中發展控股有限公司
Central Development Holdings Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 00475

ANNUAL REPORT
2022/23

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* for identification purpose only

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wu Hao *(Chairman)*
Mr. Hu Yangjun
Mr. Chan Wing Yuen, Hubert *(Chief Executive)*
Mr. Zhang Bing

Non-executive Director

Mr. Li Wei Qi, Jacky

Independent non-executive Directors

Mr. Jin Qingjun
Ms. Sun Ivy Connie
Ms. Zhong Yingjie, Christina

Audit Committee

Ms. Zhong Yingjie, Christina *(Chairman)*
Mr. Jin Qingjun
Ms. Sun Ivy Connie

Remuneration Committee

Mr. Jin Qingjun *(Chairman)*
Mr. Chan Wing Yuen, Hubert
Ms. Sun Ivy Connie

Nomination Committee

Mr. Jin Qingjun *(Chairman)*
Mr. Chan Wing Yuen, Hubert
Ms. Sun Ivy Connie

Company Secretary

Mr. Chow Chi Shing

Head Office and Principal Place of Business in Hong Kong

Room 2202, 22/F., Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D,
P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Legal Advisers

Angela Ho & Associates

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

Company Website

www.475hk.com

Stock Code

475

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board" or "Directors") of Central Development Holdings Limited (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2023 (the "Current Year").

During the year under review, the global business environment remained challenging and economic recovery was slower than expected due to a number of factors, such as pandemic prevention and controls, shrinking demand and geopolitics. The People's Republic of China (the "PRC") maintained a steady yet growing and long-term economic development trend through macro policy adjustments and the coordination of security and development. During the Current Year, the Group's total revenue increased by approximately 28.4% to approximately HK$247.9 million as compared to the year ended 31 March 2022 (the "Previous Year"). Loss attributable to owners of the Company for the Current Year was approximately HK$11.9 million.

During the Current Year, the PRC fully implemented the "Action Plan for Carbon Dioxide Peaking Before 2030" (the "Carbon Peaking Plan") and actively promoted the structural reform on the supply side of energy, including the integrated-development of natural gas with various energy sources, the construction of natural gas peak shaving storage and distribution stations, and the rationalisation of the use of natural gas as fuel in industries, chemical materials, and vehicles and vessels, which not only provided strong energy security for the healthy and sustainable development of the PRC's economy and society, but also contributed to the increased demand for the Group's liquefied natural gas ("LNG") products during the Current Year.

On the other hand, the pandemic prevention and controls have brought about an unstable business operating environment for the jewelry market. As the "zero-COVID" policy in the PRC came to an end, pandemic prevention measures gradually relaxed, coupled with the gradual recovery of consumer sentiment in Hong Kong since the beginning of the year, the Group's jewelry business has also recorded a growth in sales during the Current Year.

As we enter the post-pandemic era of 2023, we will continue to adopt the combined development of conventional and new energy sources as the Group's operational strategy, while also closely monitoring the market situation, and upholding the operating principle of "maintaining a healthy, stable and long-term business" through continuously adjusting its business scale and costs. On the basis of overall stability and sustainability of the business, the Group will continue to explore projects in relation to the development of oil and gas filling stations and distributed energy stations, and endeavour to seek new development opportunities with an open attitude and innovative mindset.

On behalf of the Board, I would like to express my sincere appreciation to our employees and management team for their effort in coping with the unprecedented challenges during the Current Year. In addition, I would like to sincerely thank our shareholders, customers and business partners for their continued trust and support to the Group.

Wu Hao
Chairman and Executive Director

Hong Kong, 21 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engaged in the energy business and the jewelry business for the Current Year. During the Current Year, the Group continued to strategically expand its energy business and was able to maintain a steady business operation in a complex and challenging economic environment, demonstrating the resilience and flexibility of the Company's business. During the Current Year, the Group recorded total revenue of approximately HK$247.9 million (2022: HK$193.1 million), representing an increase of approximately 28.4% as compared to that for the Previous Year. The increase in revenue for the Current Year was mainly due to the increase in revenue from both the energy business and the jewelry business in varying degrees.

Energy Business

During the Current Year, by leveraging the Group's proprietary technology products and continuing to collaborate with experienced partners in the industry, the Group continued to actively develop and expand its energy business with the primary objective of providing a diversified range of energy products and services. Our principal businesses comprise the sale of natural gas and refined oil, as well as solar photovoltaic ("PV") intelligent technology products, which include solar PV components and accessories, intelligent direct-current micro-inverters and power optimisers. During the Current Year, sales of refined oil products and LNG products remained on the rise. Revenue from the Group's energy business increased by 26.8% year-on-year from HK$174.5 million for the Previous Year to HK$221.2 million for the Current Year.

The Carbon Peaking Plan issued by the State Council of the PRC states that achieving "carbon peaking" and "carbon neutrality" (the "Dual Carbon") is a strategic decision and an essential goal towards long-term and high-quality development for the period covered by the 14th Five-Year Plan (2021-2025) of the PRC, which have profound impact on the PRC's energy structure, energy utilisation and energy technology. The Carbon Peaking Plan proposed a number of energy transformation actions, including the optimisation of energy utilisation structure, vigorous promotion of the integrated development of natural gas with various energy sources, the building of natural gas peak shaving stations under suitable local conditions, rationalisation of the use of industrial gas and gas for chemical raw materials, and support of using LNG as fuel for vehicles and vessels, all of which have not only benefited the natural gas market in the PRC, but also boosted our sales of LNG products during the Current Year. Throughout the Current Year, we maintained a good collaboration with our upstream suppliers to ensure a stable supply and price of LNG, which created favourable conditions to explore downstream customers, thereby enabling steady yet increasing sales of LNG. We remain committed to meeting the growing demand for LNG products in the PRC and contributing to the achievement of the Dual Carbon goals.

As the transition from conventional energy sources to new energy sources is a long-term process, we persist with a two-pronged approach to continue to expand the LNG and oil and gas filling businesses, by introducing more diversified products to meet customer needs and strengthen the Group's business foundation. The Group owns an oil and gas filling station in Qingbaijiang District, Chengdu (the "Filling Station"). The Filling Station is located within a large logistics park near the Chengdu International Railway Port, with multiple highways and national expressways passing through the area. The huge traffic flow enabled the Filling Station to maintain steady business revenue even during the pandemic. During the Current Year, we continued to rely on our reliable local suppliers to secure stable supply chain resources, coupled with the delivery and distribution capabilities of the Filling Station, we were able to overcome the adverse factors that occurred during the Current Year, such as fluctuations in international energy prices and pandemic control measures. As a result, our oil and gas sales remained steady and increasing.

During the Current Year, the Group's sales of solar energy products continued to face challenges arising from the complex and challenging political and economic situation in the PRC and overseas. The Central Economic Work Conference held at the end of 2022 stated that the foundation for the PRC's economic recovery was not yet solid and the overall national demand was contracting. Meanwhile, raw material prices for solar PV products have persistently remained at high levels in recent years, coupled with the entry of state-owned energy enterprises into the solar PV industry, have made competition increasingly fierce. In addition, overseas demand for solar PV products has been directly impacted by unfavourable factors such as military competitions and trade barriers caused by trade policies. Nevertheless, the PRC's solar PV market has maintained high-quality development under the promotion of the Carbon Peaking Plan, which proposed plans to accelerate the construction of solar PV power stations, accelerate the innovative upgrade and special applications of the intelligent solar PV industry, and promote a diversified layout in PV power generation under the "PV+" model, all of which have provided positive stimulus to the demand for solar PV products. The Group has seized the opportunities arising from the development of the solar PV industry as well to actively promote the sales of solar PV components and the sales of accessories such as inverters and mounting brackets, and therefore certain progress has been made during the Current Year.

We continued to strengthen our cooperation with our upstream and downstream customers and suppliers by identifying suitable clean energy development projects through various cooperation channels and consultants, resulting in continued improvement in our revenue for the Current Year. We also promoted internal cost reduction and efficiency enhancement efforts.

Acquisition of 35% Equity Interest in Chengdu Huahan Energy Co., Ltd. (成都華漢能源有限公司) ("Chengdu Huahan")

On 19 August 2022, Hainan Huagang New Energy Development Co., Ltd. (海南華港新能源開發有限公司) ("Hainan Huagang"), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Mr. Zhang Bing, as the vendor (the "Vendor"), and Chengdu Huahan, as the target company. Subsequently on 15 November 2022, the abovementioned parties entered into a supplemental agreement (the "Supplemental Agreement") to the Equity Transfer Agreement (the "Acquisition").

Pursuant to the Equity Transfer Agreement and the Supplemental Agreement, the Group considered that the Acquisition will not only fully leverage its operational and management strengths, but will also improve the overall efficiency of the Group's resource allocation and enhance the long-term development potential of its energy business by creating synergies with its existing natural gas and solar photovoltaics businesses.

The Vendor has worked in the energy industry for over 25 years. The Vendor is the ultimate beneficial owner of the entire equity interest in Chengdu Huahan. Chengdu Huahan is principally engaged in investment holding, and is the beneficial owner of 50% equity interest in Anhui Huagang Bochen New Energy Co., Ltd. (安徽華港博臣新能源有限公司) ("Anhui Huagang"). Anhui Huagang is principally engaged in the construction and operation of natural gas pipeline networks, the operation and maintenance of pipeline corridors, provision of residential heating, and the procurement, transportation and sale of natural gas in Mengcheng County, Anhui Province, the PRC. Anhui Huagang is constructing two distributed energy stations, multiple gas-fired steam boilers, natural gas gateways and heat supply network. In 2019, Anhui Huagang entered into a licensing agreement with the Housing and Urban-Rural Development Bureau of Mengcheng County, under which it was granted a 30-year license to supply heat and steam to industrial, commercial and corporate entities and urban residents in the county planning area of Mengcheng County.

Pursuant to the terms and conditions of the Equity Transfer Agreement and the Supplemental Agreement, Hainan Huagang has agreed to purchase and the Vendor has agreed to sell 35% equity interest in the target company for a total consideration of HK$52 million, which shall be settled by the Company through the issue of interest-free convertible bonds in the principal amount of HK$52 million with a maturity date falling on the third anniversary of the date of issuance (the "Convertible Bonds") to the Vendor.

The Acquisition was completed on 5 December 2022 in accordance with the terms of the Equity Transfer Agreement and the Supplemental Agreement. Upon completion of the Acquisition, the Group is interested in 35% equity interest in Chengdu Huahan and Chengdu Huahan became an associate of the Group. Accordingly, Chengdu Huahan will not be regarded as a subsidiary of the Company and its results will not be consolidated into the consolidated financial statements of the Company. The Company has also issued the Convertible Bonds to the Vendor in accordance with the terms and conditions of the Equity Transfer Agreement and the Supplemental Agreement, and the Company shall issue and allot 70,270,270 new shares of the Company at a conversion price of HK$0.74 per conversion share to the Vendor upon full conversion of the Convertible Bonds to settle the entire consideration of HK$52 million in accordance with the terms of the Equity Transfer Agreement and the Supplemental Agreement.

The Acquisition constitutes a discloseable and connected transaction of the Company. As at the date of the Equity Transfer Agreement (i.e. 19 August 2022), the Vendor was the ultimate beneficial owner of 49% equity interest in Chengdu Kaibangyuan Trading Co., Limited (成都凱邦源商貿有限公司) ("Chengdu Kaibangyuan"), an indirect non-wholly owned subsidiary of the Company. As such, the Acquisition and the issuance of the Convertible Bonds as consideration constitute connected transactions of the Group, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Details of the Acquisition are set out in the Company's announcements dated 19 August 2022, 25 August 2022, 9 September 2022, 14 September 2022, 23 September 2022, 6 October 2022, 21 October 2022, 15 November 2022 and 5 December 2022, and the Company's circular dated 18 November 2022.

JEWELRY BUSINESS

During the Current Year, the Group was principally engaged in providing products to jewelry distributors in the PRC and Hong Kong. Overall, the recurrent COVID-19 pandemic disrupted the business operating environment in both places for most of the year. With the gradual relaxation of pandemic prevention measures, the overall sales have gradually improved and the revenue from our jewelry business has also rebounded. Revenue from the jewelry business increased by approximately 43.2% from approximately HK$18.7 million in the Previous Year to approximately HK$26.7 million in the Current Year. Sales in Hong Kong accounted for approximately 63.3% (2022: 43.2%) of the overall segment sales, while sales in the PRC accounted for approximately 36.7% (2022: 56.8%).

With the COVID-19 pandemic subsiding in Hong Kong during the Current Year, increased consumer confidence and spending have provided positive support to the recovery of the jewelry market. Demand for jewelry from Hong Kong customers began to show signs of recovery, resulting in an increase in the number of sales orders in Hong Kong and the overall business as compared to the Previous Year. However, a new wave of the pandemic outbreak emerged after the Chinese New Year in 2022, causing massive crowd control measures in many parts of the PRC, with even stricter social distancing measures and city lockdowns in some major cities, stifling consumer activities and putting further pressure on the jewelry industry in the PRC. As a result, our jewelry business in the PRC was inevitably affected during the Current Year, resulting in lower revenue.

Despite the huge impact of the pandemic on the jewelry industry in recent years and the various uncertainties in the post-pandemic era, we were able to increase our sales and sourcing opportunities during the Current Year by participating in major international jewelry fairs that were reopened in both the PRC and Hong Kong, thus gaining new customers and suppliers for the Group. On the other hand, with our long-established relationships with suppliers, we were able to maintain a steady supply volume and product quality during the Current Year, enabling a slow recovery of our jewelry business.

PROSPECTS

Transformation of Energy Structure Drives Business Growth

The transformation of the energy structure continues to boost demand for natural gas in the PRC. The PRC is actively constructing a modern energy system and promoting the transformation of energy structure towards green and low-carbon. Natural gas, as a fossil energy source with high calorific value and low carbon emissions, is considered to be a must-have in the energy structure transformation process, therefore the natural gas industry is receiving stronger policy support. In early 2022, the National Development and Reform Commission of the PRC (the "NDRC") and the National Energy Administration of the PRC (the "NEA") published the "14th Five-Year Plan on a Modern Energy System", which sets a quantitative requirement for annual natural gas production of the PRC to reach over 230 billion cubic metres by 2025 (annual natural gas production in 2022: 217.8 billion cubic metres). This indicates the potential demand for natural gas products in the future. At the beginning of 2023, the State Council Information Office of the PRC released a white paper on "China's Green Development in the New Era" (the "White Paper"), which pointed out that the promotion of clean and low-carbon development of coal-fired power is set as a goal by driving clean end-use energy, carrying out the replacement of coal by natural gas, electricity and renewable energy, and launching the efficient utilisation of natural gas out in an orderly manner. As the PRC's green energy policy continues to be implemented and intensified, the demand for natural gas, as a clean and efficient energy source, is expected to continue to rise, and therefore the transformation of energy structure will remain an important driver of growth for our natural gas business in the future.

The White Paper also pointed out the need to adhere to the principle of 'building the new before discarding the old', and accelerating the construction of a new energy system on the basis of continuously improving energy supply security. Conventional fossil fuels, such as refined oil, will continue to be the dominant source of primary energy in the PRC during the period of energy structure transformation, and hence, will still be strong market demand for a long time to come. We expect the refined oil to remain an important source of our sales revenue. With the end of the pandemic and the recovery of the logistics and tourism sectors, we anticipate that the demand for refined oil will demonstrate a certain level of growth.

Diversification of Energy Business Continues to be Optimised

In recent years, as the PRC continues to advance the in-depth development of new urbanisation, the population in urban areas will continue to expand, and the demand for natural gas as a clean and efficient energy source thereby further grows in line with its increased applications. To drive the development and application of natural gas in areas such as clean heating and distributed energy generation, the Ministry of Housing and Urban-Rural Development of the PRC, in conjunction with the NDRC, has issued the "14th Five-Year Plan on National Urban Infrastructure Construction". It proposes the construction and renovation of clean urban centralised heating systems to guide the use of clean energy in urban heating. Provinces and cities in the nation have also issued relevant policies accordingly to concurrently promote the construction of urban heating network coverage and the development of clean energy heating, thereby expanding the demand for the natural gas applications and providing a stable and favourable environment for the development of natural gas in the urban heating market.

In light of the above, the Group acquired Chengdu Huahan as an associate of the Group during the Current Year. Chengdu Huahan and Anhui Huagang are currently focusing on the construction of a piped natural gas-fired urban heating system, which is expected to supply industrial steam, residential heating and industrial gas through urban heating and gas supply network. Urban heating has a promising development prospect under the guidance policy related to the Dual Carbon goals. The acquisition of Chengdu Huahan provides excellent opportunities for the Group's future development, enriching its business portfolio, and further realising its goal of becoming a supplier of a diversified range of energy products and solutions. We will also leverage Chengdu Huahan and Anhui Huagang's existing industry resources, brand image and extensive marketing experience to create synergies with our existing natural gas and solar PV businesses, thereby enhancing the Group's overall resource allocation efficiency and promoting the rapid development of a diversified energy business.

Given the unpredictable nature of the international energy market, we will continue to develop our energy business by strengthening cooperation with upstream and downstream customers and suppliers. At the same time, we will continue to leverage our extensive experience in the clean energy sector and strengths in operational management to actively pursue new product development and new business expansion, enhancing the development potential of the Group's energy business.

Development Trend of the Solar Energy Development and Utilisation

The "Renewables 2022" report issued by the International Energy Agency predicts that renewable energy will surpass coal as the world's largest source of electricity by 2025 and will account for over 90% of global electricity expansion over the next five years. According to the 14th Five-Year Plan for Renewable Energy Development jointly published by, among others, the NDRC, the NEA and the Ministry of Finance of the PRC, the PRC has set Dual Carbon as goal and 2035 vision targets during the 14th Five-Year Plan period, which vigorously promote the exploitation and utilisation of renewable energy, including solar PV, for power generation, and promote the development strategy of diversified PV power generation. We will further explore potential energy projects, including energy storage power stations, PV-storage-charging stations, and other distributed integrated energy station projects, in order to explore the development models for combining multiple energy sources. Leveraging on our experience in the fields of solar PV and energy storage, we will continue to explore more in-depth cooperation with our business partners, make use of our self-own and potential third party's filling stations, factory rooftops in industrial parks, etc. to develop and construct distributed power stations, and actively explore the "PV+" models to expand the market share and revenue of the Group's solar energy products.

However, the instability in international trade and adverse import conditions are still posing challenges to our solar energy business that cannot be ignored. For example, policies in relation to tariff increases in the United States and import restrictions in India have hindered the continued growth of the solar energy business in overseas markets. Nevertheless, as the prices of products in various segments of solar power generation are going to enter a downward phase, more projects that were on the sidelines will be implemented. The Group's management will optimise resource allocation and will focus on the mainland China market. We will also actively assess the market situation, explore new business growth drivers, and adhere to the general operating principles of "seeking stability amidst changes and striving for progress amidst stability", thereby creating long-term value for shareholders.

A Challenging Business Environment for the Jewelry Market

The operating environment of the jewelry industry remains challenging with uncertainty in global markets due to geopolitical instability and the rebound of the pandemic. In the short term, we believe that consumers will become more conservative in their spending, especially when it comes to high-end luxury goods. As such, the Group expects the jewelry business to remain under certain pressure in the future. However, depending on the development of the pandemic, with the relaxation of the city lockdown measures in the PRC and the commitment of both the PRC and the Hong Kong governments to implement economic measures and consumer support policies, we believe that consumer sentiment will gradually improve and customer demand will gradually recover to pre-pandemic levels. Our jewelry sales team will continue to adopt a prudent business strategy by closely monitoring market conditions, maintaining constant communication with all stakeholders while exploring potential business opportunities, and continuing to build up our reputation and strengthen our competitive edge and our ability to adapt to market changes for any potential business opportunities and expansion.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Year was approximately HK$247.9 million, representing an increase of approximately 28.4% as compared to approximately HK$193.1 million for the Previous Year. The increase was mainly attributable to the result of the increase in turnover of both the energy business and the jewelry business.

Revenue of the energy business increased by approximately 26.8% from approximately HK$174.5 million for the Previous Year to approximately HK$221.2 million for the Current Year. It was primarily attributable to the increase in revenue derived from sales of refined oil and LNG during the Current Year. The sales of our solar intelligent technology products were continuously impacted by the escalated international trade conflict and vigorous market competition.

Revenue of the jewelry business increased by approximately 43.2% from approximately HK$18.7 million for the Previous Year to approximately HK$26.7 million for the Current Year. It was primarily attributable to the gradual recovery of consumption sentiment and the market demands of jewelry products in the first half of the Current Year in the PRC and in the second half of the Current Year in Hong Kong. The revenue was also prompted by the increase in business opportunities after the resumption of international jewelry trade shows in Hong Kong and the PRC during the Current Year.

Cost of Sales and Gross profit

Cost of sales of the Group for the Current Year was approximately HK$243.2 million, representing an increase of approximately 31.6%, as compared to approximately HK$184.9 million for the Previous Year. Gross profit decreased from approximately HK$8.2 million for the Previous Year to approximately HK$4.6 million for the Current Year, representing a decrease of approximately 43.4%. The decrease was mainly attributable to the combination of write-down of inventories in cost of sales amounted to HK$2.1 million (2022: Nil) and the increase in cost of sales of both the energy business and the jewelry business for the Current Year.

Meanwhile, gross profit margin decreased from 4.3% for the Previous Year to 1.9% for the Current Year. The decrease was primarily attributable to the increase in sales of products of the energy business with lower gross profit margins.

Other income

Other income decreased from approximately HK$6.3 million for the Previous Year to approximately HK$5.8 million for the Current Year, representing a decrease of approximately 8.0%, which was mainly derived from the decrease in the rental income from the investment properties of the Group during the Current Year.

Other gains and losses, net

The Group recorded net other gains of approximately HK$16.0 million for the Current Year (2022: HK$7.6 million). The gains were a combination of the loss on early termination of a lease of approximately HK$0.4 million (2022: Nil), the gain from change in fair value of investment properties of approximately HK$5.4 million (2022: HK$7.2 million) and the gain on fair value changes of derivative financial instruments in relation to the Convertible Bonds of approximately HK$11.0 million (2022: Nil) during the Current Year. In the Previous Year, the gains were also contributed by the net foreign exchange gain of HK$0.2 million, and a gain on disposal of property, plant and equipment of approximately HK$0.2 million, but none of these gains or losses was incurred in the Current Year.

Impairment losses under expected credit loss ("ECL") model, net of reversal

The Group recorded the impairment losses on trade receivables under the ECL model, net of reversal, which amounted to approximately HK$0.6 million for the Current Year (2022: HK$2.5 million). The management of the Group will continue to conduct regular reviews of the debtors' repayment histories, resources and financial capabilities to ensure the ability of repayment within the credit period.

Selling and distribution costs

Selling and distribution costs decreased from approximately HK$3.1 million for the Previous Year to approximately HK$2.2 million for the Current Year, representing a decrease of approximately 29.6%, which was mainly attributable to the reduction of transportation cost along with modest improvement in the COVID-19 pandemic in the Current Year.

Administrative expenses

Administrative expenses increased from approximately HK$21.4 million for the Previous Year to approximately HK$22.0 million for the Current Year, representing an increase of approximately 3.2%, which was mainly due to the increase in staff cost in the Current Year.

Equity-settled share-based payments

Equity-settled share-based payments amounted to approximately HK$6.0 million (2022: HK$2.1 million) representing the recognition of equity-settled share options expenses in connection with the grant of share options during the Current Year.

Finance costs

Finance costs represented the imputed interests derived from the long term loans from a controlling shareholder amounted to approximately HK$4.6 million (2022: HK$4.9 million), the imputed interests derived from the interest-free convertible bonds amounted to approximately HK$2.1 million (2022: Nil), the interest derived from lease liabilities amounted to approximately HK$0.1 million (2022: HK$0.2 million) and the interest derived from the long term bank loan amounted to approximately HK$1.2 million for the Current Year (2022: HK$1.5 million).

Share of results of an associate

Share of results of an associate represented the share of loss amounted to HK$0.2 million (2022: Nil) of Chengdu Huahan during the Current Year.

Income tax expense

Income tax expense of the Group was approximately HK$2.0 million for the Current Year (2022: HK$2.5 million), mainly due to the provision of deferred tax expense arising from the investment properties of the Group during the Current Year.

Loss for the year attributable to the Owners of the Company

By reason of the factors stated above and the loss shared by the non-controlling interests increased, the loss for the year attributable to the owners of the Company reduced from approximately HK$14.0 million for the Previous Year to approximately HK$11.9 million for the Current Year, representing a decrease of approximately 14.8%. Basic loss per share was 3.07 HK cents (2022: 3.63 HK cents).

Final Dividend

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

Liquidity and Financial Position

As at 31 March 2023, the Group had net current assets and current ratio stood at approximately HK$7.8 million and 1.3 respectively (31 March 2022: HK$28.7 million and 1.8 respectively).

As at 31 March 2023, the bank balances and cash amounted to approximately HK$13.1 million (31 March 2022: HK$20.1 million). As at 31 March 2023, the inventories amounted to approximately HK$2.4 million (31 March 2022: HK$4.7 million), mainly representing the refined oil and solar modules intelligent technology products. As at 31 March 2023, the trade receivables and trade payables amounted to approximately HK$2.2 million and HK$1.7 million respectively (31 March 2022: HK$1.9 million and HK$0.6 million respectively), both of which were mainly derived from the energy business. As at 31 March 2023, the Group's property, plant and equipment, right-of-use assets and investment properties amounted to approximately HK$18.4 million, HK$7.4 million and HK$88.6 million respectively (31 March 2022: HK$20.9 million, HK$9.4 million and HK$89.9 million respectively). The investment properties of the Group are located at No. 61, Haichao Road, Sino-Italy Ningbo Ecological Park (also known as Zhongyi Ningbo Shengtai Park), Yuyao City of Zhejiang Province for industrial use and are held under operating leases to earn rentals. The investment properties were valued by an independent firm of professional property valuer and the fair value of the investment properties are derived using income approach for both years.

As at 31 March 2023, the net carrying amount of the intangible assets was approximately HK$50.1 million (31 March 2022: HK$56.0 million), which represented the operating rights in relation to the relevant certificates, licenses and approvals for the operations of the filling station and the sale of refined oil with finite useful lives. The intangible assets were arising from the acquisition of Chengdu Kaibangyuan.

Capital Resources and Gearing

As at 31 March 2023, the Group had an interest-bearing bank borrowing amounted to approximately HK$19.8 million (31 March 2022: HK$24.2 million) and bore interest rate of 5.7% per annum (31 March 2022: 5.9%), of which approximately HK$2.7 million (31 March 2022: HK$2.8 million) will be repayable within one year and approximately HK$17.1 million (31 March 2022: HK$21.4 million) will be repayable after one year. The Group's gearing ratio (which was expressed as a percentage of total bank borrowing over total equity) was approximately 36.4% as at 31 March 2023 (31 March 2022: 44.0%).

The bank borrowing was secured by the Group's assets, for details of the charges on the Group's assets, please refer to the section headed "Charges On Group Assets" in this report. Save as disclosed above, the Group has no other banking facilities (31 March 2022: Nil). As at 31 March 2023, the Group had interest-free loans due to a controlling shareholder of approximately HK$95.9 million (31 March 2022: HK$117.7 million) which will be repayable after one year from the end of the reporting period and had interest-free loans due to a shareholder of approximately HK$3.8 million which will be repayable after one year from the end of the reporting period (31 March 2022: HK$5.0 million, repayable within one year).

The Group principally meets its working capital requirement and other liquidity requirements through a combination of operating cash flows, and interest-free loans due from a controlling shareholder and a shareholder during the Current Year.

Convertible bonds

On 5 December 2022, the Convertible Bonds were issued to the Vendor after the completion of the Acquisition on 5 December 2022 pursuant to the Equity Transfer Agreement and the Supplemental Agreement.

The Convertible Bonds can be converted into shares of the Company at a conversion price of HK$0.74 per conversion share (subject to adjustment), during the conversion period of 3 years from 5 December 2022. Upon exercise of the conversion rights attached to the Convertible Bonds in full, the Convertible Bonds are convertible into 70,270,270 new shares of the Company at conversion price of HK$0.74 per conversion share (subject to adjustment). For further details, please refer to the section "Acquisition of 35% Equity Interest in Chengdu Huahan Energy Co., Ltd." in business review.

As at 31 March 2023, the entire principal amount of the Convertible Bonds remained outstanding. The management performed fair value assessment and engaged an independent valuer to conduct assessment on the Convertible Bonds at the end of the reporting period. As at 31 March 2023, the fair value of the debt component and derivative financial instrument derived from the Convertible Bonds was assessed at approximately HK$30.7 million and HK$13.5 million respectively (2022: Nil and Nil). The Convertible Bonds were classified as non-current liabilities as at 31 March 2023 with maturity date of more than one year from the end of the reporting period.

Capital Structures

The Group's total assets and total liabilities as at 31 March 2023 amounted to approximately HK$256.0 million (31 March 2022: HK$242.0 million) and approximately HK$201.6 million (31 March 2022: HK$187.1 million) respectively. The Group's debt ratio (which was expressed as a percentage of total liabilities over total assets) was approximately 78.7% as at 31 March 2023 (31 March 2022: 77.3%).

Charges on Group Assets

As at 31 March 2023, the buildings with carrying amounts of approximately HK$3.8 million (31 March 2022: HK$4.4 million), the right-of-use assets with carrying amounts of approximately HK$5.3 million (31 March 2022: HK$5.9 million) and the investment properties with carrying amounts of approximately HK$88.6 million (31 March 2022: HK$89.9 million), were pledged to a bank in the PRC as collateral security for a bank borrowing amounted to approximately HK$19.8 million (31 March 2022: HK$24.2 million).

Save as disclosed above, there were no other charges on the Group's assets as of 30 September 2023.

Use of Proceeds

On 5 December 2022, the Company issued the Convertible Bonds to the Vendor after the completion of the Acquisition pursuant to the Equity Transfer Agreement and the Supplemental Agreement. The net proceeds from the issue of the Convertible Bonds are HK$52.0 million, which is equivalent to the principal amount of the Convertible Bonds at the date of issuance. Details of the Acquisition and the Convertible Bonds are set out in the section "Acquisition of 35% Equity Interest in Chengdu Huahan Energy Co., Ltd."

The Company had fully utilized the net proceeds as intended to settle the entire consideration of HK$52.0 million in accordance with the terms of the Equity Transfer Agreement and the Supplemental Agreement on 5 December 2022. There were no remaining unutilised net proceeds as at 31 March 2023.

Capital Commitments and Contingent Liabilities

As at 31 March 2023, the Group did not have any capital commitments (31 March 2022: Nil).

As at 31 March 2023, the Group did not have any contingent liabilities (31 March 2022: Nil).

Employee and Remuneration Policy

As at 31 March 2023, the Group had a total of 60 employees (2022: 66). The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group also provides internal training to employees when necessary and other staff benefits which include share option scheme and corporate contribution to the statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Furthermore, the remuneration committee of the Company (the "Remuneration Committee") will review and give recommendations to the Board as to the compensation package of the Directors and senior management of the Group with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Group.

Foreign Exchange Fluctuation and Hedges

The business operations of the Group's subsidiaries were conducted mainly in the PRC and Hong Kong with sales and purchases of the Group's subsidiaries denominated mainly in Hong Kong dollars, Renminbi and United States dollars ("USD"). The Group's cash and bank deposits were denominated in Hong Kong dollars, Renminbi and USD as well. Any significant exchange rate fluctuation of Hong Kong dollars against USD or Renminbi may have financial impacts on the Group. While the Group would closely monitor the volatility of the foreign exchange rate, the Directors considered that the Group's risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 31 March 2023, no forward foreign currency contracts are designated in hedging accounting relationships (2022: Nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in the section "Acquisition of 35% Equity Interest in Chengdu Huahan Energy Co., Ltd." in business review and this report, there were no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Year.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, the Group did not have any plans for material investments and capital assets as at 31 March 2023.

DIRECTORS AND COMPANY SECRETARY

Executive Directors

Mr. Wu Hao ("Mr. Wu"), aged 49, is our chairman and an executive Director. He joined the Group in February 2012 and is responsible for overall strategic planning and development. He has held directorship position within the other member of the Group. Mr. Wu also has extensive corporate management experience in the natural resources business and served as management in a mining company. Mr. Wu graduated in legal professional studies from Correspondence Institute of Party School of the Central Committee of Communist Party of China* (中共中央黨校函授學院) in 2002.

Mr. Hu Yangjun ("Mr. Hu"), aged 49, is an executive Director. He joined the Group in November 2011 and is responsible for reviewing and improving the operations of the Group. Mr. Hu has corporate management experience in information technology, international trade and energy and environmental protection. Mr. Hu graduated from Anhui Normal University and he was a member of All-China Youth Federation. Mr. Hu has worked as senior management in Zhejiang Orient Financial Holdings Group Co., Ltd* (浙江東方金融控股集團股份有限公司) (stock code: 600120) and Insigma Technology Co.,Ltd* (浙大網新科技股份有限公司) (stock code: 600797), both companies listed on The Shanghai Stock Exchange. Mr. Hu was previously an executive director of Shenghua Lande Scitech Limited (stock code: 8106) and Neo Telemedia Limited (stock code: 8167), both companies listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He also served as a director of Asia Environmental Holdings Limited, which was listed on the Singapore Stock Exchange.

Mr. Chan Wing Yuen, Hubert ("Mr. Chan"), aged 65, is our chief executive and an executive Director. He joined the Group in November 2011 and is responsible for business policy formulation and execution. He has held directorship position within the other members of the Group. Mr. Chan has been an executive director of Zhonghua Gas Holdings Limited (stock code: 8246) since August 2014, a company listed on the GEM of the Stock Exchange. Mr. Chan has also been an independent non-executive director of Tian Ge Interactive Holdings Limited (stock code: 1980) since June 2014 and FIT Hon Teng Limited (stock code: 6088) since November 2016, both companies listed on the Stock Exchange. Mr. Chan spent over ten years with the Stock Exchange and his last position was director of the listing division in charge of the China Listing Affairs Department. Mr. Chan also held various senior management positions, including the chief executive, director, executive director and independent non-executive director, with companies listed on the Stock Exchange. He was previously a director of Guangdong Investment Limited (stock code: 270), an independent non-executive director of China Smarter Energy Group Holdings Limited (stock code: 1004), an executive director and the chief executive of EverChina Int'l Holdings Company Limited (stock code: 202) and an executive director of China Pipe Group Limited (stock code: 380). He was also an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd, a company listed on the Stock Exchange (stock code: 6116) and The Shanghai Stock Exchange (stock code: 603157). Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Chan is an associate member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute and is also a member of the Hong Kong Securities and Investment Institute and a fellow of The Hong Kong Institute of Directors. Mr. Chan is a member of the tenth, eleventh and twelfth sessions of the Chinese People's Political Consultative Conference — Heilongjiang Province Committee in the PRC.

Mr. Zhang Bing ("Mr. Zhang"), aged 52, was appointed as an executive Director in February 2023. He is a director of Chengdu Kaibangyuan Trading Co., Limited# (成都凱邦源商貿有限公司), an indirect non-wholly-owned subsidiary of the Group. Mr. Zhang obtained a Master of Business Administration degree from the Asia Metropolitan University in 2017 and was admitted to the CEO program of Cheung Kong Graduate School of Business (長江商學院) in 2020. Mr. Zhang has engaged in the energy business for over 25 years and has held management positions in a number of Chinese companies in the oil and gas industry. He has extensive experience in business development, sales and marketing and business operation in the industry.

Non-executive Director

Mr. Li Wei Qi, Jacky ("Mr. Li"), aged 51, was appointed as a non-executive Director in November 2011. Mr. Li has experience in the financial services field. Mr. Li is currently the vice president of the marketing department of Emperor Bullion Investments (Asia) Limited, Emperor Futures Limited, Emperor Securities Limited and Emperor Wealth Management Limited. He is also a licensed representative under the Securities and Futures Ordinance (the "SFO") to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities, a licensed representative of the Professional Insurance Brokers Association to carry on long term insurance (including linked long term insurance) and general insurance regulated activities, a licensed representative of the Mandatory Provident Fund Schemes Authority to carry on related regulated activities and an account executive registered with The Chinese Gold & Silver Exchange Society. Mr. Li was previously vice president of the marketing department of Tanrich Futures Limited and was a person licensed by the Securities and Futures Commission for dealing and advising in futures contracts and asset management.

Independent non-executive Directors

Mr. Jin Qingjun ("Mr. Jin"), aged 65, was appointed as an independent non-executive Director in October 2017. Mr. Jin is currently a senior partner of King & Wood Mallesons and a legal counsel for various securities companies and listed companies. His major areas of practice include securities, finance, investment, corporate, insolvency as well as foreign-related legal affairs. Mr. Jin is one of the first lawyers who was granted a Security Qualification Certificate in the PRC and has focused on securities-related legal affairs for more than 20 years. Mr. Jin previously served as General Counsel of the Shenzhen Stock Exchange and a member of its Listing Supervisory Council. In 2012, he was named one of the Top 10 PRC Lawyers of the Year and PRC Securities Lawyer of the Year. Mr. Jin has been an independent non-executive director of Times China Holdings Limited (stock code: 1233) since October 2015, Sino-Ocean Group Holding Limited (stock code: 3377) since March 2016, Bank of Tianjin Co., Ltd. (stock code: 1578) since March 2017 and Goldstream Investment Limited (stock code: 1328) since December 2019, all companies listed on the Stock Exchange. He has also been a director of Shenzhen Kingkey Smart Agriculture Times Co. Ltd. (stock code: 000048), a company listed on the Shenzhen Stock Exchange, since September 2018, an independent director of Shenzhen Cheng Chung Design Co. Ltd. (stock code: 002811), a company listed on the Shenzhen Stock Exchange, since September 2018. Mr. Jin was an independent non-executive director of Guotai Junan Securities Co., Ltd., a company listed on the Stock Exchange (stock code: 2611) and the Shanghai Stock Exchange (stock code: 601211), and an external supervisor of China Merchants Bank Co., Ltd. a company listed on the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036). Mr. Jin obtained a Bachelor of Arts in English from Anhui University. He received a master's degree in International Law from China University of Political Science and Law. Mr. Jin is an adjunct professor at the Renmin University of China Lawyer College, a visiting scholar of the John F. Kennedy School of Government, Harvard Kennedy School, an arbitrator of Shenzhen Court of International Arbitration, and Arbitration Foundation of Southern Africa, a member of the Inter-Pacific Bar Association, and the PRC legal counsel of US Court of Appeals for the Washington D.C Circuit.

Ms. Sun Ivy Connie ("Ms. Sun"), aged 44, was appointed as an independent non-executive Director in November 2018. Ms. Sun is experienced in primary market investments, fund raising and fund management. She is currently the director, as well as the founder, of an asset management institution focusing on privately offered investment opportunities. Ms. Sun had worked at a British law firm in Hong Kong and a PRC law firm in Beijing, China. During her practice, she specialised in mergers and acquisitions, financial restructuring and listing. Ms. Sun obtained a Bachelor of Laws from Victoria University of Wellington in New Zealand. She was admitted as a barrister and solicitor of the High Court of New Zealand.

Ms. Zhong Yingjie, Christina ("Ms. Zhong"), aged 54, was appointed as an independent non-executive Director in October 2021. Ms. Zhong has experience in the accounting and auditing field, she is currently a senior advisor to chairman of Hopu Investments. She is a certified public accountant in the PRC and worked for the National Audit Office of the PRC. Ms. Zhong also has extensive experience in finance and capital markets. Ms. Zhong worked for Morgan Stanley Asia Limited from 2008 to 2017 and served as a Managing Director and the head of division of financial institutions in China. Ms. Zhong had also served in various capacities in the past, including as an executive director of Goldman Sachs Gao Hua Securities Company Limited and a Vice President of China International Capital Corporation Limited. Ms. Zhong had served as an independent non-executive Director of China Shenhua Energy Company Limited, a company listed on the Stock Exchange (stock code: 1088) and the Shanghai Stock Exchange (stock code: 601088) and has been the chief financial officer of HH&L Acquisition Co., a company listed in the New York Stock Exchange (stock code: HHLA), since December 2020. Ms. Zhong graduated from Wuhan University in Auditing with a bachelor's degree and obtained a master's degree in Business and Administration from China Europe International Business School (CEIBS).

Company secretary

Mr. Chow Chi Shing ("Mr. Chow") is the financial controller and company secretary of the Group. He joined the Group in year 2015 and is responsible for the financial and accounting and company secretarial matters of the Group. Mr. Chow is experienced in the accounting and finance field, as well as in company secretarial practices. He worked in a leading international audit firm, companies listed on the Stock Exchange and a multi-national corporation. Mr. Chow graduated with a bachelor's degree in accounting from the Hong Kong University of Science and Technology. Mr. Chow is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

CORPORATE GOVERNANCE REPORT

Compliance with the Corporate Governance Code

The Company continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Company and to safeguard the interest of the shareholders of the Company ("the Shareholder(s)").

The Board and the management of the Company are committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize effective internal control, accountability and transparency of the Board and are adopted in the best interest of the Company and its shareholders.

Accordingly, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

Save as disclosed in this report, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code throughout the Current Year.

Non-Compliance with the Code Provision C.1.6 of the CG Code

According to code provision C.1.6 of the CG Code, independent non-executive Directors should attend shareholders' meetings and have a comprehensive and impartial understanding of the shareholders' opinions. Mr. Jin Qingjun, an independent non-executive Director, was unable to attend the Company's annual general meeting the ("2022 AGM") held on 8 September 2022 due to other commitments and work obligations.

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 as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries to all Directors, they confirmed that they have complied with the required standards set out in the Model Code throughout the Current Year.

Board of Directors

The Board sets directions and formulates the overall strategies for the Group, monitors its overall performance and maintains effective supervision over the management running the Group through relevant committees of the Board. In particular, the Board oversees the implementation of strategies by management, reviews the operational and financial performance, and provides oversight to ensure that a sound system of internal control and risk management is in place. Each Director ensures that he/she carries out his/her duties in good faith and compliance with the standards of applicable laws and regulations, and acts in the interest of the Company and its Shareholders at all times.

Board Composition

As at the date of this report, the Board comprises eight Directors, including four executive Directors, namely, Mr. Wu Hao (Chairman), Mr. Hu Yangjun and Mr. Chan Wing Yuen, Hubert and Mr. Zhang Bing; a non-executive Director, namely Mr. Li Wei Qi, Jacky; and three independent non-executive Directors, namely, Mr. Jin Qingjun, Ms. Sun Ivy Connie and Ms. Zhong Yingjie, Christina. Biographical details of the Directors are set out under the section headed "Directors and Company Secretary" on pages 15 to 17 of this annual report. The composition of the Board is in accordance with the requirement of rule 3.10 of the Listing Rules. There are three independent non-executive Directors and one of them has an accounting professional qualification. One-third of the members of the Board are independent non-executive Directors. In compliance with code provision C.1.8 of the CG Code, the Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors.

The presence of three independent non-executive Directors is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances to safeguard the interests of Shareholders and the Group. The independent non-executive Directors provide the Group with a wide range of expertise and experience so that independent judgement can be exercised effectively. They have also participated in Board meetings and general meetings, dealt with potential conflicts of interest, served on the audit committee of the Company (the "Audit Committee"), the Remuneration Committee and the nomination committee of the Company (the "Nomination Committee") and scrutinized the Group's performance and reporting. Through their active participation, the management process of the Company can be critically reviewed and controlled.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All Directors have given sufficient time and attention to the Company's affairs. The Board believes that the ratio between executive Directors and independent non-executive Directors provides reasonable and adequate checks and balances for the Board in the decision making process. The Board is responsible for the appointment of new Director and nomination for re-election by the Shareholders at the annual general meeting of the Company. Under the articles of association of the Company (the "Articles of Association"), the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any new Director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office until the next annual general meeting after his/her appointment and shall then be eligible for re-election at such meeting.

Independence

The Company has received an annual confirmation of independence from each of the independent non-executive Director in accordance with Rule 3.13 of the Listing Rules and each of them has declared fulfilment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Accordingly, the Company considers that all the independent non-executive Directors are independent.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Board and General Meetings

During the year, sixteen full Board meetings and one general meeting were held. The Directors attended those meetings in person, by phone or through other electronic means of communication. The external auditor attended the 2022 AGM to answer questions. The attendance of each Director is set out as follows:

	Attendance/Number of meetings held during the tenure of directorship	
Name	**Board meetings**	**Annual General meeting**
Executive Directors		
Mr. Wu Hao	16/16	1/1
Mr. Hu Yangjun	14/16	1/1
Mr. Chan Wing Yuen, Hubert	16/16	1/1
Mr. Zhang Bing (appointed on 10 February 2023)	0/0	0/0
Non-executive Director		
Mr. Li Wei Qi, Jacky	14/16	1/1
Independent non-executive Directors		
Mr. Jin Qingjun	14/16	0/1
Ms. Sun Ivy Connie	14/16	1/1
Ms. Zhong Yingjie, Christina	14/16	1/1

Management Function

The Articles of Association set out matters which are specifically reserved to the Board for its decision. The management team meets together regularly to review and discuss with the executive Directors day-to-day operational issues, financial and operating performance as well as to monitor and ensure that the management is carrying out the directions and strategies set by the Board properly.

Relationships Between Directors

Mr. Wu Hao, the chairman and an executive Director, is a cousin of Mr. Hu Yangjun, an executive Director. To the best knowledge of the Company, save as disclosed herein, during the year, none of the other current Directors has or maintain any financial, business, family or other material, relevant relationship with any of the other Directors.

Training and Support of Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement(s) to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed upon by the Board to ensure Directors, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expense.

All Directors, namely Mr. Wu Hao, Mr. Hu Yangjun, Mr. Chan Wing Yuen, Hubert, Mr Zhang Bing, Mr. Li Wei Qi, Jacky, Mr. Jin Qingjun, Ms. Sun Ivy Connie and Ms. Zhong Yingjie, Christina confirmed that they have complied with code provision C.1.4 of the CG Code on Directors' training. All Directors have participated in continuous professional development by reading materials or participating courses, seminars and online debriefs regarding taxation, compliance, and global economic development to develop and refresh their knowledge.

The Roles of the Chairman and Chief Executive

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Wu Hao, the chairman of the Board, is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner while Mr. Chan Wing Yuen, Hubert, the chief executive of the Group, is responsible for running the Group's business and the implementation of the approved strategies of the Group.

Non-Executive Directors

The term of the appointment letters of all the non-executive Directors (including independent non-executive Directors) are for a fixed term of one year and will be renewed automatically if no objection is raised by both parties.

All Directors (including the executive Directors) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company and are eligible for re-election pursuant to the Articles of Association.

Delegation by the Board

The Board has set up three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The Audit Committee has been established with written terms of reference setting out the duties, responsibilities and authorities delegated to them by the Board. The written terms of reference of the Audit Committee conform to the requirements laid down in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Jin Qingjun, Ms. Sun Ivy Connie and Ms. Zhong Yingjie, Christina. Ms. Zhong Yingjie, Christina is the chairman of the Audit Committee and is also a certified public accountant in the PRC. She is experienced in the accounting and auditing field, and worked for the National Audit Office of the PRC.

The primary functions of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual items, reviewing the effectiveness of the Group's financial reporting processes and adequacy of the internal control system, reviewing the risk management system and associated procedures, reviewing the scope and nature of the audit carried out by the Company's auditor. The Audit Committee meets at least twice a year to discuss any issues from the audit and any other matters the external auditor may wish to raise. The Audit Committee has reviewed the Group's annual results for the Current Year.

During the year, three meetings were held and the attendance of each member is set out as follows:

Name	Attendance/No. of meetings held during the tenure of directorship
Mr. Jin Qingjun	3/3
Ms. Sun Ivy Connie	3/3
Ms. Zhong Yingjie, Christina	3/3

The following is a summary of work performed by the Audit Committee during the year:

1. Reviewed the draft of financial statements of the Company prior to audit and/or review performed by the external auditor and issued its approval to audit and/or review;

2. Reviewed the Group's interim and annual results and corporate governance matters for inclusion in the Company's annual report for the year ended 31 March 2022 and interim report for the six months ended 30 September 2022 with the management and external auditor of the Company and recommended them to the Board for review and approval;

3. Reviewed the Company's financial controls, internal controls and risk management systems, reviewed and approved the risk management and internal audit report for the Current Year and discussed the risk management and internal control systems with the management to ensure that management has performed its duty to have effective systems;

4. Reviewed the accounting principles and practices adopted by the Group with the management of the Company for the year ended 31 March 2022;

5. Reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, their independence and objectivity and made recommendation to the Board on the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company; and

6. Reviewed the terms of reference of the Audit Committee.

Remuneration Committee

The Remuneration Committee has been established with written terms of reference setting out the duties, responsibilities and authorities delegated to them by the Board. The written terms of reference of the Remuneration Committee conform to the requirements laid down in the CG Code. As at the date of this report, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Jin Qingjun, as chairman, and Ms. Sun Ivy Connie; and one executive Director, namely Mr. Chan Wing Yuen, Hubert. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration structure for all Directors and senior management of the Group. The annual emoluments payable to Directors were recommended by the Remuneration Committee, with a view to recruit and retain high-calibre personnel that are valuable to the Group, with references to their experiences, responsibilities and duties as well as the prevailing market conditions. Details of the Directors' remuneration for the Current Year are set out in note 12 to the consolidated financial statements.

During the year, four meetings were held and the attendance of each member is set out as follows:

Name	Attendance/No. of meetings held during the tenure of directorship
Mr. Chan Wing Yuen, Hubert	4/4
Mr. Jin Qingjun	4/4
Ms. Sun Ivy Connie	4/4

The following is a summary of work performed by the Remuneration Committee during the year:

1. Reviewed the policy for the remuneration of executive Directors;

2. Assessed performance of executive Directors;

3. Reviewed the terms of executive Director's service contract;

4. Made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. Reviewed the terms of reference of the Remuneration Committee;

6. Recommended to the Board the remuneration packages of the newly appointed executive Director; and

7. Reviewed and made recommendations to the Board on granting of share options to Directors and eligible employees.

Summary of matters relating to the Share Option Scheme reviewed by the Remuneration Committee

During the Current Year, 29,787,000 share options have been granted to four Directors and eligible employees of the Group on 15 December 2022.

Vesting period and Performance target

The Share Option Scheme provides no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised. The Remuneration Committee has noted that the purpose of the Share Option Scheme is to recognize and acknowledge the contributions or potential contributions made or to be made by the eligible grantees to the Group and that the Share Option Scheme does not restrictively specify the contribution.

The Remuneration Committee has also considered (a) the importance of the roles and responsibilities of the grantees; (b) the past performance and contributions of the grantees; and (c) the expected contributions of the grantees to be made to the future development of the Group and is of the view that the grant of share options without any performance target aligns with the purpose of the Share Option Scheme.

Clawback mechanism

There is no clawback mechanism attached to the share options. The share options granted shall lapse and cannot be exercised with immediate effect if the grantees, who is an employee (including any Director), ceases to be an employee or a director of the Group on the ground including, but without limitation to, that he or she has been guilty of serious misconduct.

In recommending the grant of share options to Directors and employees, the Remuneration Committee has taken into account factors like: (a) the purpose of the Share Option Scheme which is to recognize and acknowledge the contribution the grantees have made or may make to our Group as well as to provide motivation and optimize the performance and efficiency of such grantees; (b) the remuneration practice of the Group; (c) the duration of employment, remuneration package and contribution of the grantees; and (d) the prevailing market practice and industry wide comparison in order to enhance the competitiveness of the Group to retain talents and to provide incentives and motivation for the grantees to perform better.

The Remuneration Committee were of the view that no performance target and restriction on vesting period being recommended and set for the grants were appropriate considering:

(i) fulfilment of the purpose of the Share Option Scheme could be achieved without such requirements;

(ii) the prevailing market practice at the time to the grant;

(iii) the primary reason for the grants were to recognize the commitment, support and satisfactory performance of the grantees;

(iv) the leadership, management and strategic business development provided by the executive Director; and

(v) in line with the general practice of the Company to grant share options with shorter vesting period and without any performance target and clawback mechanism.

In addition, the grant of share options to the executive Director and non-executive Director had been approved by the independent non-executive Directors in Rule 17.04(1) of the Listing Rules. The Director concerned had abstained from voting in relation to the grant of share options to himself.

Nomination Committee

The Nomination Committee has been established with written terms of reference setting out the duties, responsibilities and authorities delegated to them by the Board. As at the date of this report, the Nomination Committee comprises of two independent non-executive Directors, namely Mr. Jin Qingjun, as chairman and Ms. Sun Ivy Connie; and one executive Director, namely Mr. Chan Wing Yuen, Hubert.

The primary functions of the Nomination Committee include making recommendations to the Board on the appointment of Directors and reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the issuer's corporate strategy.

During the year, two meetings were held and the attendance of each member is set out as follows:

Name	**Attendance/No. of meetings held during the tenure of directorship**
Mr. Jin Qingjun	2/2
Mr. Chan Wing Yuen, Hubert	2/2
Ms. Sun Ivy Connie	2/2

The following is a summary of work performed by the Nomination Committee during the year:

1. Reviewed the policy for the nomination of Directors and senior management;

2. Reviewed the structure, size, composition and the Board diversity policy (including the skills, knowledge and experience) of the Board;

3. Recommended to the Board the re-appointment of Mr. Wu Hao as executive Director, Mr. Li Wei Qi, Jacky as non-executive Director, and Mr. Jin Qingjun and Ms. Sun Ivy Connie as independent non-executive Director;

4. Assessed the independence of the independent non-executive Directors;

5. Recommended the Board on the reappointment of the retiring Directors;

6. Reviewed the terms of reference of the Nomination Committee; and

7. Recommended to the Board the appointment of Mr. Zhang Bing as executive Director.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") on the recommendation of the Nomination Committee, which sets out the criteria and process for the nomination and appointment of Directors of the Company. The Board considers that the Nomination Policy could ensure a balance of skills, experience and diversity of perspectives catered to the Company in the composition of the Board and continuity and appropriate leadership at the Board level. The Nomination Policy applies to the Directors of the Company and where applicable, senior management being groomed for Board positions pursuant to the succession planning of the Company.

The Board has delegated its responsibilities and authority for the selection and appointment of Directors to the Nomination Committee. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for the selection and appointment of Directors of the Company rests with the entire Board.

In evaluating and selecting any candidate for directorship, the Nomination Committee will consider (i) character and integrity; (ii) qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy of the Company (the "Board Diversity Policy") that are relevant to the Company's business and corporate strategy; (iii) any measurable objectives adopted for achieving diversity on the Board; (iv) requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; (v) any potential contributions the candidate can bring to the Company and/or the Board in terms of qualifications and skills; (vi) experience, independence, gender and race diversity; (vii) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; (viii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of Directors and succession planning.

The nomination process of selection and appointment of new Director

The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If the process yields more than one desirable candidate, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and the reference check on each candidate (where applicable). The Nomination Committee should then recommend that the Board to appoint the most appropriate candidate for directorship, as applicable. For any person that is nominated by a Shareholder for election as a Director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendations to the Shareholders with respect to the proposed election of Directors at a general meeting.

The nomination process of re-election of Director at general meeting

The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each Director and his/her level of participation and performance on the Board. The Nomination Committee and/or the Board should also review and determine whether the Director continues to meet the criteria as set out above. The Nomination Committee and/or the Board should then make recommendations to the Shareholders in respect of the proposed re-election or replacement of Directors at a general meeting. Where the Board proposes a resolution to elect or re-elect a candidate as Director at a general meeting, the relevant information of the candidate will be disclosed in the circular to the Shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee has conducted regular reviews on the structure, size and composition of the Board and the Nomination Policy and considered that the current Nomination Policy complements the Company's corporate strategy and business needs.

Corporate Governance

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

Board Diversity Policy

The Board has adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and to support the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity is considered from a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board.

As of the date of this report, the Board consists of two female Directors and six male Directors. The Board is satisfied with the gender diversity of the Board and intends to continue maintaining board diversity. The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies in order for the Board to be effective. The Nomination Committee will monitor the implementation of this policy and will from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will also 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's composition and the Board Diversity Policy satisfy the diversification requirements.

Employee diversity

The Company also takes into account relevant factors in the recruitment and selection of key business management personnel and other personnel, and strives to maintain gender diversity. As at 31 March 2023, the gender ratio of all employees (including senior management) of the Company was 52.5% male and 47.5% female. We will continue to maintain gender diversity among all our staff and review our policies on employee recruitment and management in a timely manner in accordance with the Company's business development and needs.

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy") that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting the Group's working capital requirements and future growth as well as its shareholding value.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations. The dividend payout ratio will vary from year to year. There is no assurance that a dividend will be proposed or declared in any particular amount any given period. When considering the declaration and payment of dividends, the Board shall take into account (i) financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) capital requirements and expenditure plans; (vi) interests of the Shareholders; (vii) any restrictions on payment of dividends; and (viii) any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate. The Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividends shall be declared in excess of the amount recommended by the Board subject to the Articles of Association and all applicable laws and regulations. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association. The Board will review the Dividend Policy as appropriate from time to time.

Auditor's Remuneration

Analysis of remuneration paid and accrued in respect of audit and non-audit services provided by the external auditor, Messrs. Deloitte Touche Tohmatsu, for the Current Year is as follows:

Nature of services	**Amount** HK$'000
Audit services	1,150
Non-audit services — Interim Review	350
Non-audit services — Others	18

Company Secretary

Mr. Chow Chi Shing has been the company secretary of the Company since November 2015. Mr. Chow reports to the chief executive of the Group directly and is responsible to the Board for ensuring that the Board procedures, applicable law, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of Directors. According to Rule 3.29 of the Listing Rules, Mr. Chow has taken no less than 15 hours of relevant professional training for the Current Year.

Responsibilities in Respect of the Financial Statements

The Directors are responsible for ensuring that the consolidated financial statements for each financial year are prepared to reflect a true and fair view of the state of affairs, profitability and cash flows of the Group in accordance with the disclosure requirements of the Listing Rules, Hong Kong Companies Ordinance and the applicable accounting standards.

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements for the Current Year. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relative to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement issued by the external auditor of the Company regarding its reporting responsibilities was set out in detail in the Independent Auditor's Report on pages 48 to 52 of this annual report.

Risk Management and Internal Control

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard shareholder investments and the Group's assets and reviewing the effectiveness of such system on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Organizational Structure

Board

The Board is responsible for assessing and determining the nature and extent of risks that the Company is willing to accept for achieving the purposes, and procuring the Company to set up and maintain proper and effective risk management and internal control systems. With the assistance of the Audit Committee, whose authority has been delegated by the Board, the Board maintains constant monitoring of the risk management and internal control systems of the Group, as well as conducting reviews at least once a year as to its effectiveness.

Audit Committee

The Audit Committee is responsible for the risk management and internal control systems that provide advices and supports to the Board in respect of all risk-related matters, including monitoring the implementation of the overall risk management procedures of the Group, conducting review of the risk register of the Group, review and approve the internal control review plan and its results.

Management

The management of the Group is responsible for identifying and continuously monitoring the Group's exposure to risks in relation to strategy, operation, finance, reporting and compliance during the daily operations of the Group. It reports to the Board and the Audit Committee regarding the risks and their changes, formulates a set of internal control measures to mitigate the risks, collects through various channels the deficiencies of the internal control system and conducts rectifications in a timely manner.

Internal Audit Function

The Group has put in place the internal audit function. An annual review of the effectiveness of the risk management procedures of the Group will be conducted by the management and the Audit Committee, and professional internal control advisers may be consulted if necessary. The plan for internal control review will be submitted to the Audit Committee for review and approval, and the person in charge of the internal control review will also report the review results to the Audit Committee.

Risk Management Procedures

The Group has established a risk management framework, including the construction of the architecture for the aforementioned organisation and definition of the responsibilities of all parties concerned, and prepared risk management policies and processes and clarified the risk assessment procedures, which, specifically include risk identification, risk analysis, risk control and risk report.

Step 1: Risk identification — identify current risks exposed to the Group and business and existing management and control measures therefore.

Step 2: Risk analysis — analyse the possibility, extent of influence and existing management and control measures, identify risk exposure, and propose further countermeasures.

Step 3: Risk control — implement and periodically detect the identified risks to ensure effective operation of risk countermeasures.

Step 4: Risk report — summarise the results of risk management analysis, prepare action plans and report to the management, Audit Committee and the Board.

The Company would appoint an independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary. Such a review aims to examine key issues in relation to the accounting practices and all material controls, identify deficiencies and ineffective parts in the design and implementation of internal controls, and propose recommendations for improvement. With the assistance of the Audit Committee, the Board has reviewed and been aware of the effectiveness and sufficiency of the risk management and internal control systems of the Group.

Main Features of Risk Management and Internal Control System

Maintaining an effective internal control system (Operational Level)

- Definite internal control policies and procedures are in place to enable clear segregation of responsibilities, authority and accountability of different departments and positions;
- Code of conduct has been formulated to promote integrity and ethical conducts to the staff;
- Whistleblowing system is set up to encourage employees to report any misconduct or fraud;
- Appropriate IT system access restrictions have been set to avoid disclosure of price-sensitive information;
- Policies regarding insider information disclosure are established, which involve reporting channels. The person in charge of the information disclosure will be responsible for answering external enquiries and seek consultation from professional financial consultants or the Stock Exchange when necessary.

During the Current Year, the Board reviewed the effectiveness of the internal control policies and procedures, including the procedures regarding financial reporting and those as stipulated under the Listing Rules. When reviewing the risk management and internal control procedures, the Board had taken into consideration the adequacy of resources for accounting, internal audit and financial reporting, the qualifications and experience of the staff, training to be provided to the staff and the relevant budget.

Ongoing Monitoring of Risks (Risk Management Level)

Based on the risk management policies as formulated by the Board, the management will communicate with different operational departments and collect information of significant risk factors which will affect the Group in a bottom up approach and consistently monitor changes in risks. Risks which have been identified will be recorded in a risk register. Regular assessment will be carried out on the potential impact on the Group and the possibility of occurrence of each major risk so as to lay down relevant internal control measures.

The Company has procedures and internal controls for the handling of confidential information and dissemination of inside information. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. The Company also established procedures to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Current Year, the management reviewed risk management structure and procedures and submitted to the Board and the Audit Committee a risk assessment report and a 3-year plan of internal control review, so that the Board and the Audit Committee can enable effective monitoring of the Group's major risk and gain a better understanding of how the management handle and mitigate the risks.

Independent Review

The internal audit team of the Group is comprised of persons who are not responsible for areas under review. The list and scope of review have been approved by the Audit Committee. The team conducts an independent review of the risk management and internal control systems of the Group so as to assess the effectiveness. A report of internal control review is submitted to the Audit Committee.

During the Current Year, the internal audit team had completed a review on internal control for the year, period of reviews covered transactions carried out from 1 April 2022 to 31 March 2023. The management had implemented rectifications and remediated internal control weaknesses identified. The internal audit team had reported the review results to the Audit Committee.

During the Current Year, the Board, in conjunction with the Audit Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. A review of the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls has been conducted, and considered that the systems are effective and adequate. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions, and considered that they are adequate.

Constitutional Documents

The Shareholders have approved and adopted the revised and restated outline and detailed rules of the memorandum of the Company ("the Memorandum") and the Articles of Association at the 2022 AGM, incorporating (among other things) (i) core standards to safeguard shareholders and incorporating certain internal modifications, and (ii) allowing the Company's general meetings to be held in electronic or hybrid format, in compliance with applicable laws of the Cayman Islands and the Listing Rules.

The new outline and detailed rules of the Memorandum and the Articles of Association can be accessed on the Stock Exchange and the Company's website. Apart from the disclosure above, there have been no other significant changes to the Memorandum and the Articles of Association during the Current Year.

Communications with Shareholders and Shareholders' Right

The Company treats all Shareholders equally and ensures that the Shareholders' rights are protected and every convenience is provided to them where practicable to enable the exercise of their rights. The Company has adopted the Shareholder communication policy and the procedures for Shareholders to propose a person for election as Director to ensure that our Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable them to exercise their rights in an informed manner and to allow them to engage actively with the Company. After reviewing the implementation and effectiveness of the shareholder communication policy, the Company has determined that the policy is effective.

Shareholders' Rights to Convene an Extraordinary General Meeting

Under Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such a meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at Shareholders' meeting. Proposal shall be sent to the Board or the company secretary of the Company by written requisition. Pursuant to the Articles of Association, Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures set out in the preceding paragraph.

Procedures for putting forward proposals at general meetings of the Company

Pursuant to Article 85 of the Articles of Association, no person, other than a Director retiring at the general meeting, shall, unless recommended by the Board for election, be eligible for election to the office of the Director at any general meeting, unless a notice in writing of the intention to propose a person for election as a Director signed by a Shareholder of the Company (other than the person to be proposed) and a notice in writing signed by that person of his willingness to be elected shall have been lodged at the Company's head office and principal place of business in Hong Kong at Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong. The period for lodgment of the notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven 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 seven days.

If a Shareholder wishes to propose a person to stand for election as a Director, the biographical details of the person to be proposed as required by Rule 13.51(2) of the Listing Rules must also be lodged at the Company with the above written notices and the candidate should be evaluated by the Nomination Committee and the Board. The Company is required under Rule 13.73 of the Listing Rules to provide information about the proposal, which the Board considered appropriate, in a supplementary circular or by way of an announcement not later than ten business days before the general meeting. If the above notices are received by the Company less than twenty one days prior to the date of the general meeting, the Company may need to consider the adjournment of the general meeting.

Procedures for making enquiries to the Board

Shareholders are encouraged to maintain direct communication with the Company. Shareholders may send their enquiries requiring the Board's attention to the company secretary of the Company at the Company's principal office address at Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

Investor Relations

The Company endeavours to maintain good investor relationships with the Shareholders and potential investors by way of meeting them at annual general meetings and publishing interim and annual reports on the websites of the Company and the Stock Exchange.

The Company's website was set up as a means to provide information about the Company to the Shareholders and potential investors and to communicate with them directly and effectively. Shareholders are also encouraged to attend the Company's annual general meetings and general meetings for which notices are served for an adequate period in accordance with the provisions of the Listing Rules and the Articles of Association. The Directors are available to answer questions on the Group's business at the meetings.

REPORT OF THE DIRECTORS

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

Principal Activities

The principal activity of the Company is investment holding, and its principal subsidiaries are principally engaged in jewelry business in the PRC and Hong Kong and energy business in the PRC, Hong Kong and other countries. Details of the principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements. Details and respective analysis of the main segments information of the Group during the year are set out in note 6 to the consolidated financial statements.

Business Review

The business review of the Group for the Current Year and a review of the Group's future development are set out in the section headed "Management Discussion and Analysis" of this annual report.

Environmental Policy and Performance

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility. The Group is committed to maximizing energy conservation in its offices by promoting efficient use of resources such as lighting and air-conditioning systems and encouraging recycling of office supplies and other materials. The Group continually seeks to identify and manage energy efficiency opportunities in order to minimize environmental impacts attributable to its operational activities if possible.

Environmental, Social and Governance Report

The Group strives to protect the environment and minimize any negative impact on the environment and occupational health and safety induced by our business, achieving the goal of sustainable development.

Pursuant to rule 13.91 of the Listing Rules, an Environmental, Social and Governance ("ESG") Report of the Company for the Current Year in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules will be published on the Stock Exchange's website and the Company's website at the same time as the publication of the annual report of the Company.

Compliance with Relevant Law and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. As far as the Board and management are aware, the Group has complied with all relevant laws and regulations in material aspects which may have significant impact on the business and operations of the Group during the Current Year.

Principal Risks and Uncertainties Facing the Company

The Group's financial conditions, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risk of Economic Downturn

The business environment in the near future is challenging due to a number of factors such as uncertainty over the global economy, the escalated trade conflict between the PRC and the United States, geopolitical risk and the unpredictability of the pandemic. The adverse changes in the economic environment may result in reduced demand for our products, reduced sales price, order cancellations, lower revenue and margins and heavier burden on distribution costs. Therefore, the Group's management will refine and review business strategies based on its analysis of the macroeconomic changes, and consider business diversification so as to adapt to the overall economic change.

Risk of Regulatory Policies

The Chinese government is gradually intensifying requirements on energy conservation and environmental protection. While the Group's current operation is in compliance with regulatory requirements, any future changes in relevant laws or regulations may have an impact on the operation and may increase expenses and costs. Therefore, policies which are in compliance with relevant laws and regulations have been in place to minimize such risks. In addition, the Group has been maintaining close communication with government departments proactively to take measures timely in line with the industrial changes and the standards of policymaking.

Technical Risk

The future returns and success of the Group depend on specialised technology applied to products. The business and profitability of the Group may be affected by the launch of any major technology. Also, the competitors' duplication of the specialised technology may lead to a decline in the market position of our products. Not only has the Group ensured that its specialised technology applied in products has been registered legally under the Intellectual Property Law of China, but it has also entered into employment contracts with non-disclosure terms with the personnel who may have access to the specialised technology, and has strictly controlled the access area and authority.

Risk of Human Resources

There are fierce competitions in the industry and regions where the Group operates. Thanks to the experienced and skillful key personnel, including management, research and development personnel and technical engineers, the Group is able to maintain a competitive position. The incapability of attracting sufficient key personnel or outflow of skillful and experienced talents may impair the normal operation or quality of the Group, or even restrict its development. The Group is fully aware of such risks and endeavors to provide competitive remuneration packages as well as various incentive mechanism to attract suitable talents while catering to the overall needs for cost-savings, in order to meet the requirement of corporate development. The Group will also review the employers' benefits regularly, conduct manpower planning to replenish sufficient staff in time.

Financial Risks

The Group also faces financial risks in the ordinary course of business. Details of financial risk management objectives and policies are set out in notes 34 and 35 to the consolidated financial statements.

Relationship with Employees, Customers and Suppliers

The Company recognizes that employees are our valuable assets. Thus, the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationships with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, the management will continue to ensure effective communication and develop mutually beneficial relationships with them. During the year under review, there was no material and significant dispute between the Group and its customers, suppliers or other business partners.

Results and Dividends

The results of the Group for the Current Year and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 53 to 145 of this annual report.

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

Annual General Meeting

The forthcoming annual general meeting of the Company is to be held on Thursday, 7 September 2023 (the "2023 AGM") and the notice of the 2023 AGM will be published and dispatched to the Shareholders of the Company within the prescribed time and in such manner as required by the Listing Rules.

Closure of Register of Members

The register of members will be closed from Monday, 4 September 2023 to Thursday, 7 September 2023 (both dates inclusive), during which period no transfer of shares of the Company (the "Share(s)") will be effected. In order to qualify to attend and vote at the 2023 AGM, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 pm on Friday, 1 September 2023.

Summary of Financial Information

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 146 of this annual report.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Borrowing

Details of the bank borrowing of the Group as at 31 March 2023 are set out in note 27 to the consolidated financial statements.

Subsidiaries

Particulars of the Group's principal subsidiaries are set out in note 41 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Distributable Reserves

The Company had no reserves available for distribution to the Shareholders as at 31 March 2023 and 2022.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 30 to the consolidated financial statements.

Major Customers and Suppliers

For the Current Year, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 92.6% of the total sales of the Group and the largest customer included therein amounted to approximately 57.3%.

For the Current Year, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 91.1% of the total purchases of the Group and the largest supplier included therein amounted to approximately 64.4%.

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

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors:
Mr. Wu Hao *(Chairman)*
Mr. Hu Yangjun
Mr. Chan Wing Yuen, Hubert *(Chief Executive)*
Mr. Zhang Bing (appointed on 10 February 2023)

Non-executive Director:
Mr. Li Wei Qi, Jacky

Independent non-executive Directors:
Mr. Jin Qingjun
Ms. Sun Ivy Connie
Ms. Zhong Yingjie, Christina

According to article 84(1) of the Articles of Association, Mr. Hu Yangjun, Mr. Chan Wing Yuen, Hubert and Ms. Sun Ivy Connie, all being Directors shall retire from office by rotation and being eligible, will offer themselves for re-election as Director at the forthcoming 2023 AGM.

According to article 83(3) of the Articles of Association, Mr. Zhang Bing (who was appointed on 10 February 2023 as an executive Director) being Director appointed by the Board to fill casual vacancies, shall hold office only until the forthcoming AGM and being eligible, will offer himself, for re-election as Director at the forthcoming 2023 AGM.

The biographical details of the Directors are set out under the section "Directors and Company Secretary" of this annual report.

Update on Directors' Information under Rule 13.51B(1) of the Listing Rules

Upon specific enquiry by the Company and based on the confirmation from the Directors, the change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report are set out below:

Mr. Zhang Bing has been appointed as an executive Director on 10 February 2023. His biographical details and information as disclosed pursuant to Rule 13.51(2) of the Listing Rules are set out in the announcement of the Company dated 10 February 2023.

The Board approved as recommended by the Remuneration Committee the inclusion of an emolument comprising a fixed monthly salary of HK$25,000 and respective contribution to the statutory retirement benefits scheme into the remuneration package of Mr. Hu Yangjun with effect from 17 December 2022 in view of his significant performance on building trust between the business partners and the Group and strengthen the investor relationship functions in Hong Kong.

Directors' Service Contracts

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

Permitted Indemnity Provision

Under the Articles of Association, 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 against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Continuing Connected Transactions, Connected Transactions and Other Related Party Transactions" in this Report of the Directors, no transactions, arrangements or contracts of significance, to which the Company, its holding company, fellow subsidiaries or its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

As at 31 March 2023, none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2023, the interests and short positions of the Directors and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions

Ordinary Shares of HK$0.01 each

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total interest	Approximate percentage of the total issued Shares
Mr. Hu Yangjun	Interests of controlled corporation and personal interest	207,784,000[(1)]	387,000[(2)]	208,171,000	53.71%
Mr. Wu Hao	Personal interest	6,036,000	3,800,000[(2)]	9,836,000	2.54%
Mr. Chan Wing Yuen, Hubert	Personal interest	3,300,000	3,800,000[(2)]	7,100,000	1.83%
Mr. Zhang Bing	Personal interest	–	74,070,270[(3)]	74,070,270	19.11%
Mr. Li Wei Qi, Jacky	Personal interest	2,736,000	1,530,000[(2)]	4,266,000	1.10%
Mr. Jin Qingjun	Personal interest	–	330,000[(2)]	330,000	0.09%

Notes:

(1) Mr. Hu Yangjun had a direct interest of 3,066,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich Capital Limited ("Resources Rich"), a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.

(2) These interests represented the interests in underlying Shares in respect of share options granted to the Directors under the Share Options Scheme.

(3) The interests in underlying Shares are comprised of the Share Options granted by the Company to subscribe for 3,800,000 Shares at exercise price of HK$0.574 per Share to Mr. Zhang Bing under the Share Options Scheme and the convertible bond of the Company in the principal amount of HK$52,000,000 issued by the Company to convert for 70,270,270 Shares at conversion price of HK$0.74 per Share to Mr. Zhang Bing.

Save as disclosed above, as at 31 March 2023, no interest and short position in the Shares, underlying Shares or debentures were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executives of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

Save as disclosed above, at no time during the year was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

A share option scheme was adopted by the Company on 9 September 2016 (the "Share Option Scheme") and will expire on 8 September 2026. Following the consultation conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published by the Stock Exchange in July 2022, Chapter 17 of the Listing Rules was amended and became effective from 1 January 2023. In light of the above, the Board proposes to recommend to the Shareholders to terminate the Share Option Scheme 2016 and adopt a new share option scheme (the "New Share Option Scheme") by way of the ordinary resolution at the annual general meeting. No further options will be granted under the Share Option Scheme 2016 following its termination, but in all other respects its provisions shall remain in full force and effect.

The purpose of the Share Option Scheme is to facilitate the retention and the recruitment of high-calibre staff of the Group and/or any entities in which the Group holds any equity interests (if applicable) and attract resources that are valuable to the Group or those invested entities to the benefit of the Company's future business development. The participants of the Share Option Scheme include any employee (whether full-time or part time including any executive Director), officer (including any non-executive Director and independent non-executive Director) and substantial shareholder, consultant, agent, adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, any member of or any invested entity of the Group, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the above mentioned category(ies) of persons, or any other person who the Board considers, in its sole discretion, has contributed or will contribute to the Group.

The maximum number of ordinary Shares in respect of which options may be granted under the Share Option Scheme (the "Option Scheme Limit") shall not in aggregate exceed 33,815,400 representing 10% of the number of issued Shares as at the annual general meeting held on 5 September 2019 where a resolution for approving the refreshment of the Option Scheme Limit was passed and approximately 8.73% of the Shares is in issue as at the date of this report. During the Current Year, the Company has granted 29,787,000 share options to the Directors and the employees of the Company at the exercise price of HK$0.574 per option. On 31 March 2023, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 34,947,000 (31 March 2022: 5,490,000), representing 9.02% (31 March 2022: 1.42%) of the Shares in issue at that date, further details are disclosed in note 31 to the consolidated financial statements. As at 31 March 2023, there is no service provider sublimit adopted under the Share Option Scheme; and no share options were issued to service providers under Rule 17.03(3) of the Listing Rules.

The above maximum number is subject to the condition that the total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme, together with all outstanding options granted and yet to be exercised under any other share option schemes of the Company (if any), must not, in aggregate, exceed 30% of the number of issued Shares from time to time. No Options may be granted if such grant will result in the said 30% limit being exceeded.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Share Option Scheme and any other share option scheme (if any) adopted by the Company in any 12-month period must not exceed 1% of the Shares in issue unless otherwise approved by the Shareholders. Where any grant of options to a substantial shareholder, an independent non-executive Director, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive Director or a company beneficially owned by any substantial shareholder or independent non-executive Director of the Company) would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to such person in any 12-month period up to and including the date of the grant:

(i) representing in aggregate over 0.1% of the total number of Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million, such grant of option shall be subject to prior approval of the Shareholders who are not a grantee, his associates, or a core connected person of the Company as defined in the Listing Rules.

Unless the Directors of the Company otherwise determine, there is no minimum period for which an option granted under the Share Option Scheme must be held before it can be exercised.

Subject to the terms of the Share Option Scheme, the options can be vested at any time after the expiry of a period which may be determined by the Board from the date of grant of the relevant option.

Options granted must be taken up within 28 days from the date of offer, upon payment of HK$10 by way of consideration for the grant. Subject to terms and conditions upon which the option was granted, options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant.

The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The Share Option Scheme has a life of 10 years and will expire on 8 September 2026.

Pursuant to Rule 17.03D(1) of the Listing Rules, as of 31 March 2023, no grant of options to any one participant in aggregate exceeded 1% of the total of Shares and Shares in issue in any 12-month period up to and including the date of grant under the Share Option Scheme.

During the Current Year, (i) no option has been granted to any service provider; and (ii) no options has been granted to related entity participants which resulted in such grant(s) exceeding the 0.1% limit as regards related entity participants referred to under Rule 17.07(1) within the prescribed time period, in each case, under the Share Option Scheme.

No option was cancelled during the Current Year. Details of the movements of share options granted, exercised or cancelled/lapsed during the year and outstanding as at 31 March 2023 are as follows:

Category of eligible participants	Number of share options					Date of grant[1]	Exercisable period (both dates inclusive)	Exercise price per Share (HK$)
	At 1 April 2022	Granted during the Current Year	Exercised during the Current Year	Cancelled/ Lapsed during the Current Year	At 31 March 2023			
Directors								
Mr. Hu Yangjun	–	387,000	–	–	387,000	15 December 2022	15 December 2022 to 14 December 2032	0.574[2]
Mr. Wu Hao	–	3,800,000	–	–	3,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574[2]
Mr. Chan Wing Yuen, Hubert	–	3,800,000	–	–	3,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574[2]
Mr. Zhang Bing	–	3,800,000	–	–	3,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574[2]
Mr. Li Wei Qi, Jacky	330,000	–	–	–	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
	–	1,200,000	–	–	1,200,000	15 December 2022	15 December 2022 to 14 December 2032	0.574[2]
Mr. Jin Qingjun	330,000	–	–	–	330,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
Mr. Wu Chi Keung[5]	330,000	–	–	(330,000)	–	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
	990,000	**12,987,000**	**–**	**(330,000)**	**13,647,000**			
Five highest paid individuals (excluding Directors)[6]								
In aggregate	500,000	–	–	–	500,000	19 October 2018	1 January 2019 to 18 October 2028	0.636[3]
	–	3,800,000	–	–	3,800,000	15 December 2022	15 December 2022 to 14 December 2032	0.574[2]
	500,000	**3,800,000**	**–**	**–**	**4,300,000**			
Employees								
in aggregate	4,000,000	–	–	–	4,000,000	23 September 2021	23 September 2021 to 22 September 2031	1.12[4]
	–	13,000,000	–	–	13,000,000	15 December 2022	15 December 2022 to 14 December 2032	0.574[2]
	4,000,000	**13,000,000**	**–**	**–**	**17,000,000**			
Total all categories	**5,490,000**	**29,787,000**	**–**	**(330,000)**	**34,947,000**			

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The weighted average closing price of the Shares immediately before the grant dates of the share options was HK$0.574 per Share. The closing price of the Shares immediately before the date on which the options were granted was HK$0.520 per Share.

(3) The weighted average closing price of the Shares immediately before the grant dates of the share options was HK$0.636 per Share. The closing price of the Shares immediately before the date on which the options were granted was HK$0.610 per Share.

(4) The weighted average closing price of the Shares immediately before the grant dates of the share options was HK$1.088 per share. The closing price of the Shares immediately before the date on which the options were granted was HK$1.12 per share.

(5) Mr. Wu Chi Keung was an independent non-executive Director and passed away on 12 October 2021. According to the Share Option Scheme, his legal personal representative(s) shall be entitled to exercise his share options within a period of 12 months from the date of his passing away have lapsed in the Current Year.

(6) The five highest paid individuals for the Current Year includes three existing Directors, whose options are disclosed above.

Convertible Bonds

The Company has issued the 3-year convertible bonds in the aggregate principal amount of HK$52,000,000 with 0% interest per annum to Mr. Zhang Bing, an executive Director, on 5 December 2022, which upon exercise of the conversion rights attached to the convertible bonds in full, the convertible bonds are convertible into 70,270,270 Shares at conversion price of HK$0.74 per conversion share (subject to adjustment). Save as disclosed above, there were no other convertible bonds issued by the Company during the Current Year.

As at 31 March 2023, no convertible bonds was converted into Shares by Mr. Zhang Bing.

Substantial Shareholders

As at 31 March 2023, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors and their associates, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long Positions

Ordinary Shares of HK$0.01 each

Name of Shareholders	Capacity	Total Number of Shares Held in the Company	Approximate percentage total issued Shares
Resources Rich *Note 1*	Beneficial interest	204,718,000	52.82%
Mr. Hu Yangjun *Note 2*	Interests of controlled corporation and personal interest	208,171,000	53.71%
Mr. Hu Yishi *Note 3*	Interests of controlled corporation and personal interest	207,454,000	53.53%
Ms. Zhang Qi *Note 4*	Interest of spouse	208,171,000	53.71%
Ms. Lin Min, Mindy *Note 5*	Interest of spouse	207,454,000	53.53%
Mr. Zhang Bing *Note 6*	Personal interest	74,070,270	19.11%

Notes:

1. 50% of the entire issued share capital of Resources Rich is owned by Mr. Hu Yangjun while the other 50% is owned by Mr. Hu Yishi. Mr. Hu Yangjun and Mr. Hu Yishi are deemed to be interested in all the Shares in which Resources Rich is interested by virtue of the SFO.

2. Mr. Hu Yangjun had a direct interest of 3,453,000, of which 387,000 Shares are outstanding share options granted by the Company to subscribe for 387,000 Shares at exercise price of HK$0.574 per Share, and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.

3. Mr. Hu Yishi had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yishi, within the meaning of Part XV of the SFO.

4. Ms. Zhang Qi is the spouse of Mr. Hu Yangjun. Accordingly, she is deemed to be interested in the same number of Shares and underlying Shares in which Mr. Hu Yangjun is interested in pursuant to the SFO.

5. Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi. Accordingly, she is deemed to be interested in the same number of Shares and underlying Shares in which Mr. Hu Yishi is interested in pursuant to the SFO.

6. Mr. Zhang Bing had a direct interest of 74,070,270, of which 70,270,270 Shares are outstanding convertible bonds of the Company in the principal amount of HK$52,000,000 issued by the Company to convert for 70,270,270 Shares at conversion price of HK$0.74 per Share and 3,800,000 Shares are outstanding share options granted by the Company to subscribe for 3,800,000 Shares at exercise price of HK$0.574 per Share.

Save as disclosed above, as at 31 March 2023, there were no other parties, who had interests or short positions in the Shares or underlying Shares as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Continuing Connected Transactions, Connected Transactions and other Related Party Transactions

Save as disclosed in the section headed "Acquisition of 35% equity interest in Chengdu Huahan Energy Co. Ltd." in the "Management Discussion and Analysis" of this report, the Company and its subsidiaries had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report in compliance with the requirements of Chapter 14A of the Listing Rules during the Current Year. The related party transactions as disclosed in note 38 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, or were exempted from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Constitutional Documents

Pursuant to a special resolution passed at the 2022 AGM, the second amended and restated memorandum and articles of association of the Company (the "New Memorandum and Articles of Associations") was approved by the Shareholders and adopted in order to bring the New Memorandum and Articles of Associations in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022 and allow general meetings of the Company to be held as an electronic meeting or a hybrid meeting.

For the details on the amendments to the New Memorandum and Articles of Associations, please refer to the circular of the Company dated 22 July 2022. The New Memorandum and Articles of Association is available on both the websites of the Company and the Stock Exchange.

Purchase, Sale or Redemption of the Company's Listed Shares

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

Contracts of Significance

There had been no contract of significance between the Company or any of its subsidiary and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiary for the Current Year.

Equity-Linked Agreement

Save as disclosed in the section headed "Share Option Scheme" and "Convertible Bonds" above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Current Year or subsisted at the said period.

Management Contracts

No contracts 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.

Emolument Policy

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their performance and work experience and the prevailing market rates.

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to their individual performance, the Company's operating results, and comparable market statistics.

Employee Retirement Benefit

Particulars of the retirement scheme of the Group are set out in note 33 to the consolidated financial statements.

As at 31 March 2023, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2022: Nil).

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

Audit Committee

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the Current Year. As at the date of this report, the Audit Committee comprises of three independent non-executive Directors, namely Ms. Zhong Yingjie, Christina (chairman), Mr. Jin Qingjun and Ms. Sun Ivy Connie.

Corporate Governance

A report on the principal corporate governance practice adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive or similar rights under the memorandum and articles of association of the Company and the laws of the Cayman Islands where the Company is incorporated.

Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

Sufficiency Of Public Float

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

Auditor

The consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the 2023 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wu Hao
Chairman and Executive Director

Hong Kong, 21 June 2023

Deloitte. 德勤

TO THE SHAREHOLDERS OF CENTRAL DEVELOPMENT HOLDINGS LIMITED
中發展控股有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Central Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 145, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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 Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgments and estimates required in determining the fair values. The Group's investment properties represent certain portion of the Group's factory being leased, and are stated at fair value of HK$88,617,000, as at 31 March 2023 with gain on fair value changes of HK$5,361,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. The Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer (the "Valuer"). Details of the valuation techniques and key inputs used in the valuations are disclosed in note 17 to the consolidated financial statements.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approaches to assess if they meet the requirements of the HKFRSs; • Challenging the reasonableness of the key assumptions applied based on available market data; and • Obtaining the detailed work of the Valuer on the investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuation, such as rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against comparable market transactions and evaluating whether capitalisation rates adopted are comparable to the market.

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 the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 of the Company.

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

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

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

We communicate with 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 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.

The engagement partner on the audit resulting in the independent auditor's report is K.W. Yim.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 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	5	**247,893**	193,111
Cost of sales		**(243,248)**	(184,902)
Gross profit		**4,645**	8,209
Other income	7	**5,758**	6,260
Other gains and losses, net	8	**16,000**	7,613
Impairment losses under expected credit loss model, net of reversal		**(559)**	(2,455)
Selling and distribution costs		**(2,158)**	(3,067)
Administrative expenses		**(22,043)**	(21,369)
Equity-settled share-based payments	31	**(6,041)**	(2,095)
Finance costs	9	**(8,002)**	(6,597)
Share of results of an associate	19	**(218)**	–
Loss before taxation		**(12,618)**	(13,501)
Income tax	10	**(2,040)**	(2,523)
Loss for the year	11	**(14,658)**	(16,024)
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(3,692)**	2,544
Total comprehensive expense for the year		**(18,350)**	(13,480)
Loss for the year attributable to:			
Owners of the Company		**(11,906)**	(13,976)
Non-controlling interests		**(2,752)**	(2,048)
		(14,658)	(16,024)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(12,160)**	(13,674)
Non-controlling interests		**(6,190)**	194
		(18,350)	(13,480)
Loss per share	13		
Basic (HK cents)		**(3.07)**	(3.63)
Diluted (HK cents)		**(5.08)**	(3.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	NOTES	**2023**	2022
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	15	**18,418**	20,905
Right-of-use assets	16	**7,407**	9,352
Investment properties	17	**88,617**	89,886
Intangible assets	18	**50,132**	55,997
Interest in an associate	19	**54,002**	–
Rental deposits		**–**	246
		218,576	176,386
Current assets			
Inventories	20	**2,427**	4,701
Trade receivables	21	**2,181**	1,875
Other receivables, deposits and prepayments	21	**19,709**	38,983
Bank balances and cash	23	**13,122**	20,091
		37,439	65,650
Current liabilities			
Trade payables	24	**1,665**	587
Other payables and accruals	24	**25,019**	25,637
Contract liabilities	22	**–**	544
Loans from a shareholder	25	**–**	4,978
Bank borrowing	27	**2,724**	2,760
Lease liabilities	28	**195**	2,465
		29,603	36,971
Net current assets		**7,836**	28,679
Total assets less current liabilities		**226,412**	205,065

At 31 March 2023

	NOTES	**2023** **HK$'000**	2022 HK$'000
Non-current liabilities			
Loans from a shareholder and a controlling shareholder	25	**99,700**	117,697
Deferred tax liabilities	26	**12,123**	10,896
Bank borrowing	27	**17,099**	21,406
Lease liabilities	28	**24**	149
Convertible bonds	29	**30,053**	–
Derivative financial instruments	29	**13,000**	–
		171,999	150,148
Net assets		**54,413**	54,917
Capital and reserves			
Share capital	30	**3,876**	3,876
Reserves		**25,984**	20,320
Equity attributable to owners of the Company		**29,860**	24,196
Non-controlling interests		**24,553**	30,721
Total equity		**54,413**	54,917

The consolidated financial statements on pages 53 to 145 were approved and authorised for issue by the Board of Directors on 21 June 2023 and are signed on its behalf by:

WU HAO	**CHAN WING YUEN, HUBERT**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium** HK$'000	**Share options reserve** HK$'000	**Property revaluation reserve** HK$'000	**Exchange reserve** HK$'000	**Shareholders' contribution reserve** *HK$'000 (note a)*	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
As at 1 April 2021	3,723	201,877	1,442	19,547	7,503	19,066	(230,367)	22,791	30,527	53,318
Loss for the year	–	–	–	–	–	–	(13,976)	(13,976)	(2,048)	(16,024)
Other comprehensive income for the year	–	–	–	–	302	–	–	302	2,242	2,544
Total comprehensive income (expense) for the year	–	–	–	–	302	–	(13,976)	(13,674)	194	(13,480)
Issue of shares *(Note 30)*	153	11,322	–	–	–	–	–	11,475	–	11,475
Transaction costs attributable to issue of shares	–	(67)	–	–	–	–	–	(67)	–	(67)
Recognition of equity-settled share-based payments *(Note 31)*	–	–	2,095	–	–	–	–	2,095	–	2,095
Forfeiture of shares options *(Note 31)*	–	–	(993)	–	–	–	993	–	–	–
Deemed capital contribution from a controlling shareholder *(Note 25)*	–	–	–	–	–	1,576	–	1,576	–	1,576
As at 31 March 2022	**3,876**	**213,132**	**2,544**	**19,547**	**7,805**	**20,642**	**(243,350)**	**24,196**	**30,721**	**54,917**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(11,906)**	**(11,906)**	**(2,752)**	**(14,658)**
Other comprehensive expense for the year	**-**	**-**	**-**	**-**	**(254)**	**-**	**-**	**(254)**	**(3,438)**	**(3,692)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(254)**	**-**	**(11,906)**	**(12,160)**	**(6,190)**	**(18,350)**
Recognition of equity-settled share-based payments *(Note 31)*	**-**	**-**	**6,041**	**-**	**-**	**-**	**-**	**6,041**	**-**	**6,041**
Forfeiture of shares options *(Note 31)*	**-**	**-**	**(100)**	**-**	**-**	**-**	**100**	**-**	**-**	**-**
Deemed capital contribution from a controlling shareholder and a shareholder *(Note 25)*	**-**	**-**	**-**	**-**	**-**	**4,130**	**-**	**4,130**	**-**	**4,130**
Deemed capital contribution from a controlling shareholder upon modification of loans *(Note 25)*	**-**	**-**	**-**	**-**	**-**	**7,675**	**-**	**7,675**	**-**	**7,675**
Changes in the Group's interest in a subsidiary *(note b)*	**-**	**-**	**-**	**-**	**-**	**-**	**(22)**	**(22)**	**22**	**-**
As at 31 March 2023	**3,876**	**213,132**	**8,485**	**19,547**	**7,551**	**32,447**	**(255,178)**	**29,860**	**24,553**	**54,413**

Notes:

a. The shareholder's contribution reserve represents adjustments of interest-free loans granted by a controlling shareholder of Central Development Holdings Limited (the "Company") to the Company and certain of its subsidiaries.

b. During the year ended 31 March 2023, the Group acquired 0.67% of equity interest in 常州瑞態智能技術有限公司 from a non-controlling shareholder for nil consideration. The difference between the consideration and the net liabilities attributable to the equity interest acquired from the non-controlling shareholder is debited to accumulated losses.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	NOTE	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(12,618)**	(13,501)
Adjustments for:			
Interest income		**(44)**	(132)
Finance costs		**8,002**	6,597
Depreciation of property, plant and equipment		**1,692**	1,752
Depreciation of right-of-use assets		**718**	1,406
Amortisation of intangible assets		**1,751**	1,847
Equity-settled share-based payments		**6,041**	2,095
Share of results of an associate		**218**	–
Gain on fair value changes of investment properties		**(5,361)**	(7,152)
Gain on fair value changes of derivative financial instruments		**(11,000)**	–
Gain on disposal of property, plant and equipment, net		**–**	(215)
Impairment losses under expected credit loss model, net of reversal		**559**	2,455
Transaction costs attributable to acquisition of an associate		**956**	–
Loss on early termination of lease		**362**	–
Operating cash flows before movements in working capital		**(8,724)**	(4,848)
(Increase) decrease in inventories		**(11)**	125
(Increase) decrease in trade receivables		**(1,003)**	3,694
Decrease (increase) in other receivables, deposits and prepayments		**16,706**	(28,174)
Increase (decrease) in trade payables		**1,078**	(2,271)
Increase in other payables and accruals		**1,643**	2,999
(Decrease) increase in contract liabilities		**(544)**	308
CASH FROM (USED IN) OPERATING ACTIVITIES		**9,145**	(28,167)
Income tax paid		**(5)**	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**9,140**	(28,167)
INVESTING ACTIVITIES			
Interest received		**44**	132
Purchases of property, plant and equipment		**(738)**	(333)
Transaction costs attributable to acquisition of an associate		**(956)**	–
Proceeds from disposal of property, plant and equipment		**–**	215
Net cash outflow on disposal of subsidiaries	32	**–**	(108)
NET CASH USED IN INVESTING ACTIVITIES		**(1,650)**	(94)

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
FINANCING ACTIVITIES		
Proceed from issue of shares	–	11,475
Advances from a shareholder and a controlling shareholder	30,002	26,450
Repayments to a shareholder and a controlling shareholder	(37,643)	(21,235)
Repayments of bank borrowing	(1,954)	(2,577)
Advances from other loans	–	12,837
Repayments to other loans	(457)	(12,146)
Repayments of lease liabilities	(1,853)	(3,434)
Interest paid	(1,263)	(1,655)
Transaction costs attributable to issue of shares	–	(67)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(13,168)	9,648
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,678)	(18,613)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	20,091	37,301
Effect of foreign exchange rate changes	(1,291)	1,403
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13,122	20,091

1. GENERAL INFORMATION

The Company is a public limited liability company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Resources Rich Capital Limited, a company incorporated in the British Virgin Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in jewelry business in the People's Republic of China ("PRC") and Hong Kong ("HK") and energy business in the PRC, HK and other countries. The Company and its subsidiaries are collectively referred to as the "Group". Details of the principal subsidiaries of the Company are out in note 41.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), as the Company's shares are listed on the Stock Exchange, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

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 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 has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in 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)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
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.

Except for the new and 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.

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 "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 liabilities 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" ("HKAS 32").

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.

As at 31 March 2023, the Group's outstanding convertible bonds issued for acquisition of its associate (details are set out in note 19) include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32. The Group classified the convertible bonds as non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The convertible bonds (debt component) is measured at amortised cost with carrying amount of HK$30,053,000 and the derivative financial instruments (derivative component, including the conversion and early redemption options) is measured at fair value with carrying amount of HK$13,000,000 as at 31 March 2023, both of which are classified as non-current as set out in note 29. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the conversion and early redemption options are exercisable anytime only after the joint venture company of the associate has obtained the gas business licence (the "Gas Business License") and the right to convert have not been established as at 31 March 2023 and the directors of the Company determined that the chance for the joint venture company obtaining the Gas Business License is highly probable on 6 July 2024 when the conversion right will be exercisable (details are set out in note 29), both the convertible bonds and the derivative financial instruments amounting to HK$43,053,000, in aggregate, would continue to be classified as non-current.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 March 2023.

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 "Non-current Liabilities with Covenants" ("the 2022 Amendments")

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("the 2020 Amendment") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

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

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

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.

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.

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)

HKFRS Practice Statement 2 "Making Materiality Judgments" (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 judgments 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 AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments in relation to convertible bonds that are measured at fair value 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" ("HKFRS 2"), leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 "Inventories" or value in use for the purpose of impairment assessment in HKAS 36 "Impairment of Assets" ("HKAS 36").

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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;
- 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.

3.2 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

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

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.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses.

Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Interests in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue from contracts with customers

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "*Financial Instruments*" ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

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.

From contracts entered into or modified on or after the date of initial application of HKFRS 16 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.

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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and accounted for by applying other applicable standards.

Short-term leases

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; 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.

Except for those that are classified as investment properties and measured under fair value model, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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; 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentive receivable, 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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and 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.

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated losses.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired in an assets acquisition 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 asset acquisitions with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

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 these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant 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 ("CGU") to which the asset belongs.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

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 CGU) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

For the purpose 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 exchange reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme (the "MPF Scheme"), are recognised as an expense when employees have rendered service entitling them to the contributions.

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.

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. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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) after deducting any amount already paid.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and 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.

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 and interests 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "*Income Taxes*" ("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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Inventories

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

Cash and cash equivalents

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

(a) cash, which comprises of cash on hand and demand deposits; 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.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

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.

All other financial assets are subsequently measured at fair value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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.

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 receivables, other receivables, deposits and bank balances) which are subject to impairment assessment 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. Assessments 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. The ECL on trade receivables are assessed individually.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless 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.

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, and
- 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(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.

(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 and 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.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities, including trade payables, other payables, bank borrowing, convertible bonds and loans from a shareholder and a controlling shareholder are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt and derivative components (derivative financial instruments) are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bonds (Continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

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 financial liabilities are modified, such as extending the tenure, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in 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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

Equity-settled share-based payments 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 payments determined at the grant date without taking into consideration of 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 options reserve).

At the end of the 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 during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share option that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to accumulated losses.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, 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.

Critical judgment in applying accounting policies

The following is the critical judgment 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 taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that the Group's investment properties are 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 measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgment in applying accounting policies (Continued)

Convertible bonds and derivative financial instruments in relation thereto

On 5 December 2022, the Group completed acquisition of an associate (35% of the equity interest in Chengdu Huahan Energy Co., Ltd. (成都華漢能源有限公司) ("Chengdu Huahan") at consideration of HK$52,000,000, which was settled by the Company's issuance of convertible bonds pursuant to an agreement dated 19 August 2022 and a supplemental agreement dated 15 November 2022 (collectively referred to as the "Agreements"). Details of the associate and the convertible bonds are set out in notes 19 and 29, respectively.

Pursuant to the terms of the Agreements, if Anhui Huagang Bochen New Energy Co., Ltd. (安徽華港博臣新能源有限公司) ("Anhui Huagang"), a 50% joint venture company of Chengdu Huahan, cannot obtain the Gas Business Licence on or before 30 June 2024, the convertible bonds will be automatically cancelled on 1 July 2024, the Company will transfer the 35% of equity interest in Chengdu Huahan to the vendor who will return the convertible bonds to the Company for nil consideration on or before 6 July 2024 (the "Restoration Clause").

The Company's PRC lawyer assessed the current circumstances of Anhui Huagang and opined that Anhui Huagang has no obstacle in obtaining the Gas Business Licence on 30 June 2024. Accordingly, the directors of the Company determined that the chance for Anhui Huagang obtaining the Gas Business License is highly probable on 30 June 2024 and measured the convertible bonds and derivative financial instruments in relation thereto on the assumption that Anhui Huagang is able to obtain the Gas Business Licence on 30 June 2024.

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 investment properties

At the end of the reporting period, the Group's investment properties are stated at fair value of HK$88,617,000 (2022: HK$89,886,000) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied income approach which involves, inter-alia, significant unobservable inputs and significant judgment, representing market rent and capitalisation rate. In relying on the valuation, the management of the Group has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of derivative financial instruments in relation to convertible bonds

At the end of the reporting period, the Group's derivative financial instruments in relation to convertible bonds are stated at fair value of HK$13,000,000 (2022: nil) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied binomial option pricing model which involves, inter-alia, estimates of certain unobservable inputs, e.g. option-adjusted spread, stock price volatility. The fair value of the derivative financial instruments in relation to convertible bonds is sensitive to these estimates. The information about the derivative financial instruments in relation to convertible bonds are disclosed in notes 29 and 35.

Assessment of ECL for trade and other receivables

Trade and other receivables are assessed for ECL individually and the management of the Group assesses and applies internal credit rating for its customers individually by reference to their historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue costs or effort.

The ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in notes 35 and 21, respectively.

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates, the growth rate and budgeted gross margin in the cash flow projections, could materially affect the recoverable amounts.

5. REVENUE

(i) Disaggregation of revenue from contracts with customer

	2023 HK$'000	2022 HK$'000
Revenue from sales of goods:		
Jewelry products	**26,709**	18,650
Solar energy products	**1,541**	412
Refined oil	**27,927**	26,204
Liquefied natural gas ("LNG")	**191,716**	147,845
Total revenue	**247,893**	193,111
Timing of revenue recognition:		
A point in time	**247,893**	193,111

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 March 2023		
	Jewelry business HK$'000	**Energy business HK$'000**	**Total HK$'000**
Sales of jewelry products	**26,709**	**–**	**26,709**
Sales of solar energy products	**–**	**1,541**	**1,541**
Sales of refined oil	**–**	**27,927**	**27,927**
Sales of LNG	**–**	**191,716**	**191,716**
	26,709	**221,184**	**247,893**

5. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customer (Continued)

	For the year ended 31 March 2022		
	Jewelry business HK$'000	Energy business HK$'000	Total HK$'000
Sales of jewelry products	18,650	–	18,650
Sales of solar energy products	–	412	412
Sales of refined oil	–	26,204	26,204
Sales of LNG	–	147,845	147,845
	18,650	174,461	193,111

(ii) Performance obligations for contracts with customers

(a) Sales of jewelry products, solar energy products and LNG

The Group recognises revenue from the sales of jewelry products, solar energy products and LNG when the performance obligations are satisfied which refers to delivery of goods to the customers, at this point, the Group has no unfulfilled obligation that could affect the customers' acceptance of the products. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. The customers have obtained control on the goods through their ability to direct the use of and obtain substantially all the benefits from the goods, and, at the same time, the customers have accepted the risks of obsolescence and loss of the products. Revenue from sales of jewelry products, solar energy products and LNG is recognised based on the price specified in the contracts with customers. No element of financing is deemed present as the sales are made with an average credit term of 5 to 365 days.

The Group has no particular policy on the amounts received prior to the delivery of jewelry, solar energy products and LNG and it is negotiated with customers on contract by contract basis. The advance payments received from customers are recognised as contract liabilities throughout the period before the control of the goods is transferred to customers.

(b) Sales of refined oil

The Group recognised revenue from sales of refined oil when control of refined oil has transferred, being at the point the customer purchases the refined oil at filling station. Payment of the transaction price is due immediately at the point the customer purchases the goods.

5. REVENUE (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All transactions in respect of sales of goods and provision of services take place within a year and, thus, the transaction prices allocated to the unsatisfied contracts are not disclosed according to the practical expedient of HKFRS 15.

6. SEGMENT INFORMATION

Information regularly reviewed by the chief operating decision maker (the "CODM"), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on the nature of the Group's businesses and operations. The Group's operating and reportable segments are therefore as follows:

(i) Jewelry business (wholesale of jewelry products); and

(ii) Energy business including i) manufacture and sales of solar cooling intelligent technology products using thermal cooling-stored pipes and sales of solar photovoltaic modules and components (which are collectively referred to as solar energy products); ii) sales of refined oil; and (iii) sales of LNG.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit or loss by each segment without allocation of gain on fair value changes of investment properties, unallocated corporate expenses which include central administration costs, directors' remuneration at the head office and equity-settled share-based payments, unallocated corporate income which include rental income, interest income and sundry income and finance costs which includes certain interest on lease liabilities and imputed interest on loans from a controlling shareholder. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 March 2023

	Jewelry business HK$'000	**Energy business HK$'000**	**Total HK$'000**
Revenue	**26,709**	**221,184**	**247,893**
Segment profit (loss)	**251**	**(12,148)**	**(11,897)**
Gain on fair value changes of investment properties			**5,361**
Gain on fair value changes of derivative financial instruments			**11,000**
Unallocated corporate income			**5,749**
Unallocated corporate expenses			**(16,072)**
Finance costs			**(6,759)**
Loss before taxation			**(12,618)**

For the year ended 31 March 2022

	Jewelry business HK$'000	Energy business HK$'000	Total HK$'000
Revenue	18,650	174,461	193,111
Segment profit (loss)	61	(10,592)	(10,531)
Gain on fair value changes of investment properties			7,152
Unallocated corporate income			6,260
Unallocated corporate expenses			(11,403)
Finance costs			(4,979)
Loss before taxation			(13,501)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both years.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	2023	2022
	HK$'000	HK$'000
Jewelry business	**1,554**	211
Energy business	**152,450**	131,048
Total segment assets	**154,004**	131,259
Bank balances and cash	**13,122**	20,091
Other unallocated assets	**88,889**	90,686
Consolidated assets	**256,015**	242,036
Jewelry business	**1,482**	364
Energy business	**84,242**	52,326
Total segment labilities	**85,724**	52,690
Loans from a shareholder and a controlling shareholder	**99,700**	122,675
Other unallocated labilities	**16,178**	11,754
Consolidated labilities	**201,602**	187,119

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property, plant and equipment, certain other receivables, deposits and prepayments, investment properties and bank balances and cash.

- all liabilities are allocated to reportable segments other than certain other payables and accruals, certain lease liabilities, loans from a shareholder and a controlling shareholder and deferred tax liabilities.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2023

Amounts included in the measure of segment results or segment assets:

	Jewelry business HK$'000	**Energy business HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Depreciation of property, plant and equipment	**4**	**1,677**	**11**	**1,692**
Depreciation of right-of-use assets	**15**	**504**	**199**	**718**
Amortisation of intangible assets	**–**	**1,751**	**–**	**1,751**
Equity-settled share-based payments	**–**	**–**	**6,041**	**6,041**
Impairment losses under expected credit loss model, net of reversal	**–**	**559**	**–**	**559**
Finance costs	**2**	**3,314**	**4,686**	**8,002**
Gain on fair value changes of investment properties	**–**	**–**	**(5,361)**	**(5,361)**
Gain on fair value changes of derivative financial instruments	**–**	**(11,000)**	**–**	**(11,000)**
Loss on early termination of a lease	**–**	**–**	**362**	**362**
Additions to non-current assets (note)	**96**	**705**	**29**	**830**

For the year ended 31 March 2022

Amounts included in the measure of segment results or segment assets:

	Jewelry business HK$'000	Energy business HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	–	1,723	29	1,752
Depreciation of right-of-use assets	–	1,375	31	1,406
Amortisation of intangible assets	–	1,847	–	1,847
Equity-settled share-based payments	–	–	2,095	2,095
Impairment losses under expected credit loss model, net of reversal	–	2,455	–	2,455
Finance costs	3	1,615	4,979	6,597
Gain on fair value changes of investment properties	–	–	(7,152)	(7,152)
Gain on disposal of property, plant and equipment, net	–	(215)	–	(215)
Additions to non-current assets (note)	–	543	13	556

Note: Non-current assets included property, plant and equipment and right-of-use assets.

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are mainly carried out in the PRC, the country of domicile, and HK.

The revenue of the Group is mainly derived from external customers located in the PRC and HK.

The Group's revenue from external customers based on the location of customers is set out below.

	2023 **HK$'000**	2022 HK$'000
The PRC	**230,986**	185,052
HK	**16,907**	8,059
	247,893	193,111

Information about the Group's non-current assets based on the geographical location of the assets is set out below:

	2023 **HK$'000**	2022 HK$'000
The PRC	**218,558**	176,114
HK	**18**	26
	218,576	176,140

Note: Non-current assets excluded rental deposits.

6. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2023 HK$'000	2022 HK$'000
Customer A (note)	**142,115**	77,193
Customer B (note)	**38,022**	55,752

Note: Revenue generated from energy business.

7. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Interest income	**44**	132
Rental income	**5,459**	5,775
Government grants (note)	**132**	–
Others	**123**	353
	5,758	6,260

Note: During the year ended 31 March 2023, the Group received and recognised government grants of HK$132,000 related to Employment Support Scheme provided by the Hong Kong Government (2022: nil).

8. OTHER GAINS AND LOSSES, NET

	2023 HK$'000	2022 HK$'000
Gain on fair value changes of investment properties	**5,361**	7,152
Gain on fair value changes of derivative financial instruments (note 29)	**11,000**	–
Loss on early termination of a lease (note 16)	**(362)**	–
Net exchange gain	**1**	246
Gain on disposal of property, plant and equipment, net	**–**	215
	16,000	7,613

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank borrowing	**1,217**	1,468
Interest on lease liabilities	**46**	187
Interest on convertible bonds (note 29)	**2,053**	–
Imputed interest on loans from a controlling shareholder	**4,686**	4,942
	8,002	6,597

10. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 HK$'000	2022 HK$'000
PRC Enterprise Income Tax	**5**	–
Deferred tax (note 26)	**2,035**	2,523
Income tax for the year	**2,040**	2,523

On 21 March 2018, the Hong Kong Legislative Council passes The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime applies to years of assessment commencing on or after 1 April 2018. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2,000,000 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%. The directors of the Company consider the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Accordingly, Hong Kong Profits Tax for subsidiaries operating in HK is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for both years as either tax losses are incurred for the subsidiaries operating in HK or the assessable profit is wholly absorbed by tax losses brought forward from previous years.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applied to the PRC subsidiaries is 25%. No provision for the PRC Enterprise Income Tax has been made for the subsidiaries operating in the PRC for both years as either tax losses are incurred for the subsidiaries operating in the PRC or the assessable profit is wholly absorbed by tax losses brought forward from previous years.

10. INCOME TAX (Continued)

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

	2023 **HK$'000**	2022 HK$'000
Loss before taxation	**(12,618)**	(13,501)
Taxation at the Enterprise Income Tax rate of 25% (2022: 25%)	**(3,155)**	(3,375)
Tax effect of income not taxable for tax purpose	**(3,921)**	(1,822)
Tax effect of expenses not deductible for tax purpose	**4,559**	2,944
Effect of different tax rates of subsidiaries operating in other jurisdictions	**739**	1,007
Utilisation of tax losses previously not recognised	**(59)**	(100)
Tax effect of deductible temporary differences not recognised	**534**	597
Tax effect of tax losses not recognised	**3,343**	3,272
Income tax for the year	**2,040**	2,523

11. LOSS FOR THE YEAR

	2023 **HK$'000**	2022 HK$'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,692**	1,752
Depreciation of right-of-use assets	**718**	1,406
Amortisation of intangible assets	**1,751**	1,847
Auditor's remuneration	**1,485**	1,654
Staff costs (including directors' remuneration (note 12))		
– salaries, allowances and other benefits	**9,244**	8,333
– retirement benefit scheme contributions	**740**	699
– equity-settled share-based payments	**6,041**	2,095
Total staff costs	**16,025**	11,127
Cost of inventories recognised as an expense (including write-down of inventories amounting to HK$2,145,000 (2022: nil))	**243,248**	184,902

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and the chief executive's emoluments

For the year ended 31 March 2023

	Directors' fees HK$'000	Salaries HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Wu Hao	200	288	771	13	1,272
Hu Yangjun	200	87	78	4	369
Chan Wing Yuen, Hubert (note (i))	200	1,950	771	116	3,037
Zhang Bing (note (ii))	28	–	771	–	799
Non-executive director					
Li Wei Qi, Jacky	200	–	243	–	443
Independent non-executive directors					
Jin Qingjun	200	–	–	–	200
Sun Ivy Connie	200	–	–	–	200
Zhong Yingjie, Christina	200	–	–	–	200
Total emoluments	1,428	2,325	2,634	133	6,520

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

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

For the year ended 31 March 2022

	Directors' fees HK$'000	Salaries HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Wu Hao	200	305	–	13	518
Hu Yangjun	200	–	–	–	200
Chan Wing Yuen, Hubert (note (i))	200	1,950	–	116	2,266
Non-executive director					
Li Wei Qi, Jacky	200	–	–	–	200
Independent non-executive directors					
Wu Chi Keung (note (iii))	117	–	–	–	117
Jin Qingjun	200	–	–	–	200
Sun Ivy Connie	200	–	–	–	200
Zhong Yingjie, Christina (note (iv))	87	–	–	–	87
Total emoluments	1,404	2,255	–	129	3,788

Notes:

(i) Mr. Chan Wing Yuen, Hubert is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(ii) Mr. Zhang Bing has been appointed as an executive director of the Company on 10 February 2023.

(iii) Mr. Wu Chi Keung, an independent non-executive director of the Company, passed away on 12 October 2021.

(iv) Ms. Zhong Yingjie, Christina has been appointed as an independent non-executive director of the Company on 25 October 2021.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

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

During the years ended 31 March 2023 and 2022, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any remuneration during both years.

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and its subsidiaries.

The non-executive director's emoluments shown above were for his services as the director of the Company and its subsidiaries.

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

Employees' emoluments

Of the five highest paid individuals of the Group, three (2022: two) are directors of the Company whose emoluments are set out in disclosures above. The emoluments of the remaining two (2022: three) highest paid individuals who are neither a director nor the chief executive of the Company are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and other benefits	**971**	1,272
Retirement benefit scheme contributions	**18**	91
Equity-settled share-based payments	**771**	2,095
	1,760	3,458

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	2023 No. of employee	2022 No. of employee
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	2

During the years ended 31 March 2023 and 2022, no emoluments were paid by the Group to the above-mentioned individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. LOSS PER SHARE

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

	2023 **HK$'000**	2022 HK$'000
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per share	**(11,906)**	(13,976)
Effect of dilutive potential ordinary shares:		
– Gain on fair value changes of derivative financial instruments	**(11,000)**	–
– Interest on convertible bonds	**2,053**	–
Loss for the year attributable to owners of the Company for the purpose of calculating diluted loss per share	**(20,853)**	(13,976)

	2023 **'000**	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**387,564**	384,881
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**22,525**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**410,089**	384,881

The computation of diluted loss per share for the years ended 31 March 2023 and 2022 does not assume the exercise of share options since their assume exercise would result in a decrease in loss per share.

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 April 2021	20,001	–	6,898	5,145	2,632	1,033	35,709
Additions	46	–	–	252	35	–	333
Disposals	–	–	–	(1,829)	–	–	(1,829)
Exchange realignments	843	–	267	190	91	9	1,400
At 31 March 2022	**20,890**	**–**	**7,165**	**3,758**	**2,758**	**1,042**	**35,613**
Additions	**–**	**456**	**223**	**48**	**11**	**–**	**738**
Reclassification	**–**	**(456)**	**167**	**289**	**–**	**–**	**–**
Exchange realignments	**(1,536)**	**–**	**(489)**	**(277)**	**(168)**	**(17)**	**(2,487)**
At 31 March 2023	**19,354**	**–**	**7,066**	**3,818**	**2,601**	**1,025**	**33,864**
DEPRECIATION AND IMPAIRMENT							
At 1 April 2021	1,196	–	6,898	2,792	2,350	1,027	14,263
Provided for the year	947	–	–	685	114	6	1,752
Eliminated on disposals	–	–	–	(1,829)	–	–	(1,829)
Exchange realignments	66	–	267	98	82	9	522
At 31 March 2022	**2,209**	**–**	**7,165**	**1,746**	**2,546**	**1,042**	**14,708**
Provided for the year	**896**	**–**	**13**	**690**	**93**	**–**	**1,692**
Exchange realignments	**(166)**	**–**	**(487)**	**(131)**	**(153)**	**(17)**	**(954)**
At 31 March 2023	**2,939**	**–**	**6,691**	**2,305**	**2,486**	**1,025**	**15,446**
CARRYING VALUES							
At 31 March 2023	**16,415**	**–**	**375**	**1,513**	**115**	**–**	**18,418**
At 31 March 2022	18,681	–	–	2,012	212	–	20,905

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over shorter of 20 to 30 years or the lease term
Leasehold improvements	Over shorter of 5 years or the lease term
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

As at 31 March 2023, the Group has pledged certain owned properties with a carrying value of approximately HK$3,830,000 (2022: HK$4,398,000) to secure bank borrowing granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 March 2023			
Carrying amount	**7,320**	**87**	**7,407**
As at 31 March 2022			
Carrying amount	8,115	1,237	9,352
For the year ended 31 March 2023			
Depreciation charge	**199**	**519**	**718**
For the year ended 31 March 2022			
Depreciation charge	210	1,196	1,406

As at 31 March 2023, the Group has pledged certain leasehold lands with a carrying value of approximately HK$5,296,000 (2022: HK$5,854,000) to secure bank borrowing granted to the Group.

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	**1,110**	463
Total cash outflow for lease	**3,009**	4,084
Additions to right-of-use assets	**92**	223

For both years, the Group leases various office and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

The Group regularly entered into short-term leases for staff quarters. As at 31 March 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year ended 31 March 2023, the Group early terminated a lease agreement with remaining lease term of less than one year (2022: extension of a lease agreement with lease term of 2 years) and derecognised right-of-use assets of HK$636,000 and lease liabilities of HK$573,000, resulting in a loss on early termination of a lease of HK$362,000 (including forfeiture of a rental deposit of HK$299,000 (2022: recognised right-of-use assets of HK$83,000 and lease liabilities of HK$83,000).

16. RIGHT-OF-USE ASSETS (Continued)

In addition, lease liabilities of HK$219,000 (2022: HK$2,614,000) are recognised with related right-of-use assets of HK$87,000 as at 31 March 2023 (2022: HK$1,237,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. INVESTMENT PROPERTIES

The Group leases out of its factory under operating leases with rentals payable monthly. The leases typically run for an initial period of four to eight years (2022: four to eight years).

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2023 **HK$'000**	2022 HK$'000
At 1 April	**89,886**	79,274
Exchange adjustments	**(6,630)**	3,460
Net increase in fair value recognised in profit or loss	**5,361**	7,152
At 31 March	**88,617**	89,886

The fair value of the Group's investment properties as at 31 March 2023 and 2022 have been arrived at on the basis of valuation carried out by Valplus Consulting Limited and Masterpiece Valuation Advisory Limited respectively, independent qualified professional valuers not connected to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values are arrived at by using income approach which capitalises the net rental income derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the lease, which has been then capitalised to determine the market value at an appropriate capitalisation rate.

17. INVESTMENT PROPERTIES (Continued)

The fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy for both years. There were no transfers into or out of Level 3 during both years.

Fair value measurements using significant unobservable inputs

The following table shows the valuation techniques used in the determination of the fair values of investment properties and unobservable inputs used in the valuation models.

Fair value	Valuation techniques	Unobservable inputs	Significant inputs	Relationship of inputs to fair value
HK$88,617,000 (2022: HK$89,886,000)	Income approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	2023: 7.5% (2022: 7%)	The higher the capitalisation rate, the lower the fair value
		(ii) Monthly market rent per square meter	2023: RMB20 (2022: RMB18.5) per month per square meter in average	The higher the market rent, the higher the fair vale

As at 31 March 2023 and 2022, the investment properties of the Group have been pledged to secure bank borrowing granted to the Group.

18. INTANGIBLE ASSETS

	Operating licenses HK$'000
COST	
At 1 April 2021	55,652
Exchange realignment	2,343
At 31 March 2022	57,995
Exchange realignment	(4,267)
At 31 March 2023	53,728
AMORTISATION	
At 1 April 2021	113
Provided for the year	1,847
Exchange realignment	38
At 31 March 2022	1,998
Provided for the year	1,751
Exchange realignment	(153)
At 31 March 2023	3,596
CARRYING VALUES	
At 31 March 2023	50,132
At 31 March 2022	55,997

Operating licenses have finite useful live and is amortised on a straight-line basis over 30 years.

19. INTEREST IN AN ASSOCIATE

	2023 **HK$'000**	2022 HK$'000
Cost of investment in an associate, unlisted	**54,196**	–
Share of post-acquisition profits and other comprehensive income	**(218)**	–
Exchange adjustments	**24**	–
	54,002	–

19. INTEREST IN AN ASSOCIATE (Continued)

On 19 August 2022, Hainan Huagang New Energy Development Co., Ltd. (海南華港新能源開發有限公司) (the "Purchaser") (an indirectly wholly owned subsidiary of the Company) entered into a 35% equity transfer agreement with Mr. Zhang Bing (the "Vendor, who is indirectly interested in 49% of the equity interest in Chengdu Kaibangyuan Trading Co., Limited (成都凱邦源商貿有限公司), an indirect non-wholly owned subsidiary of the Company) and Chengdu Huahan (as the target company) for acquisition of 35% of the equity interest in the Chengdu Huahan. Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser shall acquire 35% of the equity interest in Chengdu Huahan for consideration of issuing convertible bonds of HK$52,000,000 by the Company (the "Transaction").

On 15 November 2022, the Purchaser, the Vendor and Chengdu Huahan has further entered into a supplemental agreement to the Agreement (the "Supplemental Agreement"). Pursuant to the terms of the Supplemental Agreement, no transfer and/or assignment of convertible bonds will take place before Anhui Huagang obtains the "Gas Business License". If Anhui Huagang cannot obtain the Gas Business License on or before 30 June 2024, the convertible bonds will be automatically cancelled on 1 July 2024, the Group will transfer the 35% of equity interest in Chengdu Huahan to the Vendor who will return the convertible bonds to the Company for nil consideration on or before 6 July 2024.

On 5 December 2022, the Transaction was completed at consideration of HK$52,000,000, which was settled by the Company's issuance of the convertible bonds to the Vendor (see note 29).

Details of each of the Group's associate at the end of the reporting period are as follows:

Name of entity	**Place of registration and operation**	**Proportion of ownership interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activity**
		2023	2022	**2023**	2022	
Chengdu Huahan	The PRC	**35%****	N/A	**35%****	N/A	Investment holding*

* It owns 50% of the equity interest in Anhui Huagang which principally engaged in the construction and operation of natural gas pipeline networks, the operation and maintenance of pipeline corridors, provision of residential heating, and the procurement, transportation and sale of natural gas in Mengcheng County, Anhui Province, the PRC.

** As at 31 March 2023, the Group entrusted Mr. Zhang Bing (who became a director of the Company on 10 February 2023) to hold its 35% equity interest in Chengdu Huahan and exercise its right and benefits in Chengdu Huahan on its behalf pursuant to an entrust agreement, which is, in the opinion of the PRC lawyer, legally enforceable.

19. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of Chengdu Huahan

Summarised financial information in respect of Chengdu Huahan as at 31 March 2023 and for the period from completion date of the Transaction to 31 March 2023 is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	As at 31 March 2023 HK$'000
Current assets	**12**
Non-current assets	**72,879**
Current liabilities	**(4,499)**

	For the period from 5 December 2022 to 31 March 2023 HK$'000
Revenue	**–**
Loss for the period	**(623)**
Other comprehensive expense for the period	**–**
Total comprehensive expense for the period	**(623)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chengdu Huahan recognised in the consolidated financial statements:

	2023 HK$'000
Net assets of Chengdu Huahan	**68,392**
Proportion of the Group's ownership interest in Chengdu Huahan	**35%**
Carrying amount of the Group's interest in Chengdu Huahan	**23,937**
Goodwill	**30,065**
	54,002

20. INVENTORIES

	2023 **HK$'000**	2022 HK$'000
Raw materials	**218**	235
Work in progress	**2**	2
Finished goods	**2,207**	4,464
	2,427	4,701

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables

	2023 **HK$'000**	2022 HK$'000
Trade receivables from contracts with customers	**2,819**	2,057
Less: Allowance for credit losses	**(638)**	(182)
	2,181	1,875

As at 1 April 2021, trade receivables from contracts with customers amounted to HK$8,143,000.

The Group allows an average credit period ranging from 30 to 180 days to its customers of jewelry business and average credit period ranging from 5 to 365 days to its customers of energy business. The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on invoice date at the end of the reporting period:

	2023 **HK$'000**	2022 HK$'000
Within 30 days	**2,181**	1,369
31 to 90 days	**–**	–
91 to 180 days	**–**	–
Over 180 days	**–**	506
	2,181	1,875

As at 31 March 2023 and 2022, no trade receivables of the Group are past due.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Other receivables, deposits and prepayments

	2023 **HK$'000**	2022 HK$'000
Other receivables (note)	**2,810**	7,712
Deposit paid for purchasing LNG	**11,423**	24,661
Other deposits	**399**	455
Prepayments	**5,077**	6,155
	19,709	38,983

Note: Included in other receivables are financial assets amounting to HK$1,916,000 (2022: HK$1,772,000).

Details of the impairment assessment on trade and other receivables are set out in note 35.

22. CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Contract liabilities – current		
Sales of goods	**–**	544

As at 1 April 2021, contract liabilities amounted to HK$221,000.

Sales of goods

The Group would require advance payments from customers for sale of jewelry products and sale of energy products before the delivery or arranging for pick up of goods for certain contracts (i.e. before transfer of goods to customers). This gives rise to contract liabilities at the commencement of contracts with the customers and the contract liabilities are recognised in the consolidated statement of financial position throughout the reporting period until the revenue is recognised.

The Group's right to consideration would become unconditional upon transfer of goods to customers. This gives rise to trade receivables.

All contract liabilities as at 31 March 2022 were recognised as revenue during the year ended 31 March 2023.

23. BANK BALANCES AND CASH

The amounts included short-term deposits with an original maturity of three months or less. Bank deposits carried interest at prevailing market interest rates at 0.001% to 0.75% (2022: 0.001% to 0.6%) per annum.

24. TRADE AND OTHER PAYABLES AND ACCRUALS

Trade payables

	2023	2022
	HK$'000	HK$'000
Trade payables	**1,665**	587

The average credit period on purchase of goods is 365 days.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2023	2022
	HK$'000	HK$'000
Within 30 days	**1,442**	346
31 to 90 days	**–**	–
91 to 180 days	**–**	–
Over 180 days	**223**	241
	1,665	587

Other payables and accruals

	2023	2022
	HK$'000	HK$'000
Other payables (note)	**6,718**	7,068
Refundable deposit from a supplier	**15,250**	16,461
Accruals	**3,051**	2,108
	25,019	25,637

Note: Included in the other payables as at 31 March 2022 was an unsecured loan of HK$493,000, which was interest-free and repayable within one year at the end of the reporting period. The unsecured loan was settled during the year.

25. LOANS FROM A SHAREHOLDER AND A CONTROLLING SHAREHOLDER

	2023 **HK$'000**	2022 HK$'000
Analysed for reporting purpose as:		
– Current liabilities		
Loans from a shareholder	**–**	4,978
– Non-current liabilities		
Loans from a shareholder	**3,790**	–
Loans from a controlling shareholder	**95,910**	117,697
	99,700	117,697
	99,700	122,675

Loans from a shareholder

As at 31 March 2022, the loans from a shareholder were classified as current liabilities, and were unsecured, interest-free and repayable on demand. During the year ended 31 March 2022, the Group obtained loan from a shareholder of HK$766,000, which was unsecured, interest-free and repayable on demand. The loans were settled during the year.

As at 31 March 2023, the loans from a shareholder were classified as non-current liabilities, and were unsecured, interest-free and repayable in September 2026.

During the year ended 31 March 2023, the Group obtained new loans from a shareholder amounting to HK$4,527,000. At inception of new loans from a shareholder, adjustments to these loans amounting to HK$730,000 was credited to reserve under the heading of "shareholders, contribution reserve" in the Group's consolidated statement of changes in equity.

Loans from a controlling shareholder

As at 31 March 2023, the loans from a controlling shareholder were classified as non-current liabilities, and were unsecured, interest-free and repayable for the period from March 2025 to September 2026 (2022: classified as non-current liabilities, and were unsecured, interest-free and repayable for the period from October 2023 to September 2025).

During the year ended 31 March 2023, the Group obtained new loans from a controlling shareholder amounting to HK$25,475,000 (2022: HK$25,684,000), and certain loans from a controlling shareholder amounting to HK$97,746,000 (2022: nil), in aggregate, were early repaid and/or were extended for their repayment dates to the period from September 2025 to March 2026. At inception of new loans from a controlling shareholder and modification of repayment dates of loans from a controlling shareholder, adjustments to these loans amounting to HK$3,400,000 and HK$7,675,000, respectively, (2022: HK$1,576,000 and nil, respectively) were credited to reserve under the heading of "shareholders' contribution reserve" in the Group's consolidated statement of changes in equity.

26. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current year.

	Fair value changes of investment properties HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 April 2021	7,176	692	7,868
Charged to profit or loss (note 10)	1,788	735	2,523
Exchange realignment	333	172	505
At 31 March 2022	9,297	1,599	10,896
Charged to profit or loss (note 10)	1,340	695	2,035
Exchange realignment	(688)	(120)	(808)
At 31 March 2023	**9,949**	**2,174**	**12,123**

At the end of the reporting period, the Group has unused tax losses of HK$58,237,000 (2022 HK$73,997,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$42,240,000 (2022: HK$57,841,000) that will expire in 5 years from the year of origination which is ranging from year 2024 to year 2028 (2022: year 2023 to year 2027). During the year ended 31 March 2023, tax losses of HK$24,644,000 (2022: HK$5,567,000) originated from the PRC entities were expired. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$4,347,000 (2022: HK$2,389,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation was provided in the consolidated financial statements in respect of temporary differences of HK$824,000 (2022: HK$688,000) which arises from the undistributed profits of certain PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

27. BANK BORROWING

	2023 HK$'000	2022 HK$'000
Secured bank borrowing repayable:		
Within one year	**2,724**	2,760
Within a period of more than one year but not exceeding two years	**2,887**	2,924
Within a period of more than two years but not exceeding five years	**9,650**	9,867
Within a period of more than five years	**4,562**	8,615
	19,823	24,166
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,724)**	(2,760)
Amount due for settlement after 12 months shown under non-current liabilities	**17,099**	21,406

The bank borrowing is at floating rate which carries interest at 5.65% (2022: 5.85%) per annum as at 31 March 2023.

As at 31 March 2023, the Group pledged certain property plant and equipment, investment properties and right-of-use assets with aggregate carrying amount of HK$97,743,000 (2022: HK$100,138,000) to the bank as the collateral for the bank borrowing.

28. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**195**	2,465
Within a period of more than one year but not more than two years	**24**	149
	219	2,614
Less: Amount due for settlement within 12 months shown under current liabilities	**(195)**	(2,465)
Amount due for settlement after 12 months shown under non-current liabilities	**24**	149

The weighted average incremental borrowing rates applied to lease liabilities range from 3.50% to 4.75% (2022: 3.50% to 4.75%) per annum.

29. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company issued convertible bonds with a principal amount of HK$52,000,000 on 5 December 2022 for the acquisition of the Group's associate, which principally holds 50% equity interest of Anhui Huagang (see Note 19).

The convertible bonds are denominated in Hong Kong dollars (other than the Group's functional currency), unsecured and interest-free.

The holder of the convertible bonds will have the right to convert the whole or part of the principal amount of the convertible bond (in integral multiple of HK$1 million or such lesser amount representing the entire outstanding principal amount of the convertible bond) into the ordinary shares of the Company at any time after Anhui Huagang has obtained the Gas Business License, on the date of the grant of the Gas Business License (pursuant to the Restoration Clause) up to the close of business on the date falling 5 business days prior to the date falling on the third anniversary of the date of issuance of the convertible bonds (the "Maturity Date"), provided that such conversion would not render ordinary shares of the Company in the public hands being less than the minimum public float defined under Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") or other relevant requirements under the Listing Rules and the holder of the convertible bonds shall not exercise any conversion right unless it provides evidence to the reasonable satisfaction of exercising the conversion right that the holder of the convertible bonds and persons acting in concert with it (as defined in the Hong Kong Code on Takeovers and Mergers ("Takeovers Code")) will not beneficially own 30% or more of the issued ordinary shares and/or or voting rights of the Company immediately after the conversion and/or trigger any mandatory general offer obligations under the Takeovers Code.

The initial conversion price is HK$0.74 per ordinary share of the Company (subject to adjustment for events which may have a diluting effect on the share capital of the Company or change the capital structure of the Company, such as consolidation, subdivision or reclassification of Shares, capitalisation of profits and reserves, rights issue of Shares or options over Shares) and convertible bonds are convertible into 70,270,270 ordinary shares of the Company.

Unless previously converted, purchased and cancelled, the Company shall pay the outstanding principal amount under the convertible bonds by cash on the Maturity Date, the Company may redeem the convertible bonds at any time and from time to time before the Maturity Date upon mutual agreement with the holder of the convertible bonds.

Subject to all applicable laws and regulations and prior notification to the Company on the condition that no transfer and/or assignment shall take place before Anhui Huagang obtains the Gas Business License, the convertible bonds may be assigned or transferred in whole or in part of its principal amount outstanding (in integral multiple of HK$1 million or such lesser amount representing the entire outstanding principal amount of the convertible bonds) to independent third parties, other than the connected person(s) of the Company.

The convertible bonds are comprised of convertible bonds (debt component) and derivative financial instruments (derivative component including conversion and early redemption options).

At initial recognition, both the convertible bonds and the derivative financial instruments are recognised at fair values amounting to HK$28,000,000 and HK$24,000,000 respectively.

The convertible bonds are subsequently measured at amortised cost with effective interest rate of 22.9% per annum while the derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss.

29. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The movement of the convertible bonds and derivative financial instruments for the year are set out as below:

	Convertible bonds HK$'000	**Derivative financial instruments** HK$'000
As at 1 April 2021 and 31 March 2022	–	–
Issued during the year	28,000	24,000
Interest on convertible bonds	2,053	–
Gain on fair value changes	–	(11,000)
As at 31 March 2023	30,053	13,000

Binomial option pricing model is used for valuation of the derivative financial instruments performed by an independent professional valuer which assumed that the Restoration Clause would not be triggered and the convertible bonds will not, therefore, be cancelled. The Company's PRC lawyer assessed the current circumstances of Anhui Huagang and opined that Anhui Huagang has no obstacle in obtaining the Gas Business Licence before 30 June 2024. Accordingly, the directors of the Company determined that the chance for Anhui Huagang obtaining the Gas Business License is highly probable on 30 June 2024 when the conversion right will be exercisable.

The key inputs used in the model are as follows:

	At inception	**At 31 March 2023**
Stock price of ordinary share of the Company	HK$0.60	HK$0.38
Exercise price per ordinary share of the Company	HK$0.74	HK$0.74
Risk-free rate	3.930%	3.323%
Expected dividend yield	0%	0%
Expected volatility	78.32%	88.04%
Redemption amount at the Maturity Date	HK$52,000,000	HK$52,000,000
The Maturity Date	5 December 2025	5 December 2025
Time to the Maturity Date	3.0 years	2.7 years

Expected volatility is determined by using the average historical volatility of comparable companies and the Company as at valuation dates.

30. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares with nominal value of HK$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	**10,000,000**	**100,000**
Issued and fully paid:		
At 1 April 2021	372,264	3,723
Issue of ordinary shares (note)	15,300	153
At 31 March 2022 and 31 March 2023	387,564	3,876

Note: On 4 June 2021, the Company issued and allotted 15,300,000 shares at an issue price of HK$0.75 per share in accordance with the terms of the subscription agreement dated 19 April 2021. The new shares issued rank pari passu in all respects with the existing shares in issue.

31. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") for the purpose of recognising and acknowledging the contributions made by the participants to the Company, motivating the participants to optimise their performance and efficiency for the benefits of the Group and to maintain or attract business relationship with the participants whose contributions are beneficial to the growth of the Group.

The Group may grant to any participant who has made valuable contributions to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable resources of the Group based on his or her work experience and knowledge in the industry, or is expected to be able to contribute to the prosperity, business development or growth of the Group based on his or her business connection and network.

The Share Option Scheme became effective on 9 September 2016 and, unless otherwise cancelled or amended, will remain in force for a period of ten years from the date of its adoption. HK$10.00 is payable by each eligible participant to the Company on acceptance of the grant of an option.

31. SHARE OPTION SCHEME (Continued)

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant in any 12-month period must not exceed 1% of the aggregate number of shares of the Company in issue. Where any further grant of options to an eligible participant would result in the shares issued or to be issued upon exercise of all options granted and to be granted to such eligible participant in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders in general meeting with such an eligible participant and his associates abstaining from voting.

The exercise price of the share options is determined by the committee of the board of the directors of the Company, but is at least be the highest of: (a) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (b) the average of the closing prices of the shares as stated in the daily quotation sheets issued by the Stock Exchange over the five trading days immediately preceding the date of grant; and (c) the nominal value of a share.

On 15 December 2022, 29,787,000 share options with an exercise price of HK$0.574 per share were grant by the Company to the Directors and the eligible employees. The share options granted were fully vested on 15 December 2022 and became exercisable from 15 December 2022 to 14 December 2032.

The fair value of the share options granted on 15 December 2022 is calculated using the Binomial model. The inputs into the models are as follows:

Grant date	15 December 2022
Stock price of ordinary share of the Company	HK$0.574
Exercise price per ordinary share of the Company	HK$0.574
Risk-free rate	3.2%
Expected dividend yield	0%
Expected volatility	68%
Expiry date	14 December 2032
Time to maturity	10 years

On 23 September 2021, 4,000,000 share options with an exercise price of HK$1.12 per share were granted by the Company to the eligible employees. The share options granted were fully vested on 23 September 2021 and became exercisable from 23 September 2021 to 22 September 2031.

31. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted on 23 September 2021 is calculated using the Binomial model. The inputs into the models are as follows:

Grant date	23 September 2021
Stock price of ordinary share of the Company	HK$1.12
Exercise price per ordinary share of the Company	HK$1.12
Risk-free rate	1.27%
Expected dividend yield	0%
Expected volatility	57.86%
Expiry date	22 September 2031
Time to maturity	10 years

Expected volatility is determined by using the average historical volatility of comparable companies and the Company as at valuation dates.

The estimated fair value of share options granted on 15 December 2022 and 23 September 2021 were HK$6,041,000 and HK$2,095,000 respectively.

During the year ended 31 March 2023, the Group recognised the total expense of HK$6,041,000 (2022: HK$2,095,000) in relation to these share options.

The following table discloses details of the share options held by directors of the Company and eligible employees and movements in such holdings during both years.

(a) Share options granted on 19 October 2018

Grantee	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 April 2022	Number of share option forfeited during the year	Outstanding at 31 March 2023
Directors	19 October 2018	0.636	1 January 2019 to 18 October 2028	990,000	–	**990,000**
Employees	19 October 2018	0.636	1 January 2019 to 18 October 2028	500,000	(330,000)	**170,000**
				1,490,000	(330,000)	**1,160,000**
Exercisable at the beginning/end of the year				1,490,000		**1,160,000**
Weighted average exercise price				HK$0.636	HK$0.636	**HK$0.636**

31. SHARE OPTION SCHEME (Continued)

(a) Share options granted on 19 October 2018 (Continued)

Grantee	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 April 2021	Number of share option forfeited during the year	Outstanding at 31 March 2022
Directors	19 October 2018	0.636	1 January 2019 to 18 October 2028	990,000	–	990,000
Employees	19 October 2018	0.636	1 January 2019 to 18 October 2028	3,800,000	(3,300,000)	500,000
				4,790,000	(3,300,000)	1,490,000
Exercisable at the beginning/end of the year				4,790,000		1,490,000
Weighted average exercise price				HK$0.636	HK$0.636	HK$0.636

(b) Share options granted on 23 September 2021

Grantee	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 April 2022	Number of share option granted during the year	Outstanding at 31 March 2023
Employees	23 September 2021	1.12	23 September 2021 to 22 September 2031	4,000,000	–	**4,000,000**
Exercisable at the beginning/ end of the year				4,000,000		**4,000,000**
Weighted average exercise price				HK$1.12	HK$1.12	**HK$1.12**

31. SHARE OPTION SCHEME (Continued)

(b) Share options granted on 23 September 2021 (Continued)

Grantee	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 April 2021	Number of share option granted during the year	Outstanding at 31 March 2022
Employees	23 September 2021	1.12	23 September 2021 to 22 September 2031	–	4,000,000	4,000,000
Exercisable at the beginning/ end of the year				–		4,000,000
Weighted average exercise price				–	HK$1.12	HK$1.12

(c) Share options granted on 15 December 2022

Grantee	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 April 2022	Number of share option granted during the year	Outstanding at 31 March 2023
Directors	15 December 2022	0.574	15 December 2022 to 14 December 2032	–	12,987,000	**12,987,000**
Employees	15 December 2022	0.574	15 December 2022 to 14 December 2032	–	16,800,000	**16,800,000**
				–	29,787,000	**29,787,000**
Exercisable at the beginning/ end of the year				–		**29,787,000**
Weighted average exercise price				N/A	HK$0.574	**HK$0.574**

32. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2022, the Group disposed of its entire equity interests in NEF Power Inc., Asia Environment Protection Holding Co., Limited and Choice Grand Limited that engaged in energy business for purchase and distribution of solar energy products, trading for solar energy products and was inactive, respectively, at a total cash consideration of HK$10.

The net assets of three subsidiaries at the date of disposal were as follow:

	2022 HK$'000
Analysis of assets and liabilities over which control was lost:	
Inventories	2,265
Trade and other receivables	4,297
Bank balances and cash	108
Trade and other payables	(6,670)
Net liabilities disposed of	–
Gain or loss on disposal of a subsidiary:	
Consideration received	–*
Net liabilities disposed of	–
Gain or loss on disposal	–
Net cash outflow arising on disposal:	
Cash consideration	–*
Less: bank balances and cash disposed of	(108)
	(108)

* Amounts less than HK$1,000.

33. RETIREMENT BENEFIT SCHEME

Since 1 December 2000, the Group has operated pension schemes under the rules and regulations of the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. Contributions are made based on a percentage of the employee's salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred in accordance with the rules of the MPF scheme.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK$740,000 (2022: HK$699,000) represents contributions paid to the schemes by the Group at rates specified in the rules of the schemes.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes loans from a shareholder and a controlling shareholder, bank borrowing, lease liabilities and convertible bonds and derivative financial instruments thereto as disclosed in notes 25, 27, 28 and 29, respectively, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the issuance of new shares and raising of new borrowings.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Amortised cost	**29,041**	49,100
Financial liabilities		
Amortised cost	**174,105**	170,957
Fair value through profit or loss		
– Derivative financial instruments	**13,000**	–

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, deposits, bank balances and cash, trade payables, other payables, bank borrowing, convertible bonds and derivative financial instruments thereto, and loans from a shareholder and a controlling shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to convertible bonds, lease liabilities and loans from a controlling shareholder. The Group has not used any derivatives to hedge against the risk as the directors of the Company consider that the Group's exposure to fair value interest rate risk is not significant.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowing and bank balances. It is the Group's policy to keep its bank balances at floating rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The directors of the Company consider the Group's exposure to interest rate risk relating to variable-rate bank balances is insignificant. Accordingly, no sensitivity analysis is presented.

Currency risk

The Group's major monetary assets and liabilities are denominated in the functional currencies of the respective group entities, except for certain balances denominated in HK$ and US$ for the group entities with HK$ or US$ or RMB as their functional currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows.

	Assets		**Liabilities**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against HK$	**766**	1,251	**(625)**	(146)
Functional currency as RMB against HK$	**1**	2,039	**–**	(1,093)

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For a group entity with US$ or HK$ as its functional currency and holding monetary assets and/or liabilities denominated in HK$ or US$, the directors of the Company consider that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ or US$ against HK$. Accordingly, no sensitivity analysis is presented below.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The directors of the Company consider that the sensitivity of the Group's exposure against the changes in foreign exchange rates are not significant as the foreign currency denominated monetary assets and liabilities of individual group entities were insignificant at the end of the reporting period. Accordingly, no sensitivity analysis is presented.

Other price risk

For the year ended 31 March 2023, the Company is required to estimate the fair value of the derivative financial instruments in relation to the convertible bonds, including conversion and early redemption options, with changes in fair value to be recognised in the consolidated statement of profit or loss as long as the convertible bonds are outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the share price of the Company, expected volatility and risk free rate.

Sensitivity analysis

If the stock price of ordinary share of the Company had been 25% higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax loss for the year ended 31 March 2023 would increase by approximately HK$5,350,000 and decrease by approximately HK$4,688,000 respectively, as a result of changes in fair value of the derivative financial instruments in relation to the convertible bonds.

If the expected volatility of stock price of ordinary share of the Company had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax loss for the year ended 31 March 2023 would increase by approximately HK$1,329,000 and decrease by approximately HK$644,000 respectively, as a result of changes in fair value of the derivative financial instruments in relation to the convertible bonds.

In management's opinion, the sensitivity analyses above are unrepresentative of the inherent price risk as the pricing model used in the valuation of these derivatives involving multiple variables and certain variables are interdependent.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

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

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impairment	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
High risk	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

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				2023 **HK$'000**	2022 HK$'000
Financial assets at amortised cost					
Trade receivables – from contracts with customers	N/A	Low risk	Lifetime ECL (not credit-impaired)	**2,181**	1,369
	N/A	High risk	Lifetime ECL (not credit-impaired)	**–**	688
	N/A	Loss	Lifetime ECL (credit-impaired)	**638**	–
Other receivables and deposits	N/A	Low risk	12m ECL (not credit-impaired)	**13,738**	27,134
Other receivables	N/A	Loss	Lifetime ECL (credit-impaired)	**3,796**	3,514
Bank balances	Baa2 to A1	N/A	12m ECL (not credit-impaired)	**13,037**	19,959

Trade receivables arising from contracts with customers

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 addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. To measure ECL of trade receivables, the Group applies internal credit rating for its customers and they are assessed individually by reference to past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position. The ECL rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

The Group has concentration of credit risk on the trade receivables. As at 31 March 2023, 37% (2022: 61%) of trade receivables is due from the one debtor and 100% (2022: 99%) of trade receivables is due from the highest three debtors (2022: five debtors). The directors of the Company are of the opinion that the credit risk in respect of these customers are not material as continuous repayments from these customers were noted during the year.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances with gross carrying amounts of HK$2,819,000 as at 31 March 2023 (2022: HK$2,057,000) were assessed individually.

Gross carrying amount

	2023		2022	
Internal credit rating	**Average loss rate %**	**Trade receivables HK$'000**	Average loss rate %	Trade receivables HK$'000
Low risk	**0.1**	**2,181**	0.1	1,369
High risk	**–**	**–**	26	688
Loss	**100**	**638**	–	–
		2,819		2,057

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group assessed the ECL for other receivables and deposits individually by current past due exposure of the debtors and forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. During current year ended 31 March 2023, the Group recognised impairment loss of other receivables of HK$124,000 (2022: HK$3,514,000).

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

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

	Trade receivables		Other receivables	
	(not credit-impaired)	**(credit-impaired)**	**(credit-impaired)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2021	1,202	–	–	1,202
Impairment loss recognised	2,766	–	3,514	6,280
Impairment loss reversed	(3,825)	–	–	(3,825)
Exchange realignment	39	–	–	39
At 31 March 2022	182	–	3,514	3,696
Transfer to credit-impaired	(182)	182	–	–
Impairment loss recognised	–	450	124	574
Impairment loss reversed	–	–	(15)	(15)
Exchange realignment	–	6	173	179
At 31 March 2023	–	638	3,796	4,434

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents (representing bank balances and cash) deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative financial instruments in relation to convertible bonds. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments in relation to convertible bonds. The tables have been drawn up based on the undiscounted contractual net cash outflows on the derivative financial instruments that settle on a net basis. The liquidity analysis for the derivative financial instruments of the Group is prepared based on the Maturity Date as the management of the Group considers that the Maturity Date is essential for an understanding of the timing of the cash flows of derivative financial instruments.

	Weighted average interest rate % per annum	On demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2023							
Trade payables	N/A	1,665	–	–	–	1,665	1,665
Other payables	N/A	22,864	–	–	–	22,864	22,864
Lease liabilities	4.50	199	24	–	–	223	219
Bank borrowing	5.65	3,811	3,811	11,433	4,769	23,824	19,823
Convertible bonds	22.90	–	–	52,000	–	52,000	30,053
Loans from a shareholder and a controlling shareholder	4.91	–	11,194	102,265	–	113,459	99,700
		28,539	15,029	165,698	4,769	214,035	174,324
Derivatives – net settlement							
Derivative financial instruments in relation to convertible bonds	N/A	–	–	13,000	–	13,000	13,000

	Weighted average interest rate % per annum	On demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2022							
Trade payables	N/A	587	–	–	–	587	587
Other payables	N/A	23,529	–	–	–	23,529	23,529
Lease liabilities	4.50	2,582	163	–	–	2,745	2,614
Bank borrowing	5.85	4,112	4,112	12,336	9,258	29,818	24,166
Loans from a shareholder and a controlling shareholder	4.77	4,984	126,182	–	–	131,166	122,675
		35,794	130,457	12,336	9,258	187,845	173,571

35. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuations in the fair value of the assets and liabilities are explained to the board of directors of the Company.

(i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

The Group's derivative financial instruments in relation to convertible bonds are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2023 HK$'000	2022 HK$'000			
Derivative financial instruments	**Liabilities – 13,000**	N/A	Level 3	Binomial option pricing model	Expected volatility of 88.04%. (note)

Note: A slight increase in the expected volatility used in isolation would result in a significant increase in the fair value of the conversion option derivatives, and vice versa. The sensitivity analysis on change in expected volatility is presented in "other price risk".

Reconciliation of Level 3 fair value measurement of the derivative financial instruments are presented in note 29.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowing	Lease liabilities	Other loan	Loans from a shareholder and a controlling shareholder	Convertible bonds and derivative financial instruments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2021	25,689	5,519	–	109,736	–	140,944
Finance costs recognised	1,468	187	–	4,942	–	6,597
Adjustment to shareholder's contribution reserve	–	–	–	(1,576)	–	(1,576)
New and extended leases	–	223	–	–	–	223
Financing cash flows	(4,045)	(3,621)	691	5,215	–	(1,760)
Exchange difference	1,054	306	(198)	4,358	–	5,520
At 31 March 2022	**24,166**	**2,614**	**493**	**122,675**	**–**	**149,948**
Finance costs recognised	**1,217**	**46**	**–**	**4,686**	**2,053**	**8,002**
Acquisition of the Group's associate	**–**	**–**	**–**	**–**	**52,000**	**52,000**
Gain on fair value changes of derivative financial instruments	**–**	**–**	**–**	**–**	**(11,000)**	**(11,000)**
Adjustment to shareholder's contribution reserve	**–**	**–**	**–**	**(11,805)**	**–**	**(11,805)**
Loss on early terminated	**–**	**(573)**	**–**	**–**	**–**	**(573)**
New and extended leases	**–**	**92**	**–**	**–**	**–**	**92**
Financing cash flows	**(3,171)**	**(1,899)**	**(457)**	**(7,641)**	**–**	**(13,168)**
Exchange difference	**(2,389)**	**(61)**	**(36)**	**(8,215)**	**–**	**(10,701)**
At 31 March 2023	**19,823**	**219**	**–**	**99,700**	**43,053**	**162,795**

37. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group's investment properties held for rental purposes have committed lessees for the next five (2022: six) years.

Undiscounted lease payments receivable on leases are as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**5,108**	6,574
In the second year	**4,126**	5,514
In the third year	**4,126**	4,453
In the fourth year	**4,126**	4,453
In the fifth year	**4,126**	4,453
After five years	**–**	4,082
	21,612	29,529

During the year, the Group earned gross rental income from investment properties amounted to HK$5,459,000 (2022: HK$5,520,000) and incurred direct operating expenses therefor amounted to HK$883,000 (2022: HK$1,202,000).

38. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 March 2023, the Group acquired 35% of the equity interest in Chengdu Huahan and the related consideration of HK$52,000,000 was settled by way of issue of the convertible bonds to the Mr. Zhang Bing. Details of the transaction are set out in notes 19 and 29.

(b) Compensation of key management personnel

The remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 12 is as follows:

	2023 **HK$'000**	2022 HK$'000
Short-term benefits	**5,077**	4,930
Post employment benefits	**178**	220
Equity-settled share-based payments	**2,837**	2,095
	8,092	7,245

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

39. PLEDGE OF ASSETS

The Group's bank borrowing had been secured by the pledged of the Group's assets at the carrying amounts of the respective assets are as follows:

	2023	2022
	HK$'000	HK$'000
Property, plant and equipment	**3,830**	4,398
Investment properties	**88,617**	89,886
Right-of-use assets	**5,296**	5,854
	97,743	100,138

40. NON-CASH TRANSACTIONS

During the year ended 31 March 2023, the Group acquired 35% of the equity interest in Chengdu Huahan and the related consideration of HK$52,000,000 was settled by way of issue of the convertible bonds to Mr. Zhang Bing that is a non-cash transaction. Details of the transaction are set out in notes 19 and 29.

During the year ended 31 March 2023, the Group entered into new lease agreements for staff quarters for two years (2022: staff quarters for two years). On the lease commencement, the Group recognised HK$92,000 (2022: HK$223,000) of right-of-use assets and HK$92,000 (2022: HK$223,000) of lease liabilities that are non-cash transactions.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company as at 31 March 2023 and 2022 are as follows:

Name of subsidiary	Country/place of incorporation or registration	Principal place of operation	Nominal value of issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Group		Principal activities
				2023	2022	
First Corporate International Limited*	British Virgin Islands ("BVI")	HK	US$1	**100%**	100%	Investment holding
Nation Power Group Limited*	BVI	HK	US$100	**100%**	100%	Investment holding
Sinoble Jewelry Limited	Hong Kong	HK	HK$1	**100%**	100%	Jewelry business for purchase and distribution of jewelry
廣州億恒珠寶有限公司 (note(2))	The PRC	The PRC	HK$15,000,000	**100%**	100%	Jewelry business for purchase and distribution of jewelry
Guo Rong Holdings Limited	Hong Kong	HK	HK$1	**100%**	100%	Cost center for other group entities
Global Fortune Investment Limited*	Republic of Seychelles	HK	US$1	**100%**	100%	Investment holding
寧波升谷節能科技有限公司 (note(2))	The PRC	The PRC	HK$25,000,000	**100%**	100%	Energy business for manufacturing and distribution of solar energy products
余姚市億恒太陽能科技有限公司 (note(2))	The PRC	The PRC	RMB60,000	**100%**	100%	Energy business for manufacturing and distribution of solar energy products
Effective Success Limited*	Republic of Seychelles	HK	US$1	**100%**	100%	Investment holding
NEF Power (Taizhou) Co., Ltd. (北能電氣(泰州)有限公司) ("NEF Taizhou") (note (1))	The PRC	The PRC	RMB1,000,000	**51%**	51%	Energy business for manufacturing and distribution of solar energy products and related services
Chengdu Kaibangyuan (note (1))	The PRC	The PRC	RMB27,000,000	**51%**	*51%*	Energy business for sale of refined oil

* Directly held by the Company.

Notes:

(1) This entity is established in the PRC in form of a limited liability Company.

(2) These entities are established in the PRC in form of wholly foreign owned enterprises

The above table only includes those subsidiaries which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The PRC subsidiaries maintained RMB denominated bank balances. The remittance of these funds out of the PRC is subject to exchange restriction imposed by the PRC government.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in HK. The principal activities of these subsidiaries are either investment holding or inactive.

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
NEF Taizhou	Incorporated and operating in the PRC – Taizhou	**49%**	49%	**(1,100)**	(1,307)	**(6,656)**	(5,398)
Chengdu Kaibangyuan	Incorporated and operating in the PRC – Chengdu	**49%**	49%	**(843)**	(725)	**31,209**	36,117
An immaterial subsidiary with non-controlling interests				**(809)**	(16)	**-**	2
				(2,752)	(2,048)	**24,553**	30,721

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below.

The summarised financial information below represents amounts show in NEF Taizhou's and Chengdu Kaibangyuan's financial statements prepared in accordance with HKFRSs before intragroup elimination.

NEF Taizhou

	As at 31 March	
	2023 HK$'000	2022 HK$'000
Current assets	**2,428**	5,783
Non-current assets	**25**	53
Current liabilities	**(16,036)**	(16,853)
Equity attributable to owners of the Company	**(6,927)**	(5,619)
Non-controlling interests of NEF Taizhou	**(6,656)**	(5,398)

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Continued)

NEF Taizhou (Continued)

	For the year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Revenue	**1,541**	412
Expenses	**(3,786)**	(3,080)
Loss for the year	**(2,245)**	(2,668)
Loss attributable to owners of the Company	**(1,145)**	(1,361)
Loss attributable to non-controlling interests of NEF Taizhou	**(1,100)**	(1,307)
Loss for the year	**(2,245)**	(2,668)
Other comprehensive (expense) income attributable to owners of the Company	**(163)**	13
Other comprehensive (expense) income attributable to non-controlling interests of NEF Taizhou	**(158)**	12
Other comprehensive (expense) income for the year	**(321)**	25
Total comprehensive expense attributable to owners of the Company	**(1,308)**	(1,348)
Total comprehensive expense attributable to non-controlling interests of NEF Taizhou	**(1,258)**	(1,295)
Total comprehensive expense for the year	**(2,566)**	(2,643)
Net cash inflows (outflows) from operating activities	**302**	(87)
Net cash outflows from financing activities	**–**	(350)
Net cash inflows (outflows)	**302**	(437)

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Continued)

Chengdu Kaibangyuan

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Current assets	**21,371**	33,850
Non-current assets	**62,492**	71,525
Current liabilities	**(17,359)**	(20,563)
Non-current liabilities	**(2,813)**	(11,103)
Equity attributable to owners of the Company	**32,482**	37,592
Non-controlling interests of Chengdu Kaibangyuan	**31,209**	36,117

	For the year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Revenue	**219,642**	174,050
Expenses	**(221,362)**	(175,530)
Loss for the year	**(1,720)**	(1,480)
Loss attributable to owners of the Company	**(877)**	(755)
Loss attributable to non-controlling interests of Chengdu Kaibangyuan	**(843)**	(725)
Loss for the year	**(1,720)**	(1,480)
Other comprehensive (expense) income attributable to owners of the Company	**(4,233)**	2,322
Other comprehensive (expense) income attributable to non-controlling interests of Chengdu Kaibangyuan	**(4,065)**	2,230
Other comprehensive (expense) income for the year	**(8,298)**	4,552
Total comprehensive (expense) income attributable to owners of the Company	**(5,110)**	1,567
Total comprehensive (expense) income attributable to non-controlling interests of Chengdu Kaibangyuan	**(4,908)**	1,505
Total comprehensive (expense) income for the year	**(10,018)**	3,072
Net cash inflows (outflows) from operating activities	**16,497**	(24,784)
Net cash outflows from investing activities	**–**	(315)
Net cash (outflows) inflows from financing activities	**(10,419)**	10,975
Net cash inflows (outflows)	**6,078**	(14,124)

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 HK$'000	2022 HK$'000
Non-current assets		
Unlisted investment in subsidiaries	–	–
Amounts due from subsidiaries	85,899	26,892
	85,899	26,892
Current assets		
Amounts due from subsidiaries	1,522	1,628
Prepayment	–	46
Bank balances	223	2,043
	1,745	3,717
Current liability		
Other payables and accruals	3,232	1,093
Net current (liabilities) assets	(1,487)	2,624
Total assets less current liabilities	84,412	29,516
Non-current liabilities		
Loans from a controlling shareholder	14,840	9,065
Derivative financial instrument	13,000	–
Convertible bond	30,053	–
	57,893	9,065
Net assets	26,519	20,451
Capital and reserves		
Share capital (note 30)	3,876	3,876
Reserves (note)	22,643	16,575
Total equity	26,519	20,451

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

Movement in the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Shareholder's contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021	201,877	22,666	1,442	–	1,978	(218,207)	9,756
Loss and total comprehensive expense for the year	–	–	–	–	–	(6,681)	(6,681)
Issue of shares	11,322	–	–	–	–	–	11,322
Transaction costs attributable to issue of shares	(67)	–	–	–	–	–	(67)
Recognition of equity-settled share-based payments	–	–	2,095	–	–	–	2,095
Forfeiture of share options	–	–	(993)	–	–	993	–
Deemed capital contribution from a controlling shareholder	–	–	–	–	150	–	150
At 31 March 2022	213,132	22,666	2,544	–	2,128	(223,895)	16,575
Loss for the year	–	–	–	–	–	(1,067)	(1,067)
Other comprehensive expense for the year	–	–	–	(730)	–	–	(730)
Total comprehensive expense for the year	–	–	–	(730)	–	(1,067)	(1,797)
Recognition of equity-settled share-based payments	–	–	6,041	–	–	–	6,041
Forfeiture of share options	–	–	(100)	–	–	100	–
Deemed capital contribution from a controlling shareholder	–	–	–	–	1,164	–	1,164
Deemed capital contribution from a controlling shareholder upon modification of loans	–	–	–	–	660	–	660
At 31 March 2023	213,132	22,666	8,485	(730)	3,952	(224,862)	22,643

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**247,893**	193,111	56,220	110,640	148,623
Loss before taxation	**(12,618)**	(13,501)	(26,470)	(41,261)	(34,403)
Income tax expense	**(2,040)**	(2,523)	(681)	(131)	(203)
Loss for the year	**(14,658)**	(16,024)	(27,151)	(41,392)	(34,606)
Attributable to:					
Owners of the Company	**(12,618)**	(13,976)	(24,613)	(33,476)	(35,605)
Non-controlling interests	**(2,040)**	(2,048)	(2,538)	(7,916)	999
	(14,658)	(16,024)	(27,151)	(41,392)	(34,606)

ASSETS AND LIABILITIES

	At 31 March				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**218,576**	176,386	168,914	76,672	76,092
Current assets	**37,439**	65,650	66,206	75,199	107,470
Current liabilities	**(29,603)**	(36,971)	(43,554)	(31,066)	(48,924)
Net current assets	**7,836**	28,679	22,652	44,133	58,546
Total assets less current liabilities	**226,412**	205,065	191,566	120,805	134,638
Non-current liabilities	**(171,999)**	(150,148)	(138,248)	(99,159)	(106,755)
Net assets	**54,413**	54,917	53,318	21,646	27,883