borrowings for general working capital.

PROSPECTS

During the Year, the Group has faced numerous challenges, including the recurring COVID-19 epidermic and increasing downturn pressure in macro economy. Business activities were put to a halt or significant slowed down globally. The Wholesale 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, even more the relaxation on lockdowns policies by the countries around the world, the extent of recovery of the economy and retail market is still uncertain. Therefore, the Group will take a prudent approach to the Wholesale Business and the Group will regularly review the product range in order to maintain existing profit margin and to retain the current customer base. During the Year, the Group expanded the Wholesale Business by commencing the wholesale of timepieces and accessories products through the Acquisition, the Group believed that the Acquisition serves a lateral expansion of the Group's business in sale, trading, distribution and processing of branded consumer products, creates a platform for business co-operation of the Group with international reputable brands of consumer products and help broaden the source of income of the Company.

As regards the Group's Property Investment 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.

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, 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$15.5 million as of 31 March 2023 (31 March 2022: approximately HK$66.1 million).

BANK BORROWINGS

As of 31 March 2023, bank borrowings of the Group amounted to approximately HK$41.0 million (31 March 2022: approximately HK$5.0 million). All bank borrowings are repayable within one year or on demand.

LEVERAGE

The ratio of current assets to current liabilities of the Group was approximately 1.6 as at 31 March 2023 compared to approximately 2.5 as at 31 March 2022. The decrease in current ratio was mainly due to the increase in bank borrowings. The Group's gearing ratio as at 31 March 2023 was approximately 14.8% (31 March 2022: approximately 1.7%), which is calculated based on the Group's bank borrowings of approximately HK$41.0 million (31 March 2022: approximately HK$5.0 million) and the Group's total equity approximately HK$276.2 million (31 March 2022: approximately HK$300.3 million). The increase in gearing ratio was due to the increase in bank borrowings.

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

The Group's principal financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade and other payables, bank borrowings and lease liabilities. The Group also has various financial assets and financial liabilities arising from our business operations. The Group's financial instruments are mainly subject to foreign currency risk, credit risk and liquidity risk. The Group aims 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 ("**HK$**"), Renminbi ("**RMB**") and United States dollars ("**US$**"). 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 the Group mitigates the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2023 and 2022, 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 Wholesale Business, the Property Investment Business, and the Marketing Service Business. As at 31 March 2023, trade receivables and trade payables of the Group were approximately HK$170.3 million and approximately HK$121.9 million (31 March 2022: approximately HK$134.6 million and approximately HK$76.4 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 2023, bank borrowings of approximately HK$35.0 million and HK$6.0 million (31 March 2022: approximately HK$5.0 million and HK$Nil) were denominated in HK$ and US$ respectively. The Group's bank borrowings are subject to floating interest rates.

Cash and cash equivalents held by the Group were mainly denominated in HK$, US$ and RMB. 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 2023, the investment properties and leasehold land and building in Hong Kong held by the Group with an aggregate carrying value of approximately HK$101.9 million (31 March 2022: approximately HK$103.3 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.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the Year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 24 May 2022, the Company entered into a sale and purchase agreement to acquire the entire issued shares of Sinoforce at a total consideration of HK$50,000,000. The Acquisition was completed on 14 June 2022, the date on which the control of Sinoforce was passed to the Company. Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries or associated companies during the Year.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the Year 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 2023.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2023, the utilised facilities amounted to approximately HK$40.1 million (31 March 2022: approximately HK$8.4 million).

Except for the foregoing, as at 31 March 2023, the Group had no other significant contingent liabilities or pending litigation.

EVENTS AFTER THE REPORTING PERIOD

As at 31 March 2023, details of the subsequent events of the Group are set out in note 40 to the consolidated financial statements attached to this annual report.

STAFF AND REMUNERATION POLICIES

As of 31 March 2023, the Group had a total of 34 employees (2022: 27 employees). Total staff costs (including directors' emoluments) for the Year amounted to approximately HK$8.0 million (Previous Year: approximately HK$6.7 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 2023, 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 2023 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.

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the wholesale of consumer products including timepieces and accessories and garment 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 14.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2023 attributable to the Group's major customers and suppliers are as follows:

	2023 %	2022 %
Sales		
— The largest customer	**18**	34
— Five largest customers combined	**55**	77
Purchases		
— The largest supplier	**28**	39
— Five largest suppliers combined	**84**	83

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 14.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 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 2023 (2022: 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 Friday, 11 August 2023 (the **"AGM"**), the Register of Members of the Company (the **"Register of Members"**) will be closed from Tuesday, 8 August 2023 to Friday, 11 August 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 August 2023.

RESERVES

Movements in the reserves of the Group and those of the Company during the year ended 31 March 2023 are set out in page 52 and note 37 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 2023 is shown on page 52.

DONATIONS

The Group did not make any donations during the year ended 31 March 2023 (2022: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of the investment properties held by the Group are set out in note 15 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 2023 (2022: 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 2023 is set out on page 151.

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 2023.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2023 are set out in note 38 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 2023 were repayable over the following periods:

	Bank borrowings HK$'000
Within one year or on demand	40,966

DIRECTORS

The Directors during the year ended 31 March 2023 and up to the date of this report are as follows:

Executive Directors

Mr. Zhang Jinbing *(Chairman)* ("Mr. Zhang")
Mr. Tian Wenxi (resigned on 17 October 2022)
Mr. Wu Tingjun

Independent non-Executive Directors

Ms. Choi Ka Ying ("Ms. Choi")
Mr. Chen Conghu ("Mr. Chen")
Ms. He Xiaodong ("Ms. He")

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. Zhang 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. Mr. Wu has entered into a service agreement with the Company on 24 December 2019, pursuant to which 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 with effect from 15 December 2021, 15 December 2021 and 15 March 2021 respectively, pursuant to which each of the INEDs has been appointed for a term of three 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 10(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 2023.

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

As at 31 March 2023, 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 *(Note 1)*	527,238,938 *(Note 1)*	68.15%
Mr. Tian (resigned on 17 October 2022)	Interest in controlled corporation *(Note 2)*	13,774,277 *(Note 2)*	1.78%

Note:

1 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 527,238,938 Shares in the Company held by Always Profit pursuant to the SFO.

2 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. Mr. Tian was an execute Director of the Company until he has resigned as a director of the Company on 17 October 2022.

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 *(Note)*	1	100%

Note:

Always Profit is a company incorporated in British Virgin Islands with limited liability which owned 527,238,938 Shares of the Company (representing 68.15% 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 2023.

Save as disclosed above, as at 31 March 2023, 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 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executives of the Company, as at 31 March 2023, 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	527,238,938	68.15%

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 2023.

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 10(A) and note 10(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.

No Options under the above scheme were granted nor exercised during the year ended 31 March 2023 and no Options were outstanding as at 31 March 2023.

At no time during the year ended 31 March 2023 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 2023.

AUDITORS

KTC Partners CPA Limited (**"KTC"**) was appointed as auditor of the Company on 3 February 2021 following the resignation of Cheng and Cheng Limited. KTC resigned as auditor of the Company on 15 March 2022. CL Partners CPA Limited (**"CL Partners"**) was appointed as auditor of the Company on 15 March 2022. For details, please refer to the announcements of the Company dated 3 February 2021 and 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 have been audited by CL Partners who will retire at the conclusion of the 2023 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.

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 at the same time of this annual report.

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 2023, 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 2023.

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 39 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 2023.

AUDITOR

The consolidated financial statements for the year ended 31 March 2023 have been audited by CL Partners who will retire at the conclusion of the 2023 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, 26 June 2023

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 2023 (the "**Year**").

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 2023, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2023.

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 *(resigned on 17 October 2022)*
Mr. Wu Tingjun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Conghu
Ms. Choi Ka Ying
Ms. He Xiaodong

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 2023.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT (CONTINUED)

The individual training records of each existing Director for the year ended 31 March 2023 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 *(Chairman)*	√	√
Mr. Tian Wenxi *(resigned on 17 October 2022)*	√	√
Mr. Wu Tingjun	√	√
INEDs		
Mr. Chen Conghu	√	√
Ms. Choi Ka Ying	√	√
Ms. He Xiaodong	√	√

INEDS

Throughout the year ended 31 March 2023, 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 2023, five meetings have been held by the Board and the attendance of each of the Directors is as follows:

	Attendance/number of meetings held during the year ended 31 March 2023				
Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meetings
Executive Directors					
Mr. Zhang Jinbing *(Chairman)*	5/5	n/a	1/1	1/1	1/1
Mr. Tian Wenxi *(resigned on 17 October 2022)*	2/5	n/a	n/a	n/a	1/1
Mr. Wu Tingjun	5/5	n/a	n/a	n/a	1/1
INEDs					
Mr. Chen Conghu	5/5	2/2	n/a	1/1	1/1
Ms. Choi Ka Ying	5/5	2/2	1/1	n/a	1/1
Ms. He Xiaodong	5/5	2/2	n/a	n/a	1/1

AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs:

Ms. Choi Ka Ying *(Chairman)*
Mr. Chen Conghu
Ms. He Xiaodong

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 2023, 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 2023, the Audit Committee held two meetings. Matters considered at the meetings included review of the Group's interim results for the six months ended 30 September 2022 and the annual results for the year ended 31 March 2023, 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 *(Chairman)*
Ms. Choi Ka Ying
Ms. He Xiaodong

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 2023, one Remuneration Committee meeting was 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 10 to the consolidated financial statements.

Remuneration payable to senior managements who are not Directors for the year ended 31 March 2023 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
Ms. He Xiaodong

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 2023, one Nomination Committee meeting was 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 2023, the Nomination Committee held one meeting 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 2023.

AUDITOR'S REMUNERATION

The fees paid to the external auditor of the Company, for audit services for the year ended 31 March 2023 amounted to approximately HK$600,000.

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 2023, 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 2023, 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 47 to 48 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, 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 2023. 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. The Board has conducted an annnual review, which included consideration on the changes, since the last annual review, in the nature and extent of significant risks (including environmental, social and governance risks), and the Company's ability to respond to changes in its business and the external environment.

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 2023. 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 (17/F, Far East Finance Centre, 16 Harcourt Road, 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 requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within 2 months after the deposit of such requisition.

CL Partners

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 49 to 150, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 14 and 15 to the consolidated financial statements	
As at 31 March 2023, the fair value of land and buildings included in property, plant and equipment of the Group was approximately HK$31,880,000. Increase in fair value of land and buildings included in property, plant and equipment of approximately HK$941,000 was recognised in other comprehensive income for the year ended 31 March 2023. As at 31 March 2023, the fair value of investment properties of the Group was approximately HK$100,527,000. Decrease in fair value of investment properties of approximately HK$1,629,000 were recognised in profit or loss for the year ended 31 March 2023. 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 and lease receivables Refer to notes 20 and 33(B)(d) to the consolidated financial statements	
As at 31 March 2023, the Group had trade receivables and lease receivables of approximately HK$170,346,000 (net of loss allowance of HK$24,918,000). Management recognises a loss allowance for lifetime expected credit losses ("**ECL**") on the trade receivables and lease receivables individually or collectively. Except for significant balances or credit-impaired amounts which are assessed for impairment individually, the remaining trade receivables and lease 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 and lease 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. We identified the impairment assessment of trade receivables and lease 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 and lease 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 and lease receivables; • Testing the accuracy of information used by the management in determining loss allowance including trade receivables and lease receivables ageing analysis as at 31 March 2023 on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; • Inquiring management for the status of each of the material trade receivables and lease 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; and • Discussing with the management and evaluating the basis in determining loss allowance on trade receivables and lease receivables as at 31 March 2023 including the reasonableness of the management's basis of estimated loss rates applied (with reference to historical observed default rates and forward-looking information).

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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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
Fong Ho Keung
Practising Certificate Number: P08079
Hong Kong
26 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	**213,661**	207,226
Cost of sales		**(186,421)**	(172,081)
Gross profit		**27,240**	35,145
Other gains and losses	7	**(6,019)**	189
Other income	7	**924**	2,139
Selling and distribution expenses		**(10,087)**	(4,604)
Administrative expenses		**(18,466)**	(12,059)
Impairment losses under expected credit loss model, net of reversal		**(12,834)**	(17,155)
Fair value loss on investment properties		**(1,629)**	(13,420)
Fair value gain on contingent consideration payable		**–**	547
Finance costs	8	**(1,416)**	(298)
Loss before taxation	9	**(22,287)**	(9,516)
Taxation	11	**(2,365)**	(2,200)
Loss for the year attributable to owners of the Company		**(24,652)**	(11,716)
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		**(350)**	498
Item that will not be reclassified to profit or loss:			
Gain (loss) on revaluation of land and building held for own use		**941**	(3,013)
Total comprehensive expense for the year attributable to owners of the Company		**(24,061)**	(14,231)
Loss per share			
– basic (HK cents)	13	**(3.19)**	(2.13)
– diluted (HK cents)	13	**(3.19)**	(2.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**31,957**	32,291
Investment properties	*15*	**100,527**	104,979
Right-of-use assets	*16*	**86**	130
Goodwill	*17*	**696**	—
Other intangible assets	*18*	**6,203**	—
Other receivables	*20*	**5,192**	—
		144,661	137,400
Current assets			
Inventories	*19*	**108,641**	39,045
Trade and other receivables	*20*	**219,355**	166,455
Tax recoverables		**3,954**	—
Financial assets at fair value through profit or loss		**524**	—
Bank balances and cash	*21*	**15,495**	66,145
		347,969	271,645
Total assets		**492,630**	409,045
Current liabilities			
Trade and other payables	*22*	**154,697**	89,300
Contract liabilities	*23*	**10,297**	5,241
Bank borrowings	*25*	**40,966**	5,000
Lease liabilities	*24*	**94**	413
Tax payable		**8,202**	6,625
		214,256	106,579
Net current assets		**133,713**	165,066
Total assets less current liabilities		**278,374**	302,466

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Contingent consideration payable	*26*	**–**	–
Rental deposits received	*22*	**387**	175
Deferred tax liabilities	*28*	**1,782**	2,025
		2,169	2,200
Net assets		**276,205**	300,266
EQUITY			
Equity attributable to owners of the Company			
Share capital	*29*	**7,737**	7,737
Reserves		**268,468**	292,529
Total equity		**276,205**	300,266

The consolidated financial statements on pages 49 to 150 were approved and authorised for issue by the board of directors on 26 June 2023 and are signed on its behalf by:

Zhang Jinbing	**Wu Tingjun**
Chairman	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company										
	Share capital	Share premium Note (a)	Revaluation reserve Note (b)	Consolidation reserve Note (c)	PRC statutory reserve Note (d)	Translation reserve Note (e)	Capital reserve Note (f)	Contributed surplus reserve Note (g)	Other reserve Note (h)	Accumulated losses	Total
	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 2021	**95,631**	**129,957**	**11,373**	**2,214**	**821**	**263**	**10,254**	**–**	**(5,578)**	**(128,673)**	**116,262**
Loss for the year	–	–	–	–	–	–	–	–	–	(11,716)	(11,716)
Other comprehensive (expense) income for the year	–	–	(3,013)	–	–	498	–	–	–	–	(2,515)
Total comprehensive (expense) income for the year	–	–	(3,013)	–	–	498	–	–	–	(11,716)	(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
Issue of shares under contingent consideration (note 29)	86	3,194	–	–	–	–	–	–	(3,280)	–	–
Transaction costs for the rights issue	–	(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**
Loss for the year	–	–	–	–	–	–	–	–	–	(24,652)	(24,652)
Other comprehensive income (expense) for the year	–	–	941	–	–	(350)	–	–	–	–	591
Total comprehensive income (expense) for the year	–	–	941	–	–	(350)	–	–	–	(24,652)	(24,061)
At 31 March 2023	7,737	195,691	9,301	2,214	638	411	10,254	93,718	(8,858)	(34,901)	276,205

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

c) ***Consolidation reserve***

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

f) ***Capital reserve***

It represented 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 was treated as equity contribution from the shareholder and credited to the capital reserve account.

g) ***Contributed surplus reserve***

It represented 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 represented the difference between the fair value of consideration paid to increase the shareholding in a subsidiary GBR (HK) Limited ("**GBR (HK)**") and the proportionate share of the carrying amount of its net assets.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
Operating activities			
Loss before taxation		**(22,287)**	(9,516)
Adjustments for:			
Impairment losses under expected credit loss model, net of reversal		**12,834**	17,155
Amortisation of other intangible assets		**1,939**	—
Depreciation of property, plant and equipment		**1,351**	1,583
Depreciation of right-of-use assets		**494**	520
Loss on disposal of property, plant and equipment		**20**	—
Decrease in fair value of financial assets at fair value through profit or loss		**311**	—
Fair value loss on investment properties		**1,629**	13,420
Fair value gain on contingent consideration payable		**—**	(547)
Bank interest income		**(49)**	(1)
Interest income from a loan to a third party		**(353)**	(2,101)
Interest on bank borrowings		**1,405**	211
Interest on lease liabilities		**11**	87
Exchange loss		**—**	72
Operating cash flows before movements in working capital		**(2,695)**	20,883
Increase in inventories		**(10,740)**	(11,717)
Increase in trade and other receivables		**(41,694)**	(10,237)
(Decrease) increase in trade and other payables		**(13,053)**	14,770
(Decrease) increase in contract liabilities		**(5,014)**	416
Cash generated (used in) from operations		**(73,196)**	14,115
Hong Kong Profits Tax paid		**(3,249)**	(2,467)
PRC Enterprise Income Tax paid		**—**	(69)
Net cash flows (used in) from operating activities		**(76,445)**	11,579
Investing activities			
Net cash outflow on acquisition of a subsidiary	*27*	**(8,214)**	—
Additions of property, plant and equipment		**(24)**	—
Interest income received from loans to third parties		**353**	2,101
Bank interest received		**49**	1
Loan to a third party		**—**	(16,500)
Repayment from a loan to a third party		**—**	16,500
Net cash flows (used in) from investing activities		**(7,836)**	2,102

	2023 HK$'000	2022 HK$'000
Financing activities		
New bank borrowings raised	**40,966**	5,000
Repayment of bank borrowings	**(5,000)**	–
Interest paid	**(1,416)**	(298)
Repayment of lease liabilities	**(728)**	(1,953)
Proceeds from loans from a shareholder	**–**	3,858
Repayment of loans from a shareholder	**–**	(160,485)
Proceeds from issue of shares pursuant to rights issue	**–**	200,826
Transaction costs for rights issue	**–**	(2,591)
Net cash flow from financing activities	**33,822**	44,357
Net (decrease) increase in cash and cash equivalents	**(50,459)**	58,038
Cash and cash equivalents at the beginning of the year	**66,145**	7,609
Effects of exchange rate changes, net	**(191)**	498
Cash and cash equivalents at the end of the year, representing bank balances and cash	**15,495**	66,145

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 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 the wholesale of consumer products including timepieces and accessories and garment 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 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 Group's annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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

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

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

2. APPLICATION OF 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.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

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.

2. APPLICATION OF 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 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;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (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.

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* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (CONTINUED)

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (CONTINUED)

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

GOODWILL

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL (CONTINUED)

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

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

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.

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.

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 office premises. Land and buildings are carried at fair values, based on periodic valuations by an independent external valuer, less subsequent depreciation and impairment losses, if any. 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.

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase in credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to related profits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL (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.

CASH AND CASH EQUIVALENTS

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

(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.

(ii) FINANCIAL ASSETS AT FVTPL

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS 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, lease receivables and bank balances) 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 and lease 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS 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 reorganisation.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS 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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for trade receivables and lease 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 and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(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 and bank borrowings are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

DERECOGNITION/MODIFICATION OF FINANCIAL LIABILITIES (CONTINUED)

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.

CHANGES IN THE BASIS FOR DETERMINING THE CONTRACTUAL CASH FLOWS AS A RESULT OF INTEREST RATE BENCHMARK REFORM

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flow is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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 shops 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (CONTINUED)

RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

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

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.

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.

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 contacts 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

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

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

Deferred tax 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

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 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.

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.

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.

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.

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.

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.

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 14 and 15.

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. 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 2023, the carrying amount of the Group's land and building and investment properties are approximately HK$31,880,000 (2022: HK$32,204,000) and HK$100,527,000 (2022: HK$104,979,000) respectively.

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

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

IMPAIRMENT ASSESSMENT OF TRADE RECEIVABLES AND LEASE RECEIVABLES

The Group calculates ECL for the trade receivables and lease receivables individually or collectively. Except for significant balances or credit-impaired amounts which are assessed for impairment individually, the remaining trade receivables and lease receivables are grouped under a collective assessment after considering internal credit ratings of debtors, ageing, repayment history and/or past due status of respective trade receivables and lease 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 and lease receivables are disclosed in notes 20 and 33(B)(d).

ALLOWANCE OF INVENTORIES - FINISHED GOODS

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on the estimated selling prices less any estimation costs to be incurred to completion and disposal. In determining the allowance to be made on the finished goods, management considers the current market conditions, aging analysis, estimated selling prices and subsequent sales of similar products. Allowance of inventories can change significantly as a result of changes in these factors. The Group will reassess the estimation at the end of each year. As at 31 March 2023, the carrying amount of finished goods is HK$101,968,000 (2022: HK$32,372,000).

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the wholesale of consumer products including timepieces and accessories ("**Watch products**") and garment and sportswear products, property investment and provision of marketing services. Revenue mainly represents the consideration of goods sold, rental income received and receivable and marketing services provided. An analysis of revenue is as follows:

(i) Analysis of revenue

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 – at point in time basis		
Sales of Watch products	**115,109**	–
Export sales of garment and sportswear products	**48,469**	91,188
Local sales of garment and sportswear products	**39,141**	71,340
Marketing services income	**7,123**	40,674
	209,842	203,202
Revenue from other sources		
Rental income	**3,819**	4,024
	213,661	207,226

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) Performance obligations for contracts with customers

Revenue from sales of Watch products and export sales and local sales of garment 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 sale of Watch products, export and local sales of garment 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 sale of Watch products, export sales and local sales of garment and sportswear products and marketing services income that had an original expected duration of one year or less.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

i) Wholesale business – Watch: Wholesale of timepieces and accessories

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

ii) Wholesale business – Garment: Wholesale of garment to both local and overseas customers

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

iii) Property investment: Investing and letting of properties; and

iv) 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 on contingent consideration payable and professional expenses which are for corporate use purpose.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, goodwill, other intangible assets, inventories, bank balances and cash, financial assets at FVTPL, 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 and liabilities used for corporate functions.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

	2023				
	Wholesale business – Watch HK$'000	Wholesale business – Garment HK$'000	Property investment HK$'000	Marketing services HK$'000	Total HK$'000
Revenue	115,109	87,610	3,819	7,123	213,661
Segment operating profit (loss)	10,733	(9,978)	1,962	(16,430)	(13,713)
Unallocated corporate income					924
Unallocated corporate expenses					(8,082)
Operating loss					(20,871)
Finance costs					(1,416)
Loss before taxation					(22,287)
Taxation					(2,365)
Loss for the year					(24,652)
Segment assets	112,506	177,976	106,443	52,800	449,725
Unallocated assets					42,905
Total assets					492,630
Segment liabilities	62,003	87,353	732	51,945	202,033
Unallocated liabilities					4,408
Tax payable					8,202
Deferred tax liabilities					1,782
Total liabilities					216,425

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2023					
	Wholesale business – Watch HK$'000	Wholesale business – Garment HK$'000	Property investment HK$'000	Marketing services HK$'000	Corporate HK$'000	Total HK$'000
Amortisation of other intangible assets	1,939	–	–	–	–	1,939
Decrease in fair value of financial assets at FVTPL	311	–	–	–	–	311
Depreciation of property, plant and equipment	29	29	–	–	1,293	1,351
Depreciation of right-of-use assets	364	130	–	–	–	494
Fair value loss on investment properties	–	–	1,629	–	–	1,629
Loss on disposal of property, plant and equipment	–	20	–	–	–	20
Impairment losses under ECL model, net of reversal	678	8,915	151	3,090	–	12,834

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2022			
	Wholesale business – Garment HK$'000	Property investment HK$'000	Marketing services HK$'000	Total HK$'000
Revenue	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)
Taxation				(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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2022				
	Wholesale business – Garment HK$'000	Property investment HK$'000	Marketing services HK$'000	Corporate HK$'000	Total 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 ECL model, net of reversal	8,656	599	7,900	—	17,155

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	2023	
	Revenue HK$'000	Non-current assets HK$'000
Africa	48,469	–
Hong Kong	78,266	108,917
PRC	63,555	30,530
Taiwan	23,371	22
	213,661	139,469

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS (CONTINUED)

	2022	
	Revenue 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

Revenue is allocated based on the country in which the customers are located. Non-current assets 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:

	2023 HK$'000	2022 HK$'000
Customer A from the Wholesale business – Garment	**38,963**	71,041
Customer B from the Wholesale business – Watch	**30,641**	36,363
Customer C[1] from Wholesale business – Garment	**21,705**	N/A

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2022.

7. OTHER GAINS AND LOSSES/OTHER INCOME

	2023 HK$'000	2022 HK$'000
Other gains and losses		
Decrease in fair value of financial assets at FVTPL	**(311)**	–
Net exchange (loss) gain	**(5,708)**	189
	(6,019)	189
Other income		
Interest income from loans to third parties	**353**	2,101
Bank interest income	**49**	1
Government grants	**235**	–
Sundry income	**287**	37
	924	2,139

During the year ended 31 March 2023, the Group recognised government grants of approximately HK$217,000 (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.

8. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank borrowings	**1,405**	211
Interest on lease liabilities	**11**	87
	1,416	298

9. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	2023 HK$'000	2022 HK$'000
Cost of inventories sold	**162,798**	141,419
Auditor's remuneration	**600**	500
Amortisation of other intangible assets	**1,939**	—
Decrease of fair value of financial assets at FVTPL	**311**	—
Depreciation of property, plant and equipment	**1,351**	1,583
Depreciation of right-of-use assets	**494**	520
Legal and professional fees	**2,056**	1,339
Loss an disposal of property, plant and equipment	**20**	—
Staff costs, including directors' emoluments		
—Salaries, bonus and allowance	**7,449**	6,446
—Retirement benefits scheme contributions	**540**	248
Total staff costs	**7,989**	6,694

10. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each director of the Company for the year ended 31 March 2023 is set out below:

	Fee HK$'000	Salaries HK$'000	Other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:					
Zhang Jinbing	–	–	–	–	–
Tian Wenxi (note (vii))	–	196	–	–	196
Wu Tingjun	–	–	–	–	–
Independent non-executive directors:					
Chen Conghu (note (iv))	120	–	–	–	120
Choi Ka Ying (note (v))	120	–	–	–	120
He Xiaodong (note (vi))	120	–	–	–	120
Total	360	196	–	–	556

10. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

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

	Fee HK$'000	Salaries HK$'000	Other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:					
Zhang Jinbing	—	—	—	—	—
Tian Wenxi (note (vii))	—	360	—	—	360
Wu Tingjun	—	—	—	—	—
Independent non-executive directors:					
Yang Yanli (note (i))	115	—	—	—	115
Chow Hiu Tung (note (ii))	85	—	—	—	85
Zhao Hangen (note (iii))	85	—	—	—	85
Chen Conghu (note (iv))	35	—	—	—	35
Choi Ka Ying (note (v))	35	—	—	—	35
He Xiaodong (note (vi))	5	—	—	—	5
Total	360	360	—	—	720

Notes:

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

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

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

iv. 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.

v. 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.

10. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

vi. 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.

vii. Mr. Tian Wenxi resigned as an executive director of the Company on 17 October 2022.

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.

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2022: one) of the directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the four (2022: four) individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	**2,717**	2,663
Retirement benefits scheme contributions	**56**	66
	2,773	2,729

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
Nil to HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1

11. TAXATION

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

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong Profits Tax	**344**	772
PRC Enterprise Income tax (the "**EIT**")	**2,265**	2,024
	2,609	2,796
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(1)**	1,033
Deferred tax		
Current year (note 28)	**(243)**	(1,629)
	2,365	2,200

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.

11. TAXATION (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
Loss before taxation	**(22,287)**	(9,516)
Tax credit at the domestic income tax rate of 16.5% (2022: 16.5%)	**(3,677)**	(1,570)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(861)**	688
Tax effect of income not taxable for tax purpose	**(1,117)**	(747)
Tax effect of expenses not deductible for tax purpose	**3,115**	3,255
Tax effect of tax losses not recognised	**5,423**	457
Utilisation of tax losses previously not recognised	**(358)**	(633)
Tax effect of temporary differences not recognised	**(239)**	(118)
Tax reduction	**(165)**	(165)
(Over)underprovision in prior years	**(1)**	1,033
Others	**245**	—
Taxation for the year	**2,365**	2,200

12. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 March 2023 and 2022.

13. LOSS PER SHARE

BASIC LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$24,652,000 (2022: HK$11,716,000) and the weighted average number of ordinary shares in issue during the year of 773,659,000 shares (2022: 550,200,000 shares).

DILUTED LOSS 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 2023 and 2022. Accordingly, the diluted loss per share is same as basic loss per share for both years.

14. 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 2023					
Opening net book amount	32,204	34	3	50	32,291
Additions	–	–	–	24	24
Acquisition of a subsidiary (note 27)	–	–	25	53	78
Disposals	–	(5)	–	(15)	(20)
Depreciation	(1,265)	(29)	(2)	(55)	(1,351)
Gain upon revaluation	941	–	–	–	941
Exchange adjustment	–	–	(2)	(4)	(6)
Closing net book amount	31,880	–	24	53	31,957
At 31 March 2023					
Cost or valuation	31,880	409	24	483	32,796
Accumulated depreciation and impairment	–	(409)	–	(430)	(839)
Net book amount	31,880	–	24	53	31,957
Analysis of cost or valuation:					
At cost	–	–	24	53	77
At valuation	31,880	–	–	–	31,880
	31,880	–	24	53	31,957

14. 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 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	–	34	3	50	87
At valuation	32,204	–	–	–	32,204
	32,204	34	3	50	32,291

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's land and building were revalued on 31 March 2023 and 2022 by independent qualified professional valuers on the basis of market comparable approach. Valuations were carried out by Vincorn Group Holdings Limited (2022: Valplus Consulting Limited), independent firms of The Hong Kong Institute of Surveyors. If the buildings were stated under the cost model, the amounts would be as follows:

	2023 HK$'000	2022 HK$'000
Cost	**37,700**	37,700
Accumulated depreciation and impairment loss	**(4,666)**	(3,401)
	33,034	34,299

Please refer to note 15 for details of fair value measurement of the land and buildings.

15. 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 (2022: 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 33 to the consolidated financial statements.

15. INVESTMENT PROPERTIES (CONTINUED)

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**104,979**	118,471
Changes in fair value included in profit or loss	**(1,629)**	(13,420)
Exchange adjustment	**(2,823)**	(72)
At the end of the year	**100,527**	104,979

Notes:

(a) The fair value of the Group's investment properties as at 31 March 2023 and 2022 has been arrived at on the basis of a valuation carried out on the respective dates by Vincorn Group Holdings Limited (2022: Valplus Consulting Limited), independent qualified professional valuers 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 properties.

(b) Certain investment properties were pledged to secure banking facilities granted to the Group. Details are set out in note 32.

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.

15. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) Fair value hierarchy (continued)

	Fair value at 31 March 2023 HK$'000	Fair value measurements as at 31 March 2023 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — Hong Kong	**64,270**	**—**	**—**	**64,270**
— Commercial — PRC	**30,497**	**—**	**—**	**30,497**
— Car parking spaces — Hong Kong	**5,760**	**—**	**—**	**5,760**
	100,527	**—**	**—**	**100,527**
Property held for own use:				
— Land and building — Hong Kong (note 14)	**31,880**	**—**	**—**	**31,880**

	Fair value at 31 March 2022 HK$'000	Fair value measurements as at 31 March 2022 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — Hong Kong	65,289	—	—	65,289
— Commercial — PRC	33,890	—	—	33,890
— Car parking spaces — Hong Kong	5,800	—	—	5,800
	104,979	—	—	104,979
Property held for own use:				
— Land and building — Hong Kong (note 14)	32,204	—	—	32,204

15. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) *Fair value hierarchy (continued)*

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

There were no transfer into or out of Level 3 during the years ended 31 March 2023 and 2022.

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

Investment properties	2023 HK$'000	2022 HK$'000	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
— Industrial — Hong Kong	**64,270**	65,289	Income approach	Taking into account the term yield ranged of 2.8% (2022: ranged from 2.9% to 3.8%), reversionary yield of 3.25% (2022: 3.8%), monthly term rental rate ranged from HK$12.2 to HK$17.1 (2022: HK$14.4 to HK$19.9) per square feet ("sqf"), and reversionary market unit rate ranged from HK$6,078 to HK$6,217 (2022: HK$6,376 to HK$6,677) per sqf.	The higher the term yield, the lower the fair value; The higher the reversionary yield, the lower the fair value; The higher the monthly term rental rate, the higher the fair value; The higher the reversionary market unit rate, the higher the fair value.
— Car parking spaces — Hong Kong	**5,760**	5,800	Sales comparison approach	Taking into account the recent transaction prices of similar properties, which ranged from HK$1,550,000 to HK$2,660,000 (2022: HK$1,500,000 to HK$2,700,000) per unit.	The higher the price per car parking space, the higher the fair value.
— Commercial — PRC	**30,497**	33,890	Income approach	Taking into account the term yield ranged of 4.1% (2022: 5.8% to 8.0%), reversionary yield of 4.5% (2022: 5.28%), monthly term rental rate of RMB138.5 (2022: RMB121.7 to RMB166.0) per square meter ("sqm"), and reversionary market unit rate ranged from RMB23,084 to RMB25,035 (2022: RMB22,526 to RMB24,054) per sqf.	The higher the term yield, the lower the fair value; The higher the reversionary yield, the lower the fair value; The higher the monthly term rental rate, the higher the fair value; The higher the reversionary market unit rate, the higher the fair value.
	100,527	104,979			

Land and building	2023 HK$'000	2022 HK$'000	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
— Industrial — Hong Kong	**31,880**	32,204	Sales comparison approach	Taking into account the market unit rate of similar properties, which is HK$6,204 (2022: HK$6,267) per sqf.	An increase in market unit rate used would result in an increase in the fair value of the properties, and vice versa.

15. INVESTMENT PROPERTIES (CONTINUED)

ANALYSIS OF NET BOOK VALUE OF PROPERTIES

	2023 HK$'000	2022 HK$'000
In Hong Kong		
— medium-term leases	**101,910**	103,293
In the PRC		
— medium-term leases	**30,497**	33,890
	132,407	137,183

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Cost	
As at 1 April 2021 and 31 March 2022	5,444
Acquisition of a subsidiary (note 27)	453
As at 31 March 2023	5,897
Accumulated depreciation and impairment	
As at 1 April 2021	4,794
Depreciation charge	520
As at 31 March 2022 and 1 April 2022	5,314
Depreciation charge	494
Exchange adjustment	3
As at 31 March 2023	5,811
Carrying value	
At 31 March 2023	86
At 31 March 2022	130

16. RIGHT-OF-USE ASSETS (CONTINUED)

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	**452**	117
Total cash outflows for leases	**1,191**	2,157

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leased properties	Over the lease term of 3 years

The Group entered into a lease arrangement for the use of retail store in Hong Kong for two to three years. The Group is required to make fixed monthly payments during the contract period. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. GOODWILL

	Acquisition of Sinoforce Group Limited ("Sinoforce") HK$'000
Cost	
At 1 April 2021 and 31 March 2022	—
Arising on acquisition of a subsidiary (note 27)	696
At 31 March 2023	696
Impairment	
At 1 April 2021, 31 March 2022 and 31 March 2023	—
Carrying value	
At 31 March 2023	696
At 31 March 2022	—

18. OTHER INTANGIBLE ASSETS

	Distribution right HK$'000
Cost	
At 1 April 2021 and 31 March 2022	—
Acquired on acquisition of a subsidiary (note 27)	8,142
At 31 March 2023	8,142
Amortisation and impairment	
At 1 April 2021 and 31 March 2022	—
Charge for the year	1,939
At 31 March 2023	1,939
Carrying value	
At 31 March 2023	6,203
At 31 March 2022	—

The Group's other intangible assets represent the distribution right which were acquired on acquisition of Sinoforce during the year ended 31 March 2023. The distribution right has finite useful life and amortise on the straight-line basis over the period of the right granted until 31 December 2025 under the relevant distribution agreements.

19. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**6,673**	6,673
Finished goods	**101,968**	32,372
	108,641	39,045

20. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables		
– Contracts with customers	**190,536**	151,746
– Lease receivables	**4,728**	2,873
Less: Allowance for credit losses	**(24,918)**	(20,066)
Trade receivables, net	**170,346**	134,553
Deposits paid to suppliers (note i)	**36,845**	29,066
Other receivables, net (note ii)	**14,616**	1,431
Prepayments	**365**	389
Rental, utility and sundry deposits	**2,375**	1,016
	54,201	31,902
Total trade and other receivables	**224,547**	166,455
Less: current portion	**219,355**	166,455
Non-current portion	**5,192**	–

Notes:

(i) As at 31 March 2023, included in deposits paid to suppliers of approximately HK$36,845,000 (2022: HK$28,372,000) is deposits paid to suppliers for marketing services.

(ii) As at 31 March 2023, other receivables comprised of a loan to a third party amounting to approximately HK$5,192,000, net of loss allowance with repayment date after one year and interest bearing at 6% per annum, and a loan to a third party amounting to approximately HK$4,910,000, net of loss allowance with repayment date within one year, interest bearing at 1% per month with personal guarantee by shareholders of the borrower.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
0-30 days	**11,096**	24,355
31-60 days	**7,498**	7,973
61-180 days	**7,468**	39,948
181-365 days	**61,362**	29,473
Over 1 year	**82,922**	32,804
	170,346	134,553

The trade receivables and lease receivables were denominated in United States dollars ("**US$**"), HK$, Renminbi ("**RMB**") and Taiwan New dollars ("**TWD**").

The majority of the Group's customers for overseas sales are generally on open account from 120 to 150 days (2022: 120 days) from the date of invoice. The credit period granted to local customers is 30 to 90 days (2022: 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 33(B)(d).

21. BANK BALANCES AND CASH

Cash and cash equivalents are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
US$	**8,064**	6,163
RMB	**2,089**	1,419
HK$	**3,459**	58,269
Euro Dollars	**6**	294
TWD	**1,877**	—
	15,495	66,145

At 31 March 2023, bank balances carry interests at prevailing market rates at 0.001% (2022: 0.001%) per annum.

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 33(B)(d).

22. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**121,880**	72,961
Bills payables	**—**	3,393
Trade and bills payables	**121,880**	76,354
Deposits received	**732**	3,237
Accrued expenses	**5,898**	4,028
Other tax payables	**470**	1,273
Other payables	**26,104**	4,583
	33,204	13,121
Total trade and other payables	**155,084**	89,475
Less: Current portion	**154,697**	89,300
Non-current portion	**387**	175

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

	2023 HK$'000	2022 HK$'000
0 - 30 days	**4,742**	7,623
31 - 90 days	**6,925**	16,829
91 - 180 days	**5,570**	10,347
Over 180 days	**104,643**	41,555
	121,880	76,354

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 (2022: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2022: 30 days). For marketing services providers, the credit period was 0 day from the date of completion or date of invoice.

23. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Sales of Watch products	**8,007**	–
Sales of garment and sportswear products	**–**	2,311
Marketing services income	**2,290**	2,930
	10,297	5,241

As at 1 April 2021, contract liabilities amounted to HK$4,825,000.

The Group receives a designated amount of the contract value from customers in advance. The advances result in contract labilities 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

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**94**	413
Less: Amount due for settlement within 12 months shown under current liabilities	**(94)**	(413)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	–

The weighted average incremental borrowing rate applied to lease liabilities ranged from 5.0% to 5.88% (2022: 5.88%).

25. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Variable rate and secured borrowings, repayable within one year	**40,966**	5,000

At 31 March 2023, variable-rate bank borrowings denominated in HK$ amounting to HK$35,000,000 (2022: HK$5,000,000) and US$ amounting to HK$5,966,000 (2022: n/a) carry interests at Hong Kong Interbank Offered Rate ("**HIBOR**") + 2% (2022: HIBOR + 2%) per annum and HIBOR + 1.8% (2022: n/a) per annum, respectively.

The bank borrowings are secured and guaranteed by:

(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$101,910,000 (2022: approximately HK$103,293,000);

(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 Chairman and Executive Director of the Company.

26. CONTINGENT CONSIDERATION PAYABLE

	HK$'000
At fair value	
At 1 April 2021	547
Change in fair value	(547)
At 31 March 2022 and 31 March 2023	—

It represented 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), the Group was 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 was 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 was less than HK$9.84 million.

27. ACQUISITION OF A SUBSIDIARY

On 24 May 2022, the Company entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Sinoforce at a total consideration of HK$50,000,000. The acquisition was completed on 14 June 2022, the date on which the control of Sinoforce was passed to the Company. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Sinoforce Group as at the date of acquisition were:

	HK$'000
Assets	
Property, plant and equipment	78
Other intangible assets	8,142
Right-of-use assets	453
Financial assets at FVTPL	835
Inventories	59,777
Trade and other receivables	34,223
Tax recoverable	1,131
Bank balances and cash	41,786
	146,425
Liabilities	
Trade and other payables	(96,710)
Lease liabilities	(411)
	(97,121)
Total identifiable net assets at fair value	49,304
Goodwill arising on acquisition	696
Purchase consideration transferred	50,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	41,786
Cash paid	(50,000)
Net cash flows on acquisition	(8,214)

27. ACQUISITION OF A SUBSIDIARY (CONTINUED)

IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in the loss for the year HK$12,036,000 of profit attributable the additional business generated by Sinoforce and its subsidiaries. Revenue for the year include HK$115,109,000 generated from Sinoforce and its subsidiaries.

Had the acquisition of Sinoforce been completed on 1 April 2022, revenue for the year of the Group from continuing operations would have been HK$248,347,000, and loss for the year from continuing operations would have been HK$23,373,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2022, nor is it intended to be a projection of future results. In determining the "pro-forma" revenue and loss of the Group had Sinoforce been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

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 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
Credit to profit or loss	1	(244)	—	(243)
At 31 March 2023	**(184)**	**2,654**	**(688)**	**1,782**

28. DEFERRED TAX (ASSETS) LIABILITIES (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
Deferred tax liabilities	**1,782**	2,025

At the end of the reporting period, the Group has unused tax losses of approximately HK$227,166,000 (2022: approximately HK$196,471,000) available for offset against future profits. No deferred tax assets have been recognised for the tax losses of HK$218,100,000 (2022: approximately HK$193,619,000) 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.

As at 31 March 2022, deferred taxation had 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) (2023: nil) as the Group was able to control the timing of the reversal of the temporary differences and it was probable that the temporary differences would not reverse in the foreseeable future.

29. SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

	Number of shares	Ordinary shares HK$'000
Authorised:		
At 1 April 2021		
Ordinary shares of HK$0.1 each	3,000,000,000	300,000
Capital reorganisation (note (i))	27,000,000,000	—
At 31 March 2022 and 31 March 2023		
Ordinary shares of HK$0.01 each	30,000,000,000	300,000
Issued and fully paid:		
At 1 April 2021	956,312,771	95,631
Issue of shares		
– capital reorganisation (note (i))	(765,050,217)	(93,718)
– issue of shares pursuant to rights issue (note (ii))	573,787,662	5,738
– issue of shares under contingent consideration (note (iii))	8,608,923	86
At 31 March 2022 and 31 March 2023	773,659,139	7,737

29. SHARE CAPITAL (CONTINUED)

AUTHORISED AND ISSUED CAPITAL (CONTINUED)

Notes:

(i) 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.

(ii) 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.

(iii) 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).

(iv) 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.

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, 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 both years. No share options were outstanding as at 31 March 2023 and 31 March 2022.

32. BANKING FACILITIES

At 31 March 2023, the Group's banking facilities amounted to approximately HK$75,000,000 (2022: approximately HK$75,000,000) 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$101,910,000 (2022: approximately HK$103,293,000);

(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 Chairman and 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 2023 amounted to approximately HK$40,966,000 (2022: approximately HK$8,393,000).

33. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2023 HK$'000	2022 HK$'000
Financial assets		
— At amortised cost	**202,829**	203,145
— At fair value through profit or loss	**524**	—
Financial liabilities		
— At amortised cost	**188,949**	88,581

33. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT

The Group's activities expose to a variety of financial risks including foreign currency 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 CURRENCY RISK

Foreign currency 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$, RMB, HK$, TWD and Euro Dollars. Any changes in the exchange rates will impact the Group's operating results.

As HK$ is pegged to US$, foreign currency exposure on US$ denominated transactions, assets or liabilities is considered as minimal. The volume of RMB, TWD and Euro Dollars denominated transactions and recognised assets and liabilities is not significant, therefore, the foreign currency 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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) LIQUIDITY RISK (CONTINUED)

The Group relies on bank borrowings and bills payables as significant sources of liquidity. As at 31 March 2023, the Group has available unutilised banking facilities of approximately HK$34,034,000 (2022: HK$66,607,000). 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:

	2023					
	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$'000	Carrying amount at 31 March HK$'000
Trade payables	121,880	–	–	–	121,880	121,880
Other payables	26,103	–	–	–	26,103	26,103
Bank borrowings	42,842	–	–	–	42,842	40,966
Lease liabilities	95	–	–	–	95	94
	190,920	–	–	–	190,920	189,043

33. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) LIQUIDITY RISK (CONTINUED)

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

(c) INTEREST RATE RISK

The Group's primary cash flow interest rate risk relates to its secured bank borrowings with details set out in note 25. The Group is also exposed to fair value interest rate risk in relation to bank balances and lease liabilities. The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from secured bank borrowings.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) INTEREST RATE RISK (CONTINUED)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis points (2022: 100 basis points) increase or decrease is used when reporting interest risk internally to key management personnel and represents the management's assessment of the reasonably possible change in the interest rates. If interest rate had been 100 basis points (2022: 100 basis points) higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2023 would increase or decrease by HK$410,000 (2022: HK$50,000).

The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in the financial losses to the Group. The Group's credit risk exposures are primarily attributable to financial assets at amortised cost and lease receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and lease receivables.

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. In this regards, the management of the Group considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade receivables and lease receivables based on collective assessment or individually for significant balances.

33. 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 and lease 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
Watch list	Debtors frequently repay after due dates but usually settle in full. The counterparty has low default risk considering the business relationship and repayment history or other supportive information.	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

33. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

Trade receivables arising from contracts with customers and lease receivables

For trade receivables and lease 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 applies internal credit rating for its customers. At the end of the reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The following table provides information about the exposure to credit risk for trade receivables and lease receivables which are assessed based on collective assessment as at 31 March 2023 within lifetime ECL (not credit-impaired).

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables and lease receivables
As at 31 March 2023		
Low risk	5.8%	11,405
Watch list	13.2%	183,859
		195,264
As at 31 March 2022		
Low risk	0.1%	2,836
Watch list	13.2%	151,783
		154,619

The estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable, supportable and available without undue cost or effort. Management performs review regularly to ensure relevant information about specific debtors is updated.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and lease receivables under the simplified approach.

	2023 Lifetime ECL Total HK$'000	2022 Lifetime ECL Total HK$'000
Balance at 1 April	**20,066**	3,503
Changes due to financial instruments recognised as at 1 April:		
– Impairment losses recognised, net of reversal	**1,995**	12,441
– Write-offs	**(7,153)**	(317)
New financial assets originated	**10,866**	4,293
Exchange adjustment	**(856)**	146
Balance at 31 March	**24,918**	20,066

The Group writes off a trade receivable and lease receivable when there is information indicating that the debtor is in severe financial difficulties and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables and lease receivables are over three years past due, whichever occurs earlier.

The Group is exposed to concentration of credit risk. At 31 March 2023, the Group had a concentration of credit risk as 60% (2022: 37%) of the Group's trade receivables and lease receivables were due from three (2022: one) major customers. As at 31 March 2023, included in the Group's trade receivables and lease receivables are debtors with aggregate carrying amount of HK$150,518,000 (2022: HK$88,241,000) which are past due as at the reporting date. In view of their historical repayment pattern, long term relationships with the Group and taking into consideration of forward-looking information or other supportive information, the directors of the Company consider that the Group's credit risk is not material.

During the year ended 31 March 2023, the Group recognised approximately HK$12,861,000 (2022: HK$16,734,000) loss allowance for trade receivables and lease receivables.

33. 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 other financial assets at amortised cost, which are subject to ECL assessment:

	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
			2023 HK$'000	2022 HK$'000
Financial assets at amortised cost				
Other receivables and deposits	Low risk	Lifetime ECL – not credit-impaired	**8,948**	1,930
	Watch list	Lifetime ECL – not credit-impaired	**5,936**	972
			14,884	2,902
Bank balances	Low risk	12m ECL	**15,495**	66,145

33. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

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

	2023 Total and 12m ECL HK$'000	2022 Total and 12m ECL HK$'000
Balance at 1 April	**455**	36
Changes due to financial instruments recognised as at 1 April:		
– Impairment losses (reversed) recognised, net	**(282)**	421
New financial assets originated	**255**	—
Exchange adjustment	**(160)**	(2)
Balance at 31 March	**268**	455

Other receivables and deposits

The management made 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. Reversal of impairment loss of approximately HK$27,000 (2022: impairment loss of HK$421,000) was recognised during the year ended 31 March 2023.

Bank balances

The credit risk of 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.

34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value 2023 HK$'000	Fair value 2022 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL — Listed equity securities	**524**	—	Level 1	Quoted bid price in an active market

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

35. RECONCILIATION OF LIABILTIIES 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 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
New bank borrowings raised	—	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
At 31 March 2022	—	5,000	413	5,413

35. RECONCILIATION OF LIABILTIIES 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 2022	—	5,000	413	5,413
New bank borrowings raised	—	40,966	—	40,966
Repayment of bank borrowings	—	(5,000)	—	(5,000)
Repayment of lease liabilities	—	—	(728)	(728)
Interest paid	—	(1,405)	(11)	(1,416)
Total changes from financing cash flows	—	34,561	(739)	33,822
Other changes				
Interest expenses	—	1,405	11	1,416
Acquisition of a subsidiary (note 27)	—	—	411	411
Exchange adjustment	—	—	(2)	(2)
At 31 March 2023	—	40,966	94	41,060

36. 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:

	2023 HK$'000	2022 HK$'000
Within one year	3,455	2,079
In the second year	2,649	867
In the third year	938	—
	7,042	2,946

37. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**10**	39
Investments in subsidiaries	**131,616**	81,616
	131,626	81,655
Current assets		
Other receivables	**365**	352
Amounts due from subsidiaries	**167,583**	181,075
Bank balances and cash	**40**	18,999
	167,988	200,426
Total assets	**299,614**	282,081
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS		
Share capital	**7,737**	7,737
Reserves (note)	**274,973**	272,876
Total equity	**282,710**	280,613
LIABILITIES		
Current liabilities		
Other payables	**2,503**	1,468
Amounts due to subsidiaries	**14,401**	—
	16,904	1,468
Total liabilities	**16,904**	1,468
Total equity and liabilities	**299,614**	282,081
Net current assets	**151,084**	198,958
Total assets less current liabilities	**282,710**	280,613

37. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

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

	Share premium HK$'000	Contributed Surplus reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Accumulated losses (Note c) HK$'000	Total HK$'000
At 31 March 2021 and 1 April 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**
Total comprehensive income for the year	—	—	—	2,097	2,097
At 31 March 2023	**195,691**	**161,710**	**10,254**	**(92,682)**	**274,973**

37. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Notes: (continued)

a. ***Contributed surplus reserve***

It represented 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 represented 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 represented 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 loan nominal amount and present value of approximately HK$10,254,000 was treated as equity contribution from the shareholder and credited to the capital reserve account.

c. ***Accumulated losses***

At 31 March 2023, the Company had no reserves available for distribution to shareholders (2022: nil).

38. 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	
Interest held directly				2023	2022
Takson (B.V.I.) Limited	BVI	Investment holding	US$1,000	**100%**	100%
Sinoforce[3]	BVI	Investment holding	US$10,000	**100%**	–
Interest held indirectly					
Takson Garment Manufacturing Company, Limited	Hong Kong	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	HK$100	**100%**	100%
Gold Pine International Holdings Limited	Hong Kong	Sales of sportswear products	HK$1	**100%**	100%
Swiss Mechanical Time (Hong Kong) Limited[3]	Hong Kong	Wholesale of timepieces and accessories	HK$10,000	**100%**	–
Takson Sportswear Limited	BVI	Property investment in Hong Kong	US$50,000 (Paid up US$1)	**100%**	100%

38. 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	Sales of garments	HK$500,000	**100%**	100%
Guangzhou Tianze Shangwu Limited 廣州天澤商務有限公司 (“**Guangzhou Tianze**”)[1, 2]	PRC	Provision of marketing services	US$1,000,000	**100%**	100%
Shanghai Mechanical Time (Shanghai) Limited 上海柏時鐘錶有限公司[3]	PRC	Wholesale of timepieces and accessories	RMB1,000,000	**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.

2: For identification purpose only.

3: Subsidiaries which were acquired during the year ended 31 March 2023.

39. RELATED PARTY TRANSACTIONS

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration for key management personnel of the Group, including amounts paid to the Company’s directors (2022: directors and certain of the highest paid employees as disclosed in note 10), is as follows:

	2023 HK$’000	2022 HK$’000
Short-term employee benefits	**556**	3,383
Post-employment benefits	**–**	66
	556	3,449

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(B) OUTSTANDING BALANCE WITH RELATED PARTIES

	2023 HK$'000	2022 HK$'000
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 to 廣州萬燕科技文化傳媒有限公司 (“廣州萬燕”)	**(10,614)**	(11,588)
– Prepayment from 廣州市睿意品牌策劃有限公司 (“廣州睿意”)	**13,887**	14,839
– Trade payables to 廣州酷影文化傳媒有限公司 (“廣州酷影”)	**(508)**	(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	**817**	914
– Other receivables from 廣州睿意	**1,866**	–

(C) RELATED PARTY TRANSACTIONS

	note	2023 HK$'000	2022 HK$'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)	**13,842**	14,179
– 廣州酷影	(i)	**533**	546

(i) Marketing service charged to/from 廣州萬燕 and 廣州酷影 were conducted on mutually agreed terms and were charged at a negotiated value.

40. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 March 2023, the Group entered into a sale and purchase agreement with independent third parties (the "**Vendors**"), pursuant to which the Group has agreed to acquire and the Vendors have conditionally agreed to sell the equity interest of Shandong Longyi Aviation Technology Co., Ltd, a company established under the laws of the PRC, at a consideration of approximately HK$30,946,000. The consideration shall be satisfied by the allotment and issue of 154,731,827 consideration shares by the Company to the Vendors (or its nominee(s)) at the issue price of HK$0.2 per consideration share, credited as fully paid, under the general mandate. Details of the transaction are set out in the Company's announcement dated 29 March 2023 and 4 May 2023. The acquisition is not completed as at the date of this report.

(b) On 17 May 2023, the Group entered into a sale and purchase agreement with an independent third party (the "**Purchaser**"), pursuant to which the Group has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of GBR (HK), an indirect wholly-owned subsidiary of the Company, at the consideration of HK$1,000,000. The Group is expected to record a gain of approximately HK$4,314,000 as a result of the disposal of a subsidiary. The disposal is completed on 31 May 2023. Details of the transaction are set out in the Company's announcement dated 17 May 2023.

FIVE-YEAR FINANCIAL SUMMARY

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

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**213,661**	207,226	276,890	210,179	96,434
(Loss) profit attributable to Owners of the Company	**(24,652)**	(11,716)	7,614	9,376	(28,249)
Assets and Liabilities					
Total assets	**492,630**	409,045	364,318	310,528	239,786
Total liabilities	**(216,425)**	(108,779)	(248,056)	(277,560)	(210,578)
Net assets	**276,205**	300,266	116,262	32,968	29,208

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31 March 2023 and 31 March 2022 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	Industrial	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