



雲白國際有限公司
YNBY International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00030)

2022/2023
ANNUAL REPORT

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CORPORATE INFORMATION

As at the publication date

BOARD OF DIRECTORS

Executive Directors:

Mr. Dong Ming (*Chairman*)
Mr. Tang Ming (*Chief Executive Officer*)
Mr. Liu Zhouyang

Non-Executive Directors:

Mr. Qian Yinghui
Mr. Huang Bin

Independent Non-Executive Directors:

Dr. Cecilia Wai Bing Pang
Dr. Cheung Hoi Yu
Mr. Wong Hin Wing

COMMITTEES

Audit Committee:

Mr. Wong Hin Wing (*Chairman*)
Mr. Qian Yinghui
Dr. Cecilia Wai Bing Pang
Dr. Cheung Hoi Yu

Remuneration Committee:

Dr. Cheung Hoi Yu (*Chairman*)
Mr. Tang Ming
Dr. Cecilia Wai Bing Pang
Mr. Wong Hin Wing

Nomination Committee:

Mr. Dong Ming (*Chairman*)
Dr. Cecilia Wai Bing Pang
Dr. Cheung Hoi Yu
Mr. Wong Hin Wing

COMPANY SECRETARY

Mr. Liu Huaiyu

AUTHORIZED REPRESENTATIVES

Mr. Tang Ming
Mr. Liu Huaiyu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

32/F
Cambridge House, Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

AUDITORS

Zhonghui Anda CPA Limited

REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

WEBSITE

www.0030.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS BUSINESS REVIEW

For the year ended 31 March 2023 (“2022/23”), the Group has ceased its operations in the money lending segment and no revenue or segment results were reported. The Group focuses on the trading of goods and commodities business which refers to (i) e-commerce trading business and (ii) raw materials trading business for healthcare products including the sourcing of packaging materials, pharmacy and cosmetics CBD materials and isolates, plant extracts, etc. and reselling of the products to the PRC corporate customers that are engaged in the manufacturing of cosmetics and healthcare products and the respective packaging materials.

Trading of goods and commodities segment

The Group’s e-commerce trading business is primarily operated by selling products bearing third-party brands, which are sourced and procured from overseas suppliers and sold to renowned online platforms in China, such as VIP.com, JD.com, and Tmall. The Company constantly communicates with its customers, being mainly the e-commerce trading platforms, to understand their demand of products. In the meantime, the Company reviews its inventory and/or seeks quotations from its extensive network of suppliers, and may place purchase orders according to suitable market situations, which are nevertheless constantly changing, within the context of the Company’s supply capabilities. Once a receipt of order from the Company’s customer is confirmed, the Company will (i) assure supply quantity and quality, from existing inventories and/or from a number of different suppliers; (ii) arrange for respective payments to the suppliers where appropriate; (iii) use own or third-party warehouse to receive the ordered goods from the Company’s suppliers, and deploy own team or appoint third party to conduct quality inspection; (iv) facilitate the delivery of the products to the Company’s customers; (v) arrange the products to go through customs inspection and clearance where appropriate; (vi) facilitate relevant customers services including but not limited to after-sales services; (vii) cooperate with business partners and formulate further marketing and sales of relevant products, and monitor the sales trend for such products; and (viii) the Company usually receives the payments from the e-commerce platforms within the credit period on each sales after the delivery of ordered goods.

The Group commenced its hemp CBD raw materials trading and CBD isolate business in 2019. As a natural expansion of its CBD trading business, the Group has been engaged in the sourcing of raw materials for manufacturing since early 2022, which involved the supply of other plant extracts and raw materials for cosmetics and healthcare products, including packaging materials, sorbitol, steviol glycoside, lauric acid, CBD materials, glycerin etc. to existing and potential customers in the healthcare and cosmetics industry. As a modest extension of the services previously offered by the Group, the Group no longer passively sources products required by its customers, but takes on a more active role in serving its existing and potential customers in respect of their supply chain.

The Group is based in Hong Kong and has a deep penetration in the PRC. The management of the Group believes that a strong global presence is beneficial to the trading business. Hence, the Group is also establishing an extensive global sales and distribution network with a geographical reach spanning over the Greater China, Japan, Korea, Singapore, Vietnam, Thailand, Laos, Canada, North America, Switzerland and France.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Trading of goods and commodities segment (Continued)

For 2022/23, the trading of goods and commodities segment reported revenue of approximately HK\$452.9 million, representing an increase of 153.0% from approximately HK\$179.0 million reported for the year ended 31 March 2022 (“2021/22”). This segment reported a segment loss of approximately HK\$122.5 million for 2022/23 (2021/22: approximately HK\$609.4 million). The significant improvement on the segment revenue and segment results is mainly attributable to (i) the new business strategies on e-commerce trading business and raw material trading business by the new management appointed by the Company in early 2022 and (ii) significant decreases in net allowance for expected credit losses (“ECL”) on loan and interest receivables.

The revenue generated from the trading of goods and commodities segment represented all the Group’s total revenue while the money lending business was ceased during the year.

For 2022/23, a net allowance for ECL on other receivables of approximately HK\$131.5 million was recognised (2021/22: approximately HK\$562.9 million).

PROSPECTS

According to the Department of E-Commerce of the Ministry of Commerce, in 2022, the China’s online e-commerce business grew steadily, of which some of products grew by double-digit percentage. The cross-border e-commerce developed rapidly. In 2022, online retail sales in China reached RMB13.79 trillion, representing a year-on-year increase of 4%, while the cross-border e-commerce in China import and export (including B2B) reached RMB2.11 trillion, representing a year-on-year increase of 9.8%. The prosperous e-commerce market in China provides the Group with great potential. With successful experience on the existing business strategies since 2022, the management is confident that the Group will have bright future in trading of goods and commodities, especially in e-commerce trading business, by capturing the opportunities in China.

GENERAL AND ADMINISTRATIVE EXPENSES

For 2022/23, the Group’s general and administrative expenses (which mainly comprises legal and professional fees, staff salaries, directors’ fees and depreciation of right-of-use assets) amounted to approximately HK\$39.6 million (2021/22: approximately HK\$48.2 million), representing a decrease of 17.8%. The decrease in the general and administrative expenses was principally due to the decrease in consultancy and services fees in relation to development of own-branded CBD products.

FINANCE COSTS

For 2022/23, finance costs of approximately HK\$5.9 million (2021/22: approximately HK\$3.9 million) were incurred, representing an increase of 51.3% which represented the effective interests arising from 2021/22 to 2022/23. The increase was mainly resulted from the extension of maturity date of convertible bonds during the year in respect of the convertible bonds issued and renewed on 1 February 2023.

INCOME TAX EXPENSES

For 2022/23, income tax expenses of approximately HK\$3.0 million (2021/22: approximately HK\$3.4 million) were incurred. The income taxes for 2022/23 mainly represented the enterprise income tax in the PRC of approximately HK\$2.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS PER SHARE

For 2022/23, the basic and diluted loss per share amounted to 2.51 HK cents, as compared to the basic and diluted loss per share of 17.33 HK cents in 2021/22, mainly resulted from the enhancement in gross profit and decrease in the net allowance for expected credit losses.

FINANCIAL POSITION

The shareholders' equity decreased from approximately HK\$203.2 million as at 31 March 2022 to approximately HK\$113.3 million as at 31 March 2023, in which the decrease was mainly due to the net loss of the Group for 2022/23. Total assets decreased slightly by 0.6% from approximately HK\$321.8 million as at 31 March 2022 to approximately HK\$320.0 million as at 31 March 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the Group's cash and cash equivalents amounted to approximately HK\$159.0 million (31 March 2022: approximately HK\$203.9 million). As at 31 March 2023, the Group had a convertible bond with carrying amount of approximately HK\$25.0 million (31 March 2022: approximately HK\$13.8 million) with coupon rate of 3% per-annum. The interest expenses for the year are calculated by applying an effective interest rate of 18.79% per-annum to the liability component for 2-year period since the convertible bond were issued. The gearing ratio of the Group is 22.0% as at 31 March 2023 (31 March 2022: 6.8%), which is calculated by the total interest-bearing borrowings divided by the net assets of the Group. The rise in gearing ratio is mainly due to the combined effects of: (1) increase in convertible bonds and (2) the decrease in net assets of the Group as compared with prior period.

FINAL DIVIDEND

The board (the "Board") of the directors (the "Directors") of the Company did not propose a final dividend for 2022/23 (2021/22: nil).

SHARE CAPITAL AND FUND-RAISING ACTIVITIES

As at 31 March 2023, the total number of issued ordinary shares (the "Shares") of the Company was 6,799,914,160 shares (31 March 2022: 6,448,152,160 shares).

In October 2020, the Company issued a convertible bond to Yunnan Baiyao Group with a principal of HK\$500 million with a net proceeds of approximately HK\$498 million, equivalent to a net price of approximately HK\$0.257 (the "Subscription") in order to provide financial resources for exploring opportunities to diversify the businesses. A total of 1,937,984,496 ordinary shares of nominal value of HK\$0.01 per share could be converted and issued at conversion price of HK\$0.258 per share upon maturity. The closing price per share on the date of the subscription agreement (being 14 October 2019) was HK\$0.260. Please refer to the circular of the Company dated 11 September 2020 for further details. As at 31 March 2023, approximately HK\$396 million had been used from the date of Subscription in accordance with its intended use as stated in the circular of the Company dated 11 September 2020 (for further details in relation to the use of proceeds, please refer to the breakdown set out in the paragraph below), and the unused balance of the Subscription proceeds was approximately HK\$102 million.

In June 2022, the Company placed 351,762,000 ordinary shares of nominal value of HK\$0.01 per share (the "Placing") to Sunwah GreatWall Group Limited at subscription price HK\$0.285 per share (with a net price of approximately HK\$0.284) in order to supplement the Group's long-term funding of its expansion plan and growth strategies and broaden the shareholder base. The closing price per share on the date of the subscription agreement (being 14 April 2022) was HK\$0.244. As at 31 March 2023, approximately HK\$50 million had been used from the date of the Placing in accordance with its intended use as stated in the announcements of the Company dated 14 April 2022 and 16 May 2022, and the unused balance of the Placing proceeds was approximately HK\$50 million.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL AND FUND-RAISING ACTIVITIES (CONTINUED)

The Company applied the net proceeds from the Subscription and Placing as follows:

	Planned use of proceeds HK\$ million	Utilised amount up to 31 March 2023 HK\$ million	Difference between the planned allocation net proceeds and actual usage of the net proceeds HK\$ million (Note 1)	Unused balance from the net proceeds as at 31 March 2023 HK\$ million (Note 2)
Subscription				
Expansion of existing trading business in cosmetics and personal care products	100	100	–	–
Expansion of CBD-based cosmetics and personal care product trading business	90	58	(32)	–
Purchase of CBD isolate inventory for trading purpose	20	15	–	5
Setting up of hemp cultivation and extraction and trading business	70	–	–	70
Expansion of CBD-related target business	40	–	(13)	27
Expansion of existing money lending business	50	43	(7)	–
Repayment of bonds issued by the Company in 2014	70	70	–	–
Repayment of interests derived from the Convertible Bonds	–	28	28	–
General working capital	58	82	24	–
Total	498	396	–	102
Placing				
Expansion of CBD-based cosmetics products and industrial cannabis trading business with ASEAN	45	5	–	40
Research and development of Chinese herbal medicine in the PRC and development the trading network in Thailand, Indonesia, Singapore, Korea and Malaysia, etc	25	15	–	10
Development of the health food products network in Thailand and the trade with ASEAN	25	25	–	–
General working capital	5	5	–	–
Total	100	50	–	50

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL AND FUND-RAISING ACTIVITIES (CONTINUED)

Note 1

In light of the recent changes in the government policies with respect to the ban of CBD products in Hong Kong and the overall market environment, the Company has reallocated its net proceeds from "expansion of CBD-based cosmetics and personal care product trading business" to "Repayment of interests derived from the Convertible Bonds". In particular, the Company allocated HKD28 million of its net proceed to the repayment of interests derived from the Convertible Bonds and allocated HKD24 million to its general working capital.

Note 2

As at 31 March 2023, the Company had no further plan to change the application of the remaining net proceeds for the purpose as disclosed. The Company intends to fully utilised the net proceeds from the Subscription and Placing by 31 March 2024.

FUNDING AND TREASURY POLICY

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of its customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EVENTS AFTER THE REPORTING PERIOD

For the details of events after the reporting period, please refer to note 14 to the consolidated financial statements in this report.

PLEDGE AND/OR CHARGED OF ASSETS

As at 31 March 2023, no assets of the Group were pledged and/or charged to secure general banking facilities granted to the Group (31 March 2022: nil).

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

As at 31 March 2023, the Group had no material contingent liabilities (31 March 2022: nil).

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi, and most of the Group's cash balances are deposited in Hong Kong dollars, US dollars or Renminbi with banks in Hong Kong and the PRC. Certain portion of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. The Group has not used any financial instruments for hedging purpose for 2022/23 (2021/22: Nil). However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the financial year ended 31 March 2023, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis.

COMMODITY PRICE RISK

The price of commodity products is influenced by international and domestic market prices and changes in global supply and demand for such products. Both the international and domestic market price of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity price may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and price arrangements to hedge the risk of volatility of commodity prices.

EMPLOYEE REMUNERATION POLICY

As at 31 March 2023, the Group had 37 employees (31 March 2022: 35 employees). For 2022/23, the total salaries, commissions, incentives and all other staff related costs amounted to approximately HK\$17.5 million (2021/22: approximately HK\$16.9 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical insurance. On-job training and regular seminars related to the employees' duties were provided during the year. The Company may also grant share options to eligible employees to motivate their performance and contribution to the Group.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 March 2023, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 March 2023. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION AND ACTIONS TO BE TAKEN BY THE GROUP

The following sets for the management's position, view and assessment on the disclaimer of opinion and where appropriate, actions to be taken by the Group to address the disclaimer of opinion ("Disclaimer of Opinion") included in the auditor's report of Zhonghui Anda CPA Limited ("Zhonghui Anda") in relation to the consolidated financial statements of the Group:

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION AND ACTIONS TO BE TAKEN BY THE GROUP (CONTINUED)

Matters identified during the year ended 31 March 2023

Basis 1: Revenue and cost of sales reversed during the year ended 31 March 2023

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, whom the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the appropriateness of the revenue and cost of sales transactions reversed by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Shenzhen) Limited ("Wan Long Shenzhen"), of RMB67,165,177 (equivalent to HK\$76,995,023) and RMB66,875,294 (equivalent to HK\$76,662,715), respectively, for the year ended 31 March 2023 ("2023 Reversed Transactions"). As a result, Zhonghui Anda was unable to determine whether any adjustments might have been found necessary in respect of the 2023 Reversed Transactions.

Matters relating to opening balances and impacting the Group for the year ended 31 March 2023

Basis 2: Revenue recognised during the year ended 31 March 2022

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence (i.e. delivery documents) to satisfy themselves as to the occurrence, accuracy, completeness and cutoff of the revenue transactions recognised by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Hong Kong) Limited, of HK\$152,578,693 for the year ended 31 March 2022 ("Trading Transactions"). As a result, Zhonghui Anda was unable to determine whether any adjustments might have been found necessary in respect of the Trading Transactions.

Basis 3: Trade receivables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, rights and obligations, and completeness and valuation of the trade receivables amounted to RMB25,432,050 (equivalent to HK\$31,334,320) as at 31 March 2022 of which impairment losses of RMB\$10,968,069 (equivalent to HK\$13,524,078) made for the year ended 31 March 2022. There are no other satisfactory audit procedures that Zhonghui Anda could adopt to determine whether any adjustments might have been found necessary in respect of the trade receivables and the impairment losses made.

Basis 4: Other receivables, deposits and prepayments

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, rights and obligations, completeness and valuation and allocation of the other receivables, deposits and prepayments amounted to HK\$563,777,772, which was fully impaired during the year ended 31 March 2022. There are no other satisfactory audit procedures that Zhonghui Anda could adopt to determine whether any adjustments might have been found necessary in respect of the other receivables, deposits and prepayments and the impairment losses.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION AND ACTIONS TO BE TAKEN BY THE GROUP (CONTINUED)

Matters relating to opening balances and impacting the Group for the year ended 31 March 2023 (Continued)

Basis 5: Loan and interest receivables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, rights and obligations, completeness and valuation of the loan and interest receivable amounted to HK\$477,775,767 and HK\$478,842,967 which was fully impaired and the relevant interest income during the year ended 31 March 2023 and 2022. There are no other satisfactory audit procedures that Zhonghui Anda could adopt to determine whether any adjustments might have been found necessary in respect of the loan and interest receivables, interest income and the impairment losses made.

Basis 6: Inventories

Zhonghui Anda was appointed as auditor of the Company subsequent to the Company's end of the reporting period of 31 March 2022. In consequence, Zhonghui Anda was unable to attend the Group's physical count of inventories as at that date. The Group has not maintained sufficient stock records for us to verify the carrying amount of inventories of HK\$6,794,775 as at that date. Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, quantities and conditions of the inventories. In addition, impairment of inventories amounted to HK\$18,651,927 was made during the year ended 31 March 2022. There are no other satisfactory audit procedures that Zhonghui Anda could perform to determine whether the impairment was properly recorded.

Basis 7: Trade and other payables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, rights and obligations, completeness and valuation and allocation of the trade and other payables amounted to HK\$18,183,078 and HK\$19,612,191 as at 31 March 2023 and 2022. There are no other satisfactory audit procedures that Zhonghui Anda could adopt to determine whether any adjustments might have been found necessary in respect of the trade and other payables for the year ended 31 March 2022 and 2023.

Basis 8: Revenue and cost of sales reversed during the year ended 31 March 2022

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, Zhonghui Anda was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the appropriateness of the revenue and cost of sales transactions reversed by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Shenzhen) Limited ("Wan Long Shenzhen"), of RMB486,940,670 (equivalent to HK\$599,079,217) and RMB482,375,607 (equivalent to HK\$594,788,870), respectively, for the year ended 31 March 2022 ("Reversed Transactions"). As a result, Zhonghui Anda was unable to determine whether any adjustments might have been found necessary in respect of the Reversed Transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION AND ACTIONS TO BE TAKEN BY THE GROUP (CONTINUED)

Matters relating to opening balances and impacting the Group for the year ended 31 March 2023 (Continued)

Basis 9: Insufficient accounting records of Wan Long Shenzhen

As advised by the board of directors, since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of Wan Long Shenzhen in 2022, who the Group were unable to contact and communicate with, Wan Long Shenzhen has retained the basic business records, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the “Basic Records”), that were left behind by the former management and accounting departments of Wan Long Shenzhen as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of Wan Long Shenzhen’s accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “Specific Records”).

In the absence of the Specific Records of the Wan Long Shenzhen following the departure of certain former key management personnel in 2022, the board of directors considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting departments and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

As a result of the above matters, in addition to Basis 1, 3, 4, 7 and 8, Zhonghui Anda have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2022 and the assets and liabilities as at 31 March 2022 of Wan Long Shenzhen, as detailed below, and other related disclosure notes in relation to Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION AND ACTIONS TO BE TAKEN BY THE GROUP (CONTINUED)

Extract of Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March 2023 HK\$	For the year ended 31 March 2022 HK\$
Revenue	–	–
Cost of sales	–	–
Other income, gains and losses	(818,034)	(2,531,055)
Net allowance for expected credit losses	(131,724,848)	–
Selling and distribution costs	(138,880)	(2,505,411)
Administrative expenses	(2,748,193)	(5,430,621)
Finance costs	(3,528)	–
Income tax expense	(24,564)	–

Extract of Statement of Financial Position

	As at 31 March 2023 HK\$	As at 31 March 2022 HK\$
Non-current asset	1,710,907	2,116,262
Current assets		
Trade receivables	–	–
Other receivables, deposits and prepayments	1,532,838	45,113,959
Amounts due from group companies	699,530	18,231,036
Other current assets	46,440	717,560
Current liabilities		
Trade and other payables	90,962,696	–
Contract liabilities	34,950,735	37,697,717
Amounts due to group companies	24,573,110	40,561,415
Other current liabilities	1,377,957	1,593,257

Accordingly, Zhonghui Anda was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2022 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION AND ACTIONS TO BE TAKEN BY THE GROUP (CONTINUED)

The management position, view and assessment

The basis set out under Basis 1 giving rise to the Disclaimer of Opinion on the 2022/23 Financial Statements was related to statement of profits and loss for FY2022/23, therefore, it should not have any carry forward impact to the results for nine months ended 31 December 2023 ("FY2023"). However, as the consolidated financial statements for FY2023 will include the results for FY2022/23 as comparative figures, it is unavoidable that the consolidated financial statements of the Company for FY2023 will include the same basis set out under Basis 1 giving rise to the Disclaimer of Opinion on the 2022/23 Financial Statements. Having considered that the business leading to the failure to obtain sufficient appropriate audit evidence as stated in Basis 1 have been suspended before 31 March 2023, the Company is of the view that, barring unforeseen circumstances which may arise after the date hereof over the relevant items, the basis as set out under Basis 1 giving rise to the Disclaimer of Opinion on the 2022/23 Financial Statements will be removed in the consolidated financial statements of the Company the year ended 31 December 2024 ("FY2024"), and accordingly, such basis for the Disclaimer on Opinion on the 2022/23 Financial Statements will be properly addressed in the consolidated financial statements of the Company on FY2024.

The basis set out under Basis 2, 3, 4, 5, 6 and 8 giving rise to the Disclaimer of Opinion on the 2022/23 Financial Statements was developed based on the Disclaimer of Opinion on the 2021/22 Financial Statements in relation to the matters identified in 2021/22 Financial Statements. Zhonghui Anda was unable to draw comfort on the closing balances of the relevant account items and the impairment losses made contained in the 2021/22 Financial Statement, which unavoidably result in Zhonghui Anda being unable to draw comfort on the opening balances of the same items contained in the 2022/23 Financial Statements. Having considered that (i) Wan Long Shenzhen has suspended its business before 31 March 2023; and (ii) appropriate provisions/impairment losses and adjustments have been made in the Financial Statements based on the information available, the Company is of the view that, barring unforeseen circumstances which may arise after the date hereof over the relevant items, the basis as set out under Basis 2, 3, 4, 5, 6 and 8 giving rise to the Disclaimer of Opinion on the 2022/23 Financial Statements will be removed in the consolidated financial statements of the Company in FY 2023, and accordingly, such basis for the 2022/23 Financial Statements will be properly addressed in the consolidated financial statements of the Company for the financial year on FY2024.

The basis set out under Basis 7 and 9 giving rise to the Disclaimer of Opinion on the 2022/23 Financial Statements was developed based on the absence of sufficient accounting records of Wan Long Shenzhen. Zhonghui Anda was unable to draw comfort on the opening and closing balances of the assets and liabilities of Wan Long Shenzhen in the 2021/2022 Financial Statements which unavoidably results in the impact on the consolidated financial statements of the Company in the subsequent financial years. The Company had already identified a suitable way to resolve the matter and, accordingly, such basis for the Disclaimer of Opinion on 2022/2023 Financial Statements will be removed on the consolidated financial statements of the Company for the year ended 31 December 2025 ("FY2025").

Based on the above, the Company is of the view that it will be able to address the basis for the Disclaimer of Opinion expressed by Zhonghui Anda on the 2022/23 Financial Statements, and the relevant basis for the Disclaimer of Opinion on the 2022/23 Financial Statements will be removed in the consolidated financial statements of the Company as follows: (i) Basis 1 will be removed for the financial years of FY 2024; Basis 2, 3, 4, 5, 6 and 8 will be removed for the financial year of 2023 and (iii) Basis 7 and 9 will be removed on the consolidated financial statements of the Company for the financial year of FY2025.

DIRECTORS' REPORT

The Board present their report and the audited consolidated financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in trading of goods and commodities. The details of principal activities and other particulars of the subsidiaries are set out in note 22 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators can be found throughout this report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Other details of the activities during the year as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties the Group is facing, particulars of the events affecting the Group that have occurred since the financial year ended 31 March 2023, and an indication of likely future development in the Group's business, can be found in the section of Management Discussion and Analysis on pages 3 to 13.

During the year ended 31 March 2023, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit and loss and other comprehensive income on pages 52 to 53.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 56 and note 37 to the consolidated financial statement respectively.

DISTRIBUTABLE RESERVES

The Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 (as amended) as at 31 March 2023. In addition, the Company's share premium account of HK\$1,085,013,367 as at 31 March 2023 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves are set out in note 37 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the consolidated financial statements.

BANK BORROWINGS AND BANKING FACILITIES

The Group had no outstanding bank borrowings as at 31 March 2023.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 114.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Dong Ming (*Chairman*)
 Mr. Tang Ming (*Chief Executive Officer*)
 Mr. Liu Zhouyang
 Mr. Yin Pinyao (*resigned on 8 August 2023*)

Non-Executive Directors:

Mr. Qian Yinghui
 Mr. Huang Bin

Independent Non-Executive Directors:

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)
 Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)
 Mr. Wong Hin Wing (*appointed on 21 November 2023*)
 Mr. Jiang Zhi (*resigned on 10 November 2023*)
 Mr. Leung Ka Kui, Johnny (*resigned on 10 November 2023*)
 Ms. Wong Chui San, Susan (*resigned on 10 November 2023*)

In accordance with the Bye-law 84 of the Company's Bye-laws (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years, Mr. Dong Ming, Mr. Qian Yinghui and Mr. Liu Zhouyang will retire from office by rotation and will offer themselves for re-election at the forthcoming annual general meeting ("AGM"), notice of which will be dispatched to the shareholders of the Company (the "Shareholders") in due course.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 25 of this report.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors ("INEDs"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming AGM have a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

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.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS

Save for the share option scheme adopted by the Company described below, the Group has not entered into any equity-linked agreements during the year.

NEW SHARE OPTION SCHEME

The old share option scheme was adopted by the Company on 27 March 2002 for a period of ten years and expired on 26 March 2012. In order to continue to provide the Company with a flexible means of giving incentive to eligible participants to recognize and acknowledge the contributions that eligible participants made or may make to the Group, a new share option scheme (the "New Share Option Scheme") has been approved by the shareholders at the annual general meeting of the Company held on 30 September 2013 (the "Adoption Date"), the Directors may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

The New Share Option Scheme is valid and effective for ten years and will expire on 29 September 2023. From the Adoption Date up to 31 March 2023, no option has been granted. Save for the New Share Option Scheme, the Company does not have any other share option scheme as at 31 March 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the New Share Option Scheme disclosed above, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party or any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONTRACT OF SIGNIFICANCE

Except as disclosed in the "Connected Transactions" and "Continuing Connected Transactions", there were no contracts of significance between the listed issuer, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries, and there were no contract of significance for the provision of services to the listed issuer or any of its subsidiaries by a controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Save for the extension supplement agreement entered into between the Company and Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) on 5 December 2022 in relation to the extension of the maturity date of the convertible bonds ("Extension Supplement Agreement"), which was subject to the shareholders approval on 12 January 2023, there was no connected transaction for the year ended 31 March 2023.

CONTINUING CONNECTED TRANSACTIONS

Save for the framework agreement entered into between the Company and Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) on 13 December 2023 (the "Framework Agreement"), which was subject to the shareholders approval on 15 May 2023, there was no continuing connected transaction for the year ended 31 March 2023. For further details in relation to the Framework Agreement, please refer to the circular of the Company dated 27 April 2023.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the year ended 31 March 2023 are set out in note 41 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules which requires to be disclosed.

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

As at 31 March 2023, none of the Directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which Directors have taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2023, the following persons and entities (other than a Director or chief executives of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Names of Shareholders	Capacity	Number of Shares held (long position)	Percentage of the total number of issued Shares
LUO GA	Interest in a controlled corporation	351,762,000 (Note 3)	5.17%
Gold Bricks Holdings Limited	Interest in a controlled corporation	351,762,000 (Note 3)	5.17%
Sunwah GreatWall Group Limited	Beneficial owner	351,762,000 (Note 3)	5.17%
Yunnan Baiyao Group	Beneficial owner	1,908,025,360 (Note 2)	28.06%
Yunbaiyao Hong Kong Co., Limited	Beneficial owner	3,101,911,000 (Note 2)	45.62%
Shanghai International Trust Corp., Ltd. ("Shanghai Trust")	Trustee	1,937,984,496 (Note 1)	28.50%

DIRECTORS' REPORT

Notes:

1. The Company entered into a subscription agreement with Yunnan Baiyao Group on 14 October 2019 (the "Subscription Agreement"). Pursuant to the Subscription Agreement and the supplemental subscription agreements (collectively, the "Subscription Agreements"), the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai Trust, the Convertible Bond (the "Subscription"). The completion of the Subscription took place on 30 October 2020 in accordance with the terms and conditions of the Subscription Agreements. The principal amount of the Convertible Bond was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the Convertible Bond has been issued to Shanghai Trust, which subscribes and holds the Convertible Bond on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the Convertible Bond.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the date of the full conversion of the Convertible Bond, 1,937,984,496 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bond, representing approximately 30.05% of the existing issued share capital of the Company. As at the date of this report, there has not been any exercise of any of the Convertible Bond.

For further details of the Subscription, please refer to the announcements of the Company dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020 and the circular of the Company dated 11 September 2020, respectively.

2. On 9 September 2021, New Huadu HK acquired 56,000,000 Shares (namely the Acquisition Shares, which comprise approximately 0.87% of the Shares in issue as at the date of the joint announcement) for a consideration of HK\$0.285 per Share on the secondary market. New Huadu HK is wholly-owned by New Huadu Industrial, which is held as to approximately 93.69% by Mr. Chen Fashu, through his shareholding in Xiamen Huadu and through such shareholding held by him in his own capacity. Mr. Chen Fashu is a director of YNBY Group Co. and together with parties acting in concert with him, holds approximately 25.04% of YNBY Group Co.. Yunbaiyao Hong Kong Co., Limited (the "Offeror") is an indirect wholly-owned subsidiary of YNBY Group Co.. Accordingly, the Offeror, Mr. Chen Fashu, New Huadu HK, Xiamen Huadu, New Huadu Industrial and YNBY Group Co. are presumed to be parties acting in concert under the Takeovers Code. the Offeror and parties acting in concert with it were interested in 1,908,025,360 Shares, representing approximately 29.59% of the entire issued share capital of the Company. As a result of the Acquisition, the Offeror and parties acting in concert with it, became collectively interested in 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares immediately after the Acquisition and as at the date of the joint announcement. Pursuant to Rule 26.1 of the Takeovers Code, a mandatory conditional general offer in cash for all the issued Shares held by the Independent Shareholders is required to be made.

On 18 January 2022, the Offeror had received valid acceptances in respect of 3,101,911,000 Offer Shares under the Offer as at the date of such announcement. Taking into account the Acceptance Shares and Shares already owned by the Offeror and parties acting in concert with it, the Offeror and the parties acting in concert with it are interested in an aggregate of 5,065,936,360 Shares as at the date of such announcement.

Please refer to the announcements dated 11 November 2021, 15 December 2021, 4 January 2022 and 18 January 2022.

3. On 6 June 2022, 351,762,000 new ordinary shares of the Company have been issued and allotted to Sunwah GreatWall Group Limited under general mandate and pursuant to the terms of the subscription agreement dated 14 April 2022 (the "Subscription") (details of which are disclosed in the announcements of the Company dated 14 April 2022, 16 May 2022 and 6 June 2022). Sunwah GreatWall Group Limited is owned as to 99% by Gold Bricks Holdings Limited, which is in turn wholly-owned by Luo Ga. As such, each of Gold Bricks Holdings Limited and Luo Ga is deemed to be interested in the same number of shares of the Company held by Sunwah GreatWall Group Limited.

Save as disclosed above, as at 31 March 2023, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2023, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

NO PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

DIRECTORS' REPORT

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the shares of the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-Law 164 of the Bye-laws and relevant provisions of the regulations stipulated, every Director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses and liabilities which he may incur or sustain in or about the execution of the duties of his office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for the Directors of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and sales for the year attributable to major suppliers and customers are as follows:

Purchases

– the largest supplier	28.4%
– five largest suppliers combined	55.7%

Sales

– the largest customer	51.2%
– five largest customers combined	76.1%

No directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, the public float of the Shares has remained above the minimum percentage required by the Stock Exchange throughout the year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the year are set out in note 42 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2023 which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2023

The Company's corporate governance practices, including the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the remuneration committee of the Company (the "Remuneration Committee"), are set out in the Corporate Governance Report on pages 26 to 46 of this report.

The Company's ESG report has been published on the Company's and the Stock Exchange's websites in relation to environmental and social activities performed in 2022/2023. For further details, please refer to the announcement on 28 July 2023.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risks management and financial reporting matter, including the review of the financial statements for the year ended 31 March 2023.

AUDITORS

HLB Hodgeson Impey Cheng Limited ("HLB") has been the auditor of the group since 9 March 2017 until 25 April 2023. On 25 April 2023, HLB resigned as the auditor of the Company. The Board, with the recommendation of the Audit Committee, resolved to appoint Zhonghui Anda CPA Limited ("Zhonghui Anda") as the auditor of the Company with effect from 28 April 2023 to fill the casual vacancy following the resignation of HLB as auditor of the Company, and to hold office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board

Dong Ming

Chairman

Hong Kong, 15 January 2024

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

During the year ended 31 March 2023, the composition of the Board and senior management of the Company was as follows:

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*appointed as Chief Executive Officer on 15 April 2022; appointed as Director on 19 August 2022*)

Mr. Yin Pinyao

Mr. Liu Zhouyang

Mr. Chow Wang (*ceased as Chief Executive Officer on 15 April 2022; ceased as Director on 16 August 2022*)

Mr. Wang Zhaoqing (*ceased on 16 August 2022*)

Non-executive Director:

Mr. Qian Yinghui

Mr. Huang Bin (*appointed on 19 August 2022*)

Independent Non-executive Directors:

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan

Senior Management:

Mr. Huaiyu Liu (*appointed as Company Secretary on 19 August 2022; appointed as Chief Financial Officer on 22 June 2022*)

Mr. Luk Chi Sing (*ceased as Chief Financial Officer on 30 April 2022*)

Up to the publication date of this report, the composition of the Board and senior management of the Company is as follows:

EXECUTIVE DIRECTORS

Mr. Dong Ming (“Mr. Dong”), aged 47, is and has been the chief executive officer of Yunnan Baiyao Group Co., Ltd.* (雲南白藥集團股份有限公司) (“Yunnan Baiyao Group”) since 4 March 2021. Mr. Dong obtained a bachelor degree in industrial automation from Northeastern University* (東北大學) in the PRC in July 1999. Before joining Yunnan Baiyao Group, Mr. Dong engaged in various positions at Huawei Technologies Co., Ltd.* (華為技術有限公司) (“Huawei Technologies”) during 1999 to 2021, including technical engineer, department heads of various departments, including the landline network marketing department of Xi’an Representative Office, landline network product marketing department of the Eastern Europe Region, VIP system department and the mobile system department, vice president of the Region of Commonwealth of Independent State and Huawei Technologies as well as the general manager of the Beijing Branch.

Mr. Dong has been appointed as executive Director, the Authorised Representative and Process Agent of the Company with effect from 17 January 2022. Furthermore, Mr. Dong has been appointed as the chairman of the Board and the chairman of the nomination committee of the Company with effect from 11 February 2022. With effect from 5 September 2022, Mr. Dong ceased to be the Authorised Representative of the Company.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Zhouyang (“Mr. Liu”), aged 37, has been the deputy chief executive officer of the Company since 12 November 2021. Mr. Liu obtained a bachelor’s degree in e-commerce from Hunan Agricultural University* (湖南農業大學) in 2009 and a master’s degree in national economics in Kunming University of Science and Technology* (昆明理工大學) in the PRC in 2012. Mr. Liu engaged in various positions at Yunnan Baiyao Group since 2013, including project manager of the centre of operation management, the project manager of the general office of the strategic committee, the investment relations specialist of securities department, the head of the general office of the general manager and the assistant of general manager of the investment department.

Mr. Liu has been appointed as an executive Director with effect from 11 February 2022. Mr. Liu was appointed as the Authorised Representative and the Process Agent of the Company from 20 April 2022 to 29 November 2023.

Mr. Tang Ming (“Mr. Tang”), aged 49, holds a master of business administration from Cornell University, USA, and a bachelor of electronic engineering from Tianjin University of Technology, PRC. He is the Executive Director & Chief Executive Officer of the Company with effect from 19 August 2022.

Mr. Tang has over 25 years international business development experience. Specialize in building global strategies, setting local teams, and familiar with local regulations and ecosystem to start the new business. Have rich experience across marketing and sales, R&D, supply chain, GTM, etc. Prior to joining the Company, he worked as a Vice President of Intelligent Automotive Solution Business Unit Europe Region, General Manager of consulting services of Enterprise Business Group Europe Region, at Huawei Technologies Co., Ltd from July 2016 to January 2022.

NON-EXECUTIVE DIRECTORS

Mr. Huang Bin (“Mr. Huang”), aged 58, obtained a bachelor’s degree in engineering from Harbin Engineering University and had subsequently attended visiting scholar program from European Economic Community and business management courses from Northwestern University in the United States. Mr. Huang is a director of CITIC International Assets Management Limited (中信國際資產管理有限公司) and its subsidiaries such as Radiant International and Goldstone International, respectively.

Mr. Huang was appointed as a non-executive director and co-chairman of the board of China New Economy Fund Limited (中國新經濟投資有限公司), a company listed on the The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 80), in January 2022 and as a non-executive director and the chairman of the board of China United Venture Investment Limited (previously known as Glory Mark Hi-Tech (Holdings) Limited), a company listed on the Stock Exchange (stock code: 8159), in February 2022.

Prior to his appointments as stated above, from March 2020 to December 2021, Mr. Huang served as a non-executive director and the chairman of Lamtex Holdings Limited (“Lamtex”) (林達控股有限公司), a company previously listed on the Stock Exchange, a Bermuda company previously listed on the Stock Exchange (stock code: 1041) and was principally engaged in securities trading and investment business, securities brokerage and provision of securities margin finance business, hotel operation business and trading, and manufacturing of electronic products business. Pursuant to the announcement of Lamtex dated 17 March 2021 (the “Lamtex Announcement”), a winding-up petition against Lamtex was filed to the High Court of The Hong Kong Special Administrative Region (the “High Court”) on 20 August 2020 on the grounds that the Lamtex is insolvent and unable to settle the debt in sum of HK\$10,200,000.00, being the principal sum and accrued interests due and owing as at 2 July 2020 in relation to the bond issued by Lamtex on 30 May 2019 for a term of 1 year due repayable on 28 May 2020. On 11 March 2021, Lamtex was ordered to be wound up by High Court. For further details, please refer to the Lamtex Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of Lamtex was appointed on 12 May 2021.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

From September 2019 to October 2020, Mr. Huang served as an executive director of Holdings Limited (“GTI”) (共享集團有限公司), a Cayman Islands company listed on the Stock Exchange (stock code: 3344) and was principally engaged in sales and trading of textile products, trading of petroleum and chemical products, RMB banknotes clearing up services and others. Pursuant to announcement of GTI dated 23 November 2021 (the “GTI Announcement”), a winding-up petition against GTI was filed to the High Court by one of the bondholders of GTI on 19 March 2020 on the grounds that GTI failed to pay such individual the outstanding principal amount and accrued interest of the bonds in an aggregate amount of HK\$3,843,876.38 as at 21 April 2020. On 22 November 2021, GTI was ordered to be wound up by High Court. For further details, please refer to the GTI Announcement. Pursuant to filing records at the Hong Kong Companies Registry, a liquidator of GTI was appointed on 22 February 2022.

Mr. Huang initiated the formation of Guangdong-Hongkong-Macao Bay Area Entrepreneurs Union (粵港澳大灣區企業家聯盟) (the “Union”). Mr. Huang is the executive vice chairman of the Union and is in charge of technology and financial sector.

Mr. Huang has extensive professional experience in fund and asset management as well as investment banking and direct investments. Mr. Huang is dedicated to serve in the PRC, throughout the years, he contributed, including but not limited to, developments in cross-border energy, resource mergers and acquisitions, and promoting energy output and international engineering. Mr. Huang previously worked with CITIC Securities to establish CITIC Merchant Enterprise Management Limited (中信國通企業管理公司), which is driven by specific businesses such as disposal of non-performing assets and mergers and acquisitions and supported by market-oriented operation to identify a unique business model that integrates investment businesses with comprehensive financing services, thereby providing international corporate clients with comprehensive solutions.

Mr. Huang has been appointed as the non-executive Director of the Company with effect from 19 August 2022.

Mr. Qian Yinghui (“Mr. Qian”), aged 40, has been the director of office of the chairman of Yunnan Baiyao Group since April 2021, and the board secretary of Yunnan Baiyao Group since January 2022. Mr. Qian obtained a bachelor’s degree in law from China Youth University of Political Studies* (中國青年政治學院) in the PRC in 2006, and a master’s degree in international trade and commercial law from the University of Durham in the United Kingdom in 2008. Mr. Qian served as the project manager of the general office of the strategic committee of Yunnan Baiyao Group and the project director of the centre of strategic development of Yunnan Baiyao Group.

Mr. Qian has been appointed as an non-executive Director with effect from 11 February 2022. With effect from 30 March 2022, Mr. Qian has also been appointed as a member of the Audit Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Hin Wing (“Mr. Wong”), MH, aged 60, holds a master’s degree in executive business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Chartered Governance Institute. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. Mr. Wong was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region.

Mr. Wong is an independent non-executive director of Jiangxi Bank Co., Ltd. (a H shares company listed on the Stock Exchange with stock code: 1916), Zhaoke Ophthalmology Limited (a company listed on the Stock Exchange with stock code: 6622), Kingmaker Footwear Holdings Limited (a company listed on the Stock Exchange with stock code: 1170) and C Cheng Holdings Limited (a company listed on the Stock Exchange with stock code: 1486).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong served as an independent non-executive director of AEON Credit Service (Asia) Co., Ltd. (a company listed on the Stock Exchange with stock code: 900) from October 2004 to June 2020, Wine's Link International Holdings Limited (a company listed on the Stock Exchange with stock code: 8509) from December 2017 to February 2023, CRCC High-Tech Equipment Corporation Limited (a company listed on the Stock Exchange with stock code: 1786) from November 2015 to October 2022, Dongjiang Environmental Company Limited (a A+H shares company listed on the Shenzhen Stock Exchange with stock code: 002672 and the Stock Exchange with stock code: 895) from June 2014 to December 2020, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (a A+H shares company listed on the Shanghai Stock Exchange with stock code: 600332 and the Stock Exchange with stock code: 874) from June 2017 to May 2023, and Inner Mongolia Yitai Coal Co., Ltd. (a B+H shares company listed on the Shanghai Stock Exchange with stock code: 900948 and the Stock Exchange with stock code: 3948) from May 2017 to May 2023. Save as disclosed herein, Mr. Wong did not hold any directorship in other public companies the securities of which are listed in Hong Kong or overseas in the last three years.

Mr. Wong is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Accounting and Financial Reporting Review Tribunal, a member of the Construction Industry Council, the Betting and Lotteries Commission and the Medical Council of Hong Kong as well as a board member of Ocean Park Corporation.

Mr. Wong is the managing partner and responsible officer of Hermitage Capital HK Limited, a private equity firm licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years, after which he co-founded Silk Road International Capital Limited (a licensed corporation formerly known as Legend Capital Partners Inc.) and led the company as the executive director and responsible officer for twenty-three years. Overall, he has over three decades of solid experience in corporate management and governance, investment management and advisory, accounting and finance.

Mr. Wong has been appointed as an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

Dr. Cheung Hoi Yu ("Dr. Yu"), JP, aged 69, obtained a bachelor's degree of science, a master's degree of science, and a doctoral degree of philosophy, from the University of Saskatchewan in Canada, in May 1976, October 1980 and May 1984, respectively. Dr. Yu has published more than 170 scientific papers and is the inventor of more than 70 global patents.

Dr. Yu is currently an independent non-executive director, a member of the remuneration committee and a member of the nomination committee of Sirnaomics Limited, a company listed on the Stock Exchange with stock code: 02257.

Dr. Yu also serves as (i) a director of CR-CP Life Science Fund Management Limited since May 2021; (ii) a member of the Biotech Advisory Panel of The Stock Exchange of Hong Kong Limited since April 2018; (iii) a member of the board of trustees of Gordon Research Conference, a group of international scientific conferences covering biological, chemical and physical sciences and the related technologies, since July 2014; (iv) a director at Asian Fund for Cancer Research since November 2012; and (v) a member of the Technology and Innovation Subsector of the Election Committee of Hong Kong since October 2021.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Yu served as the chairman of the Hong Kong Council for Testing and Certification from January 2016 to December 2021. In addition to that, Dr. Yu serves as a professor at the Neuroscience Research Institute (北京大學神經科學研究所) at Peking University (北京大學) since January 2002. Dr. Yu founded the Hong Kong Biotechnology Organization (HKBIO) in September 2009 and the Guangdong – Hong Kong – Macau Greater Bay Area Biotechnology Alliance in December 2017, and has been serving as the president since Dr. Yu's appointment. Dr. Yu also founded Hong Kong DNA Chips Limited, presently Hai Kang Life Corporation Limited, in May 1999, and has been serving as the president of the board. Dr. Yu was appointed as a Justice of the Peace in July 2016.

Dr. Yu has been appointed as an independent non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee with effect from 21 November 2023.

Dr. Cecilia Wai Bing Pang (“Dr. Pang”), BBS, aged 67, obtained a bachelor of science degree from the University of Manitoba in Canada in 1976, and bachelor of science with honours and doctor of philosophy degrees from the Monash University in Australia in 1978 and 1983 respectively.

Dr. Pang was the Biotechnology Director of the Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region for 20 years. She has over thirty years of experience in the research, development and management of the biotechnology industry.

Dr. Pang has been appointed as an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

COMPANY SECRETARY

Mr. Huaiyu Liu (“Mr. Liu”), aged 51, appointed as the Chief Financial Officer on 22 June 2022, and as the Company Secretary on 19 August 2022. He holds a master of business administration from Cornell University, USA, and a bachelor of economics from Shenzhen University, PRC. He is a member of the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Mr. Liu is an independent non-executive director, the chairman of audit committee, the chairman of remuneration committee of Li Bao Ge Group Limited (stock code: 01869), a company listed on the Main Board of the Stock Exchange of Hong Kong.

Mr. Liu has over 25 years of experience in finance and management, and had held senior posts with various listed companies, including the chief financial officer of V1 Group Limited (Stock Code: 00082) in 2019, the executive director, executive vice president, and company secretary of Chiho Environmental Group Limited (Stock Code: 00976) from 2016 to 2017, and the executive director and chief financial officer of Xinyuan Real Estate Company Limited (NYSE: XIN), a company listed on the New York Stock Exchange, from 2015 to 2016. Mr. Liu was the Asia Pacific chief financial officer of Savills Plc (LSE: SVS), a company listed on the London Stock Exchange and a constituent of the FTSE 250 Index, from 2011 to early 2015.

SENIOR MANAGEMENT

Throughout the financial year, the Group has undertaken a strategic restructuring, where key businesses and operational functions are now overseen directly by the Executive Directors, the Chief Executive Officer, the Chief Financial Officer and Company Secretary, all of whom constitute the senior management team of the Group. The Board will review the organisation structure from time to time to complement the Company's corporate strategy.

CORPORATE GOVERNANCE REPORT

The Board is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of Shareholders and in long-term shareholders value.

CORPORATE GOVERNANCE PRACTICES

The Company has embraced the mission of delivering quality and innovative value-added products and services. Through the Company's operational practices, policies, and interaction with its stakeholders, including but not limited to customers, investors, suppliers and employees, it is reflected that the Company aims to achieve sustainable growth and success with its culture of building a long-term sustainable development business. The Board has recognised the importance of good corporate governance practices in safeguarding the interest of the shareholders, and the Company is committed to maintaining and achieving a high standard of corporate governance to enhance corporate value, business growth, accountability and transparency.

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. In the opinion of the Board, save for deviations as set out below, during the year ended 31 March 2023 and up to the date of this report, the Group has apply and complied the principles set out in the Corporate Governance Code ("CG Code") as contained in Appendix C1 to the Listing Rules:

Code Provision B.2.2

Code provision B.2.2 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The non-executive Directors and independent non-executive Directors were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in accordance with the provisions of the Bye-laws. The management experience, expertise and commitment of the re-electing Directors will be considered by the Nomination Committee before their re-election proposals are put forward to Shareholders. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices regarding Directors' appointment are no less exacting than those in the CG Code.

Insufficient number of independent non-executive directors

Pursuant to the announcement of the Company dated 10 November 2023:

- (i) Mr. Jiang Zhi ("Mr. Jiang") has tendered his resignation as independent non-executive director of the Company, member of the audit committee, member of the nomination committee, and member of the remuneration committee on 10 November 2023;
- (ii) Mr. Leung Ka Kui, Johnny ("Mr. Leung") has tendered his resignation as independent non-executive director of the Company, member of the audit committee, member of the nomination committee, and chairman of the remuneration committee, and member of the independent investigation committee on 10 November 2023; and
- (iii) Ms. Wong Chui San, Susan ("Ms. Wong") has tendered her resignation as independent non-executive director of the Company, chairman of the audit committee, member of the nomination committee, and member of the remuneration committee, and member of the independent investigation committee on 10 November 2023.

Following the resignation of the Departing Directors, the composition of the Board comprises of three executive directors and two non-executive directors at that time. As such, the number of independent non-executive directors and the number of the members of each of the audit committee, remuneration committee and nomination committee had fallen below the minimum number as required under Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Insufficient number of independent non-executive directors (Continued)

As a remedial measure, the Board has used its best effort to identify suitable candidates to fill the vacancies as soon as practicable and, in any event, within three-months from 10 November 2023 pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules. As at 21 November 2023:

- (i) Mr. Wong Hin Wing (“Mr. Wong”), MH, has been appointed as an independent nonexecutive director, the chairman of the audit committee (the “Audit Committee”) and a member of the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) with effect from 21 November 2023;
- (ii) Dr. Cheung Hoi Yu (“Dr. Yu”), JP, has been appointed as an independent non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee with effect from 21 November 2023;
- (iii) Dr. Cecilia Wai Bing Pang (“Dr. Pang”), BBS, has been appointed as an independent nonexecutive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 21 November 2023.

Following the appointment of Mr. Wong, Dr. Yu and Dr. Pang as independent non-executive directors and the change in composition of the Board committees as described above, the Company has re-complied with Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code also apply to the Group’s senior management and persons who are privy to price sensitive information of the Group. Having made specific enquiry, all Directors confirmed to the Company that they have complied with the Model Code during the year and up to the date of publication of this report.

SHARE OPTION SCHEME

The new share option scheme of the Company was adopted on 30 September 2013 (the “New Option Scheme”). Pursuant to the New Option Scheme, the Directors are authorized to grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the New Option Scheme, the Company did not have any other share option scheme.

During the year ended 31 March 2023, no options were granted or exercised under the New Option Scheme.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the “Board Diversity Policy”) and revised the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Board Diversity Policy. The Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity.

The Company is committed to establishing procedures of candidates’ selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the elected candidates will bring to the Board. The Board’s composition will be disclosed in the Corporate Governance Report annually.

As at the date of this annual report, the Board comprises Directors with both genders, diverse background and experiences. The Board has a balanced composition for its executive Directors being in possession of extensive industrial expertise and experience in the operation of Group’s business and the independent non-executive Directors contributing their independent opinions and judgements, which facilitate an effective decision-making process for the Board. The composition of the Board is reviewed on an annual basis by the Nomination Committee.

The Board also recognizes the importance of diversity at the workforce level. As at 31 March 2023, the Group had a total of 37 employees, of which 23 were male and 14 were female. The gender ratio of the Group’s workforce (including senior management) was approximately 62% male to 38% female.

As the plans for the Group in terms of gender diversity in workforce, the Group will periodically review internal records on gender diversity, identify suitable female candidates for relevant positions within the Company, and try to ensure that there is gender diversity when recruiting staff at mid to senior level and training female staff with the aim of promoting them to the senior management or directorship of the Company, so as to maintain the balance of gender diversity in the foreseeable future.

THE BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, oversees the Group’s businesses and evaluate the performance of the Group. The Board also focuses on the overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the Executive Directors and senior management, while reserving certain key matters for its approval. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Directors were supplied with adequate and relevant information in a timely manner to enable them to form informed decisions before all the relevant meetings. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Agreed procedures are in place for the member of the Board and/or committee to seek independent professional advice at the Company’s expenses to assist them to discharge their duties. The Company’s senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions. For Board meetings and the Board Committee meetings, the agenda accompanying with Board papers were sent to all Directors at least three days before the intended date of the Board meetings or Board Committee meetings.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (CONTINUED)

Board Composition

During the year ended 31 March 2023, the Board consisted of the directors as follows:

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*appointed as Chief Executive Officer on 15 April 2022; appointed as Director on 19 August 2022*)

Mr. Yin Pinyao

Mr. Liu Zhouyang

Mr. Chow Wang (*ceased as Chief Executive Officer on 15 April 2022; ceased as Director on 16 August 2022*)

Mr. Wang Zhaoqing (*ceased on 16 August 2022*)

Non-executive Directors:

Mr. Qian Yinghui

Mr. Huang Bin (*appointed on 19 August 2022*)

Independent Non-executive Directors:

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan

Up to the publication date of this report, the Board consisted of the directors as follows:

Executive Directors:

Mr. Dong Ming (*Chairman*)

Mr. Tang Ming (*Chief Executive Officer*)

Mr. Liu Zhouyang

Mr. Yin Pinyao (*resigned on 8 August 2023*)

Non-executive Directors:

Mr. Qian Yinghui

Mr. Huang Bin

Independent Non-executive Directors:

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)

Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)

Mr. Wong Hin Wing (*appointed on 21 November 2023*)

Mr. Jiang Zhi (*resigned on 10 November 2023*)

Mr. Leung Ka Kui, Johnny (*resigned on 10 November 2023*)

Ms. Wong Chui San, Susan (*resigned on 10 November 2023*)

There is no financial, business, family or other material/relevant relationship among members of the Board.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

The Board has a policy of appointing Directors with different professional background, industry experiences, skills, knowledge and background so as to bring in valuable contributions and advices for the development of the Group's business. Currently, three out of nine Directors are INEDs and one of them is a qualified accountant. Biographical details of the Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. According to the Bye-laws, all newly appointed directors will hold office until the first general meeting after his/their appointment(s) and shall then be eligible for re-election.

Chairman and Chief Executive Officer

As at 31 March 2023, Mr. Dong Ming ("Mr. Dong") was the Chairman of the Board and Mr. Tang Ming ("Mr. Tang") was the Chief Executive Officer of the Company. There is segregation of duties between Chairman and Chief Executive Officer. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has the overall responsibility for leading the Company and providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of Company's policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains a constant dialogue with the Chairman and all the Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Non-Executive Directors

All non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in line with the Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Independent Non-Executive Directors

During the year ended 31 March 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the independent non-executive Director of their independence to the Group. The Group considered all of the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (CONTINUED)

Board Meetings

The Board held 16 meetings in the fiscal year. Prior notices and the agenda of the Board meetings were given to the Directors. Directors may attend meetings in person or via telephone, electronic or other communication facilities. Minutes of the Board meetings and the Board Committees meetings are recorded in sufficient details and kept by the company secretary for inspection by Directors. The Board holds meetings on a regular basis and will meet on other occasions when a board-level decision on a particular matter is required. The Board also monitors and controls financial performance in pursuit of the Group's strategic objectives. The attendance of each of the director at Board meetings, Committee meetings and annual/special general meetings held during the year ended 31 March 2023 is set out below.

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual/Special General Meetings
Total numbers of meetings held during the year ended 31 March 2023	16	2	1	3	2
Executive Directors:					
Mr. Dong Ming	16/16	N/A	1/1	N/A	0/2
Mr. Tang Ming	7/7	N/A	0/0	N/A	1/2
Mr. Yin Pinyao	16/16	N/A	1/1	3/3	0/2
Mr. Liu Zhouyang	16/16	N/A	N/A	3/3	2/2
Mr. Chow Wang (<i>ceased as Director on 16 August 2022</i>)	4/4	N/A	N/A	N/A	N/A
Mr. Wang Zhaoqing (<i>ceased as Director on 16 August 2022</i>)	8/8	N/A	N/A	N/A	N/A
Non-executive Directors:					
Mr. Qian Yinghui	16/16	2/2	N/A	N/A	0/2
Mr. Huang Bin	7/7	N/A	N/A	N/A	0/2
Independent Non-executive Directors:					
Mr. Jiang Zhi	16/16	2/2	1/1	3/3	0/2
Mr. Leung Ka Kui, Johnny	16/16	2/2	1/1	3/3	1/2
Ms. Wong Chui San, Susan	16/16	2/2	1/1	3/3	2/2

Apart from regular board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of executive Directors for the year ended 31 March 2023.

Directors' training and professional development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Training materials and regular updates were made available to the Directors to keep them abreast of the relevant rules and requirements, the topics of the training materials include, amongst others, inside information disclosure requirements under the SFO, continuing and connected transactions under Chapter 14A of the Listing Rules, and other relevant laws and the Listing Rules.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report;
- (f) to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives; and
- (g) to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems and review their effectiveness.

BOARD COMMITTEES

When the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Company has set up three committees including the Audit Committee, the Nomination Committee and the Remuneration Committee, each Committee with its specific terms of reference as set out in the CG Code. In addition, an Independent Investigation Committee was formed on 20 April 2022.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in consistent with the CG Code for the purpose of making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

The work of the Remuneration Committee during the year ended 31 March 2023 included the following matters:

- i. reviewed and made recommendations to the Board regarding the remuneration packages for the year ended 31 March 2023 for all the Directors and senior management of the Company with assessing their performance with reference to the Board's corporate goals and objectives. The Remuneration Committee has considered factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- ii. reviewed and made recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- iii. ensured no director or any of his associated is involved in deciding his own remuneration;
- iv. reviewed and made recommendations to the Board on the emolument policy of the employees of the Group on the basis of their merit, qualification and competence;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

- v. reviewed the terms of executive directors' service contracts;
- vi. reviewed matters relating to share schemes under Chapter 17 of the Listing Rules.

The details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management (other than the Directors) for the year ended 31 March 2023 is listed as below by band:

	2023 Number of individuals
Nil – HK\$1,000,000	2

The number of the Remuneration Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 March 2023 was set out in section headed "Board Meetings" above.

During the year ended 31 March 2023, the Remuneration Committee consisted of the following members:

Independent Non-executive Directors

Mr. Leung Ka Kui, Johnny (*Chairman*)
 Mr. Jiang Zhi
 Ms. Wong Chui San, Susan

Executive Directors

Mr. Liu Zhouyang (*ceased on 3 February 2023*)
 Mr. Tang Ming (*appointed on 3 February 2023*)
 Mr. Yin Pinyao

Up to the publication date of this report, the Remuneration Committee consisted of the directors as follows:

Independent Non-executive Directors

Dr. Cheung Hoi Yu (*Chairman*) (*appointed on 21 November 2023*)
 Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)
 Mr. Wong Hin Wing (*appointed on 21 November 2023*)
 Mr. Leung Ka Kui, Johnny (*ceased as Director on 10 November 2023*)
 Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)
 Ms. Wong Chui San, Susan (*ceased as Director on 10 November 2023*)

Executive Directors

Mr. Tang Ming
 Mr. Yin Pinyao (*ceased as Director on 8 August 2023*)

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in consistent with the CG Code for the purpose of reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and identifying individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

Board diversity policy and nomination policy have been adopted to maintain the Board with a diversity of directors and with a nomination process of candidates respectively.

In addition, the shareholders have the power to nominate any person to become a director of the Company in accordance with the Bye-laws, the procedures for election of directors were published on the Company's website.

The work of the Nomination Committee during the year ended 31 March 2023 included the following matters:

- i. reviewed the Nomination Committee terms of reference and evaluated the Directors' skills, qualifications, knowledge and experiences;
- ii. reviewed the composition of the Board in accordance with the measurable objective of the Board Diversity Policy; and
- iii. reviewed the nomination policy to achieve the selection, appointment and re-appointment of the Directors.

The biographies of the above-named Directors are set out in the section of "Biographical Information of Directors and Senior Management" in this report.

The number of Nomination Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 March 2023 was set out in section headed "Board Meetings" above.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Board Diversity Policy

With an aim to achieve diversity on the Board, the Board has approved and adopted a board diversity policy (the "Board Diversity Policy") and revised the terms of reference of the Nomination Committee to ensure the appropriate implementation of the Board Diversity Policy. The Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity.

The Company is committed to establishing procedures of candidates' selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the elected candidates will bring to the Board. The Board's composition will be disclosed in the Corporate Governance Report annually.

As at the date of this annual report, the Board comprises Directors with both genders, diverse background and experiences. The Board has a balanced composition for its executive Directors being in possession of extensive industrial expertise and experience in the operation of Group's business and the independent non-executive Directors contributing their independent opinions and judgements, which facilitate an effective decision-making process for the Board. The composition of the Board is reviewed on an annual basis by the Nomination Committee.

As at 31 March 2023, the Board has one female Director and has achieved gender diversity on board level. The Board also recognizes the importance of diversity at the workforce level. As at 31 March 2023, the Group had a total of 37 employees, of which 23 were male and 14 were female. The gender ratio of the Group's workforce (including senior management) was approximately 62% male to 38% female.

As the plans for the Group in terms of gender diversity in workforce, the Group will periodically review internal records on gender diversity, identify suitable female candidates for relevant positions within the Company, and try to ensure that there is gender diversity when recruiting staff at mid to senior level and training female staff with the aim of promoting them to the senior management or directorship of the Company, so as to maintain the balance of gender diversity in the foreseeable future.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy

With an aim to set out the criteria and process in relation to the selection, appointment and re-appointment of the Directors to guide the Nomination Committee, the Board has approved and adopted a nomination policy (the “Nomination Policy”) in January 2019 to assess the suitability of a candidate for directorship and make recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing directors to the Board.

The Nomination Committee shall consider the following criteria when they are evaluating and selecting candidates for directorships:

- a. character and integrity;
- b. professional qualifications, knowledge and skills and professional experience that are relevant to the Company’s business and corporate strategy;
- c. willingness to devote adequate time to discharge duties as a Board or committee member and other directorships and significant commitments;
- d. requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out therein;
- e. the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- f. such other perspectives appropriate to the Company’s business.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy (Continued)

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill the Board's casual vacancy in accordance with the following procedures:

- a. The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship.
- b. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and conduct reference check of each candidate (where applicable).
- c. The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.
- d. Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong.
- e. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in the above criteria to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.
- f. Pursuant to the Bye-laws, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he/she retires. For all newly appointed directors who will hold office until the first general meeting of shareholders after his/their appointment(s) and shall then be eligible for re-election.
- g. A candidate is allowed to withdraw his/her candidacy at any time before the general meeting by serving a notice in writing to the Company.
- h. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee shall review the Board Diversity Policy and Nomination Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and Nomination Policy on an annual basis.

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy (Continued)

During the year ended 31 March 2023, the Nomination Committee consisted of the following members:

Independent Non-executive Directors

Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny
Ms. Wong Chui San, Susan

Executive Directors

Mr. Dong Ming (*Chairman*)
Mr. Yin Pinyao

Up to the publication date of this report, the Nomination Committee consisted of the directors as follows:

Independent Non-executive Directors

Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)
Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)
Mr. Wong Hin Wing (*appointed on 21 November 2023*)
Mr. Leung Ka Kui, Johnny (*ceased as Director on 10 November 2023*)
Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)
Ms. Wong Chui San, Susan (*ceased as Director on 10 November 2023*)

Executive Directors

Mr. Dong Ming (*Chairman*)
Mr. Yin Pinyao (*ceased as Director on 8 August 2023*)

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Audit Committee

The Company has established the Audit Committee with written terms of reference in consistent with the CG Code. The revised terms of reference are posted on the websites of the Company and the Stock Exchange.

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, reviewing the Group's financial information, discussing auditing matters and overseeing the Group's financial reporting system, risk management and internal control procedure. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel and records, and the power to liaise with external auditors and senior management. During the year ended 31 March 2023, the Audit Committee held 2 meetings and the work of the Audit Committee included the following matters:

- i. reviewed and discussed the terms of reference of the Audit Committee in order to be in line with the latest amendment of Listing Rules;
- ii. discussed with management the risk management framework, policies and procedures and ensure that they are in place to identify, assess, manage, control and report risks and draft a written risk management policy to monitor the Group's business objectives;
- iii. discussed with management the status of interim results for the six months ended 30 September 2022 and annual results for the year ended 31 March 2023;
- iv. reviewed and discussed with management the report of the risk management and internal control systems proposed by an independent consultant to assess the internal control and risk management of the Company during the year ended 31 March 2023;
- v. reviewed and discussed with management and the external auditors regarding the financial statements for the year ended 31 March 2023 and management letter;
- vi. reviewed and discussed with management and the external auditors regarding the unaudited interim financial statements for the six months ended 30 September 2022 and management letter;
- vii. reviewed the effectiveness of risk management and internal control system;
- viii. reviewed the external auditors' statutory audit plan and engagement letter;
- ix. discussed with the management and ensured that the Board has conducted an annual review such that there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function;
- x. recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors; and
- xi. reviewed and discussed the draft of the internal audit policy in order to monitor the Group's daily operation and carry out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

The number of the Audit Committee meetings held and record of individual attendance of members, on a named basis, at meetings held during the year ended 31 March 2023 was set out in section headed “Board Meetings” above. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2023.

During the year ended 31 March 2023, the Audit Committee consisted of the following Directors, of which Ms. Wong Chui San, Susan is a certified public accountant:

Independent Non-executive Directors

Ms. Wong Chui San, Susan (*Chairman*)

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Non-executive Director

Mr. Qian Yinghui

Up to the publication date of this report, the Audit Committee consisted of the following Directors, of which Mr. Wong Hin Wing is a certified public accountant:

Independent Non-executive Directors

Mr. Wong Hin Wing (*Chairman*) (*appointed on 21 November 2023*)

Dr. Cheung Hoi Yu (*appointed on 21 November 2023*)

Dr. Cecilia Wai Bing Pang (*appointed on 21 November 2023*)

Mr. Leung Ka Kui, Johnny (*ceased as Director on 10 November 2023*)

Mr. Jiang Zhi (*ceased as Director on 10 November 2023*)

Ms. Wong Chui San, Susan (*ceased as Director on 10 November 2023*)

Non-executive Director

Mr. Qian Yinghui

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Independent Investigation Committee

On 20 April 2022, the Board formed an independent investigation committee (the “Independent Investigation Committee”) for the purpose of carrying out the investigation and report on the matters and events relating to the outstanding loans and the existing businesses of the Company generally, including the trading of goods and commodities business (the “Scope of Investigation”). The Independent Investigation Committee was formed on 20 April 2022, comprising its executive Directors, namely, Mr. Dong Ming (“Mr. Dong”) and Mr. Liu Zhouyang, and its independent non-executive Directors as at that date, namely, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan. Mr. Dong was appointed as the chairman of the Independent Investigation Committee.

On 22 April 2022, an independent professional advisor, a Big-4 accounting firm (the “Independent Professional Investigator”) was appointed by the Independent Investigation Committee to conduct an independent investigation on all matters relating to the Scope of Investigation (the “Investigation”). The Investigation was primarily for the purpose of understanding the then existing businesses of the Company and to investigate and report on the matters and events relating to the outstanding loans and the then existing businesses of the Company.

The Independent Professional Investigator was subsequently appointed by the Board in September 2022 to prepare a report (the “Forensic Investigation Report”) on the findings of the forensic investigation (the “Forensic Investigation”). The Forensic Investigation extended the then on-going Investigation with additional scope. Apart from the original Scope of Investigation, the Independent Professional Investigator was requested by the Company to further examine the issues raised by HLB Hodgson Impey Cheng Limited, the then auditor of the Company, in its resignation letter, details of which are set out in the announcement of the Company dated 28 April 2023. The Board had also appointed SHINEWING Risk Services Limited as the independent internal control consultant (the “Internal Control Consultant”) in September 2022 to conduct an internal control review on the Company (the “Internal Control Review”).

In addition to the duties as disclosed above, in September 2023, the duties of the Independent Investigation Committee were further expanded to (i) review the Forensic Investigation Report and the report of the Internal Control Consultant (the “Internal Control Review Report”); (ii) report to the Board and the Audit Committee on the matters of the and events relating to the Forensic Investigation Report and the Internal Control Review Report; and (iii) provide advice and recommendation to the Board and the Audit Committee on any actions which shall be taken by the Group in accordance with the Forensic Investigation Report.

Please refer to the announcement published on 25 October 2023 for the scope and major procedures of the Forensic Investigation, the summary of the key findings of the Forensic Investigation Report and key findings of the Internal Control Review Report. Having considered the fact as disclosed in that announcement, the Internal Control Consultant and the Independent Investigation Committee to the extent possible, the Independent Investigation Committee is of the view, which the Audit Committee and the Board concurred, that the Company has sufficiently rectified the irregularities identified in the Forensic Investigation to the extent possible, and is satisfied that there exists sufficient safeguards and measures to monitor the businesses of the Group to ensure compliance with the laws of the relevant jurisdictions where the Group operates and the Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)

Independent Investigation Committee (Continued)

In addition, the management of the Company acknowledged and agreed with the review results of the Internal Control Review. The Company has taken all of the advices and rectification recommendations from the Internal Control Consultant and adopted, revised or enhanced, as the case maybe, the relevant policies and procedures of the Group, and the Internal Control Consultant had performed a follow-up review after the Group has taken the relevant remedial actions. Having reviewed the results of the Internal Control Review, the Internal Control Consultant has not identified any material internal control weakness after the follow-up review. The Internal Control Consultant is of the view that, nothing has come to their attention that would reasonably cause them to doubt that the Group has not put in place adequate internal controls and procedures to meet its obligations under the Listing Rules according to the samples and documents received from the relevant entities of the Group pursuant to the scope of the Internal Control Review. Having considered the Internal Control Review Report and the remedial actions taken by the Company, the Independent Investigation Committee is of the view, which the Audit Committee and the Board concurred, that (a) all the internal control deficiencies identified in the Internal Control Review have been fully remediated; (b) the remedial actions and enhancement measures implemented by the Group are adequate and sufficient; and (c) the Company has in place adequate and reliable corporate governance, internal control and financial reporting systems and procedures to fulfill its obligations under the Listing Rules. The Company will continue to monitor the effectiveness of the Group's corporate governance and internal control systems and procedures so as to meet its obligations under the Listing Rules and ensure reasonable and adequate corporate governance and internal control policies and procedures are in place.

Accountability and Audit

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards (which include all Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

During the year ended 31 March 2023, the management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The reporting responsibilities of the Company's independent auditor are set out in the Independent Auditor's Report on pages 47 to 51.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management, including the risks relating to the Company's environmental, social and governance ("ESG") performance and internal control systems and reviewing their effectiveness, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management (including ESG risks), financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications. The Board recognizes the importance of identifying and addressing ESG-related risks, including those related to climate, and believes that a focus on managing these factors can result in an enhanced and long-lasting business value for the Group.

The Group has formulated a risk management policy and adopted a three-tier risk management approach to identify, assess and manage different types of risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new system and oversees portfolio management. It ensures that risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the independent consultant, as an internal audit function, assists the Audit Committee to review the first and second lines of defence.

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management (including ESG risks) and internal control systems for the year ended 31 March 2023, covering the material financial, operational and compliance controls, which are considered effective and adequate. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting and ESG reporting functions on an annual basis.

Based on the framework for risk management (including ESG risks) and internal control system established by the Group, the Board and the Audit Committee admitted that through the review of risk management (including ESG risks) and internal control systems of the Group, it can evaluate and improve its effectiveness. The Board, with the concurrence of the Audit Committee, considered that such systems, including financial, operational and compliance were effective and adequate for the year ended 31 March 2023 based on the work performed and report prepared by the independent consultant. The Company will perform the ongoing assessment to update all material risk factors on a regular basis. In any case, review on risk management (including ESG risks) and internal control system will be conducted annually.

Internal audit function

The Group had engaged an independent internal control consultant to assess the Group's overall internal controls for the year ended 31 March 2023 and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitoring its business operations for the year ended 31 March 2023.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Main Board Listing Rules and SFO and shall seek legal advice where necessary. The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the respective websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

MECHANISMS TO ENSURE INDEPENDENT VIEWS IN THE BOARD

The Board has established mechanisms to ensure independent views are available to the Board in the Company's director nomination policy and board diversity policy. A summary of the mechanism is set out below:

Composition

The Board shall ensure the appointment of at least three independent non-executive Directors ("INED(s)") and at least one-third of its members being INEDs (or such higher threshold as may be required by the Listing Rules from time to time).

Independence Assessment

The Nomination Committee shall adhere to the nomination policy with regard to the nomination and appointment of INEDs. The INED candidate must satisfy the independence requirements under Rule 3.13 of the Listing Rules. Each INED is also required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may materially affect his or her independence and provide an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules.

Channel for Communication

The Company is committed to ensuring that the INEDs will be given the opportunity and channel for Directors to communicate and express their independent views and inputs to the Board and its committees. The Company has established channels through formal and informal means whereby INEDs can express their views in an open, candid as well as confidential manner, should circumstances require, these include meetings with the Chairman of the Company without the presence of the other Directors to discuss major issues and any concerns, and dedicated meeting sessions with the Chairman of the Company and interaction with management and other Board members including the Chairman of the Company outside the boardroom.

WHISTLEBLOWING POLICY

The Company has adopted arrangement, including a whistleblowing policy and the policy of anti-corruption to allow and encourage employees and other stakeholders to raise concerns, in confidential, about possible improprieties in financial reporting, internal control, criminal action, compliance and other malpractices or other matters. All the concerns received will be handled confidential in prompt and fair manner. The Board shall regularly review such arrangement, conduct independent investigation on these matters if necessary, and considers appropriate follow-up action.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The financial statements for the year ended 31 March 2023 have been audited by ZHONGHUI ANDA CPA LIMITED. Fee paid or payable to the auditors for audit service provided to the Group is approximately HK\$1,500,000. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditors. For the year ended 31 March 2023, there was HK\$400,000 fee payable to the auditors for non-audit services provided to the Group.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") assists the Board by ensuring that the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

During the year ended 31 March 2023, Ms. Li Wing Sze ("Ms. Li") resigned as the Company Secretary with effect on 19 August 2022. The Company has appointed Mr. Liu Huaiyu ("Mr. Liu"), who is the chief financial officer of the Company, as Company Secretary to replace Ms. Li after her resignation, with effect on 19 August 2022.

Mr. Liu has complied with all the required qualifications, experiences and training requirements under the Listing Rules. He was the full-time employee of the Company and had possessed knowledge of the Company's affairs. Mr. Liu is a member of The Hong Kong Institute of Certified Public Accountants, he has over 25 years of experience in finance and management with various large organizations and listed companies.

For the year ended 31 March 2023, Mr. Liu complied with the Listing Rules by taking not less than 15 hours of relevant professional training. The biographic of Mr. Liu is set out in the section headed "Biographical Information of Directors and Senior Management" in this report.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. The Company has also established a shareholders' communication policy to ensure that the shareholders' views and concerns are appropriately addressed. Such policy is reviewed periodically to ensure its implementation and effectiveness. All the announcements and circulars are published on the Company's website and on the Stock Exchange's website. As such, the Company considered that the implementation and effectiveness of the shareholders' communication policy conducted for the year ended 31 March 2023 are adequate.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

Voting by poll

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results of the general meetings were published on the website of the Stock Exchange as well as the Company's website.

Dividend Policy

The Company adopts a dividend policy, taking into consideration all circumstances including the following factors before declaring or recommending dividends: (i) the current and projected financial performance of the Company; (ii) effective allocation of distributable retained earnings and reserves; (iii) the growth and investment opportunities; (iv) other macro and micro economic factors; and (v) other factors or events that the Board may consider relevant or appropriate from time to time. The payment of dividend is also subject to any restrictions under the applicable laws and the Bye-laws.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholder's meetings

Pursuant to section 74(1) of the Bermuda Companies Act, the Directors, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the principal place of business of the Company in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at shareholders' meetings for adoption.

Shareholders' Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary. The contact details are set out in the Company's website (www.0030.com.hk).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group has from time to time endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection and to lead its reduction in greenhouse gas emissions that contribute to climate change. The Company will issue Environmental, Social and Governance Report in a separate manner and publish the report on the Company's website (www.0030.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

CONSTITUTIONAL DOCUMENTS

The Bye-laws are available on the Company's website: www.0030.com.hk and the Stock Exchange's website: www.hkexnews.hk. No significant change is made to the Company's constitutional documents for the year ended 31 March 2023.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF YNBY INTERNATIONAL LIMITED (FORMERLY KNOWN AS BAN LOONG HOLDINGS LIMITED)

雲白國際有限公司(前稱：萬隆控股集團有限公司)

(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of YNBY International Limited (formerly known as Ban Loong Holdings Limited) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 52 to 113, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Matters identified during the year ended 31 March 2023

1. Revenue and cost of sales reversed during the year ended 31 March 2023

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the revenue and cost of sales transactions reversed by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (“Wan Long Shenzhen”), of RMB67,165,177 (equivalent to HK\$76,995,023) and RMB66,875,294 (equivalent to HK\$76,662,715), respectively, for the year ended 31 March 2023 (“2023 Reversed Transactions”). As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the 2023 Reversed Transactions.

Matters relating to opening balances and impacting the Group for the year ended 31 March 2023

2. Revenue recognised during the year ended 31 March 2022

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence (i.e. delivery documents) to satisfy ourselves as to the occurrence, accuracy, completeness and cutoff of the revenue transactions recognised by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Hong Kong) Limited, of HK\$152,578,693 for the year ended 31 March 2022 (“Trading Transactions”). As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the Trading Transactions.

INDEPENDENT AUDITOR'S REPORT

3. Trade receivables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, rights and obligations, and completeness and valuation of the trade receivables amounted to RMB25,432,050 (equivalent to HK\$31,334,320) as at 31 March 2022 of which impairment losses of RMB10,968,069 (equivalent to HK\$13,524,078) made for the year ended 31 March 2022. There are no other satisfactory audit procedures that we could adopt to determine whether any adjustments might have been found necessary in respect of the trade receivables and the impairment losses made.

4. Other receivables, deposits and prepayments

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, rights and obligations, completeness and valuation and allocation of the other receivables, deposits and prepayments amounted to HK\$563,777,772, which was fully impaired during the year ended 31 March 2022. There are no other satisfactory audit procedures that we could adopt to determine whether any adjustments might have been found necessary in respect of the other receivables, deposits and prepayments and the impairment losses made.

5. Loan and interest receivables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, rights and obligations, completeness and valuation of the loan and interest receivable amounted to HK\$477,775,767 and HK\$478,842,967 which was fully impaired and the relevant interest income during the year ended 31 March 2023 and 2022. There are no other satisfactory audit procedures that we could adopt to determine whether any adjustments might have been found necessary in respect of the loan and interest receivables, interest income and the impairment losses made.

6. Inventories

We were appointed as auditor of the Company subsequent to the Company's end of the reporting period of 31 March 2022. In consequence, we were unable to attend the Group's physical count of inventories as at that date. The Group has not maintained sufficient stock records for us to verify the carrying amount of inventories of HK\$6,794,775 as at that date. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, quantities and conditions of the inventories. In addition, impairment of inventories amounted to HK\$18,651,927 was made during the year ended 31 March 2022. There are no other satisfactory audit procedures that we could perform to determine whether the impairment was properly recorded.

7. Trade and other payables

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, rights and obligations, completeness and valuation and allocation of the trade and other payables amounted to HK\$18,183,078 and HK\$19,612,191 as at 31 March 2023 and 2022. There are no other satisfactory audit procedures that we could adopt to determine whether any adjustments might have been found necessary in respect of the trade and other payables for the year ended 31 March 2022 and 2023.

INDEPENDENT AUDITOR'S REPORT

8. Revenue and cost of sales reversed during the year ended 31 March 2022

Due to the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters in 2022, who the Group were unable to contact and communicate with, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the revenue and cost of sales transactions reversed by the subsidiary of the Company, Wan Long Xing Ye Commercial Trading (Shenzhen) Limited ("Wan Long Shenzhen"), of RMB486,940,670 (equivalent to HK\$599,079,217) and RMB482,375,607 (equivalent to HK\$594,788,870), respectively, for the year ended 31 March 2022 ("Reversed Transactions"). As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the Reversed Transactions.

9. Insufficient accounting records of Wan Long Shenzhen

As advised by the board of directors, since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of Wan Long Shenzhen in 2022, who the Group were unable to contact and communicate with, Wan Long Shenzhen has retained the basic business records, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the "Basic Records"), that were left behind by the former management and accounting departments of Wan Long Shenzhen as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of Wan Long Shenzhen's accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the "Specific Records").

In the absence of the Specific Records of the Wan Long Shenzhen following the departure of certain former key management personnel in 2022, the board of directors considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting departments and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

As a result of the above matters, in addition to paragraph 1, 3, 4, 7 and 8, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2023 and 2022 and the assets and liabilities as at 31 March 2023 and 2022 of Wan Long Shenzhen, as detailed below, and other related disclosure notes in relation to Wan Long Shenzhen, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Extract of Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March 2023 HK\$	For the year ended 31 March 2022 HK\$
Revenue	–	–
Cost of sales	–	–
Other income, gains and losses	(818,034)	(2,531,055)
Net allowance for expected credit losses	(131,724,848)	–
Selling and distribution costs	(138,880)	(2,505,411)
Administrative expenses	(2,748,193)	(5,430,621)
Finance costs	(3,528)	–
Income tax expense	(24,564)	–

Extract of Statement of Financial Position

	As at 31 March 2023 HK\$	As at 31 March 2022 HK\$
Non-current asset	1,710,907	2,116,262
Current assets		
Trade receivables	–	–
Other receivables, deposits and prepayments	1,532,838	45,113,959
Other current assets	46,440	717,560
Current liabilities		
Trade and other payables	90,962,696	–
Contract liabilities	34,950,735	37,697,717
Other current liabilities	1,377,957	1,593,257

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2023 and 2022.

Any adjustments to the figures as described from paragraph 1 to 9 above might have a significant consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the year ended 31 March 2023 and 2022 and the consolidated financial position of the Group as at 31 March 2023 and 2022, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Audit Engagement Director

Practising Certificate Number: P05498

Hong Kong, 5 December 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$	2022 HK\$
Revenue	8	452,908,674	179,527,751
Cost of sales		(429,997,831)	(175,180,018)
Gross profit		22,910,843	4,347,733
Other income, gains and losses	9	396,670	(19,025,860)
Net allowance for expected credit losses	12	(130,410,893)	(1,043,369,958)
Selling and distribution costs		(13,226,323)	(3,742,403)
Administrative expenses		(39,623,800)	(48,239,948)
Loss from operations		(159,953,503)	(1,110,030,436)
Finance costs	10	(5,906,421)	(3,850,678)
Share of loss of a joint venture		(42,720)	–
Loss before tax		(165,902,644)	(1,113,881,114)
Income tax expense	11	(2,956,277)	(3,438,843)
Loss for the year	12	(168,858,921)	(1,117,319,957)
Attributable to:			
Owners of the Company		(168,870,808)	(1,117,313,589)
Non-controlling interests		11,887	(6,368)
		(168,858,921)	(1,117,319,957)
Loss per share	14		
Basic and diluted (HK cents per share)		(2.51)	(17.33)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	2023 HK\$	2022 HK\$
Loss for the year	12	(168,858,921)	(1,117,319,957)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Release of exchange reserve upon deconsolidation of a subsidiary		2,937	–
Exchange differences on translation of foreign operations		(2,173,698)	10,778,900
Total comprehensive loss for the year		(171,029,682)	(1,106,541,057)
Attributable to:			
Owners of the Company		(170,986,257)	(1,106,534,689)
Non-controlling interests		(43,425)	(6,368)
		(171,029,682)	(1,106,541,057)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment	17	976,207	1,293,910
Right-of-use assets	18	2,750,928	8,420,877
Investment in a joint-venture	19	17,280	–
		3,744,415	9,714,787
Current assets			
Inventories	21	50,290,472	6,794,775
Trade receivables	23	72,979,248	47,924,068
Loan and interest receivables	24	–	–
Other receivables, deposits and prepayments	25	24,434,492	50,474,666
Amounts due from a joint venture	26	61,200	–
Tax recoverable		9,525,322	2,983,104
Cash and cash equivalents	27	159,003,957	203,861,996
		316,294,691	312,038,609
Current liabilities			
Trade and other payables	28	126,582,036	58,439,651
Contract liabilities	29	34,950,735	37,697,717
Lease liabilities	30	2,753,903	5,225,728
Amount due to a shareholder	31	17,392,891	61,235
Convertible bond	32	13,615,541	13,761,441
		195,295,106	115,185,772
Net current assets		120,999,585	196,852,837
Total assets less current liabilities		124,744,000	206,567,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$	2022 HK\$
Non-current liabilities			
Convertible bond	32	11,342,531	–
Lease liabilities	30	98,172	3,390,906
		11,440,703	3,390,906
NET ASSETS		113,303,297	203,176,718
Capital and reserves			
Share capital	33	67,999,142	64,481,522
Reserves		43,042,066	137,778,336
Equity attributable to owners of the Company		111,041,208	202,259,858
Non-controlling interests		2,262,089	916,860
TOTAL EQUITY		113,303,297	203,176,718

Approved by:

Dong Ming
Director

Tang Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company									
	Share capital	Share premium account	Capital redemption reserve	Convertible bond reserve	Exchange reserve	Accumulated losses	Non-controlling		Total equity	
							Total	interests		
							HK\$	HK\$		
At 1 April 2021	64,481,522	988,278,817	176,000	554,296,709	1,849,081	(300,287,582)	1,308,794,547	923,228	1,309,717,775	
Loss for the year	-	-	-	-	-	(1,117,313,589)	(1,117,313,589)	(6,368)	(1,117,319,957)	
Other comprehensive income for the year	-	-	-	-	10,778,900	-	10,778,900	-	10,778,900	
Total comprehensive income/(loss) for the year	-	-	-	-	10,778,900	(1,117,313,589)	(1,106,534,689)	(6,368)	(1,106,541,057)	
At 31 March 2022	64,481,522	988,278,817	176,000	554,296,709	12,627,981	(1,417,601,171)	202,259,858	916,860	203,176,718	
At 1 April 2022	64,481,522	988,278,817	176,000	554,296,709	12,627,981	(1,417,601,171)	202,259,858	916,860	203,176,718	
(Loss)/profit for the year	-	-	-	-	-	(168,870,808)	(168,870,808)	11,887	(168,858,921)	
Release of exchange reserve upon deconsolidation of a subsidiary	-	-	-	-	2,937	-	2,937	-	2,937	
Exchange difference arising on translating foreign operations	-	-	-	-	(2,118,386)	-	(2,118,386)	(55,312)	(2,173,698)	
Total comprehensive loss for the year	-	-	-	-	(2,115,449)	(168,870,808)	(170,986,257)	(43,425)	(171,029,682)	
Issue of shares on placement	3,517,620	96,734,550	-	-	-	-	100,252,170	-	100,252,170	
Modification of a convertible bond	-	-	-	(498,128,478)	-	477,643,915	(20,484,563)	-	(20,484,563)	
Capital contributions from a non- controlling shareholder of a subsidiary	-	-	-	-	-	-	-	1,388,654	1,388,654	
At 31 March 2023	67,999,142	1,085,013,367	176,000	56,168,231	10,512,532	(1,108,828,064)	111,041,208	2,262,089	113,303,297	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$	2022 HK\$
Cash flows from operating activities		
Loss before tax	(165,902,644)	(1,113,881,114)
Adjustments for:		
Depreciation – property, plant and equipment	667,152	992,124
Depreciation – right-of-use assets	4,904,448	8,729,840
Gain on termination of leases	(53,332)	–
Loss on disposal of property, plant and equipment	3,723	–
Share of net loss of a joint venture	42,720	–
Loss on deconsolidation of a subsidiary	671,162	–
Allowance for expected credit losses on trade receivables	–	13,529,676
Reversal of allowance for expected credit losses on trade receivables	–	(25,837)
Allowance for expected credit losses on other receivables	131,781,958	563,979,530
Reversal of allowance for expected credit losses on other receivables	(303,865)	(1,082,767)
Allowance for expected credit losses on loan and interest receivables	–	466,969,356
Reversal of allowance for expected credit losses on loan and interest receivables	(1,067,200)	–
Finance costs	5,906,421	3,850,678
Bank interest income	(227,944)	(42,385)
Written-off of property, plant and equipment	–	396,784
Impairment loss on inventory	–	18,651,927
Exchange difference	392,664	964,282
Operating cash flows before working capital changes	(23,184,737)	(36,967,906)
Change in inventories	(44,161,156)	(8,944,491)
Change in trade receivables	(28,355,111)	(53,581,781)
Change in loan and interest receivables	1,067,200	63,043,679
Change in other receivables, deposits and prepayments	(108,594,070)	(1,144,895)
Change in trade and other payables	71,740,976	29,500,259
Change in contract liabilities	–	2,426,788
Change in amount due from a shareholder	–	15,535,030
Cash (used in)/generated from operations	(131,486,898)	9,866,683
Income tax paid	(9,493,233)	(14,346,381)
Net cash flows used in operating activities	(140,980,131)	(4,479,698)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$	2022 HK\$
Cash flows from investing activities		
Bank interest received	227,944	42,385
Investment in a joint venture	(60,000)	–
Advance to a joint venture	(61,200)	–
Net cash outflow from deconsolidation of a subsidiary	(2,766)	–
Purchases of property, plant and equipment	(392,563)	(290,254)
Net cash flows used in investing activities	(288,585)	(247,869)
Cash flows from financing activities		
Issue shares	100,252,170	–
Interest paid	(194,353)	(15,619,125)
Capital injection from a non-controlling interest of a subsidiary	1,388,654	–
Repayment of bonds	–	(20,000,000)
Capital element of lease liabilities paid	(4,939,426)	(8,676,244)
Change in amount due to a shareholder	2,331,656	61,235
Net cash flows generated from/(used in) financing activities	98,838,701	(44,234,134)
Net decrease in cash and cash equivalents	(42,430,015)	(48,961,701)
Effect of foreign exchange rate changes	(2,428,024)	1,586,743
Cash and cash equivalents at beginning of year	203,861,996	251,236,954
Cash and cash equivalents at end of year	159,003,957	203,861,996
Analysis of cash and cash equivalents		
Bank and cash balances	159,003,957	203,861,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated in the Bermuda with limited liability. The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 32/F, Cambridge House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Group is principally engaged in trading of goods and commodities and money lending business. The money lending business and trading of goods and commodities business under Wan Long Xing Ye Commercial Trading (Shenzhen) Limited have completely ceased since June 2022 and suspended since July 2022 respectively.

Referring to the announcements of the Company dated 20 June 2022 and 21 June 2022, the trading of ordinary shares of the Company on the Stock Exchange has been halted since 21 June 2022.

Referring to the announcements of the Company dated 26 July 2022 and 15 November 2023, the Company has been notified by the Stock Exchange of the resumption guidance (the "Resumption Guidance") for the Company including (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications, (ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules, (iii) conduct an appropriate independent forensic investigation, announce the findings and take appropriate remedial actions, (iv) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence, (v) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules, (vi) announce all material information for the Company's shareholders and investors to appraise its position and (vii) re-comply with Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

2. BASIS OF PREPARATION

For the year ended 31 March 2023, the Group incurred a loss attributable to owners of the Company of approximately HK\$168.9 million and net cash flows used in operating activities of approximately HK\$139.0 million.

Subsequent to the year ended 31 March 2023, the Group's operation was improved by way of new business opportunities from ultimate holding company, 雲南白藥集團股份有限公司, and other new customers which are independent third parties. For the six months ended 30 September 2023, the unaudited financial information included (i) profit for the period of HK\$18.5 million; (ii) net operating cash inflow of HK\$56.4 million; (iii) net current assets of HK\$149.0 million, in which the cash and cash equivalents is HK\$207.7 million, and the total liabilities excluded contract liabilities is HK\$190.7 million as at 30 September 2023. Considered the aforesaid factors, the directors considered that there was no indicator on the Group's ability to continue as a going concern. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the 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 under the historical cost convention. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest dollar except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise their judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are 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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangements (Continued)

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

Furniture and fixtures	33.3%
Computer equipment	33.3%
Leasehold improvement	33.3%
Motor vehicles	16.7%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	33.3–50.0%
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade receivables, loan and interest receivables and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand with banks.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Convertible bonds

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible bonds (Continued)

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible loans issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible loans issued and that of the identifiable consideration received, and the difference is recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Equity instruments

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

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

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

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

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (“MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees’ relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People’s Republic of China (the “PRC”). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is a person or entity that is related to the Group.

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loan and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation 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, being the higher of fair value less costs of disposal and 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 cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, loan and interest receivables, other receivables and deposits, amount due from a joint venture, cash and cash equivalents, trade and other payables, convertible bond and amounts due to a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Credit risk

The carrying amounts of bank balances, trade receivables, loan and interest receivables, other receivables and deposits and amount due from a joint venture included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from a joint venture is closely monitored by the directors.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

A quantitative disclosures in respect of the Group's exposure to credit risk arising trade receivables are set out in notes 23 to the consolidated financial statements.

The Group is subject to the credit risk from the recoverability of loan and interest receivables and other receivables and deposits. 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 Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

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

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Loan and interest receivables

In order to minimise the credit risk arising from money lending business, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The team monitors customers' repayment ability, requests the customers to provide collaterals and reviews the fair value of the collaterals. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Loan and interest receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 4% (2022: 4%) of the total loan and interest receivables as at 31 March 2023 was due from the largest borrower from the money lending segment and 21% (2022: 21%) of the total loan and interest receivables as at 31 March 2023 was due from the five largest borrowers from the money lending segment.

	12m ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 31 March 2023				
ECL rate	0%	0%	100%	100%
Gross carrying amount (HK\$)	–	–	477,775,767	477,775,767
Lifetime ECL	–	–	(477,775,767)	(477,775,767)
	–	–	–	–
	12m ECL HK\$	Lifetime ECL (not credit impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 31 March 2022				
ECL rate	0%	0%	100%	100%
Gross carrying amount (HK\$)	–	–	478,842,967	478,842,967
Lifetime ECL	–	–	(478,842,967)	(478,842,967)
	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Loan and interest receivables (Continued)

Movement of allowance for ECL is as follows:

	12m ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 1 April 2021	697,519	1,260,362	9,915,730	11,873,611
Transfer from 12m ECL	(697,519)	–	697,519	–
Transfer from lifetime ECL (not credit-impaired)	–	(1,260,362)	1,260,362	–
Allowance for ECL	–	–	466,969,356	466,969,356
At 31 March 2022 and 1 April 2022	–	–	478,842,967	478,842,967
Reversal of allowance for ECL	–	–	(1,067,200)	(1,067,200)
At 31 March 2023	–	–	477,775,767	477,775,767

Trade receivables

The Group has concentration of credit risk as 41% (2022: 29%) and 75% (2022: 80%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively at 31 March 2023.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

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 Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

	Within 90 days	91-180 days	181-365 days	Over 365 days	Total
At 31 March 2023					
ECL rate	0%	0%	0%	100%	
Gross carrying amount (HK\$)	72,979,248	-	-	12,528,824	85,508,072
Lifetime ECL (HK\$)	-	-	-	(12,528,824)	(12,528,824)
				-	72,979,248
	Within 90 days	91-180 days	181-365 days	Over 365 days	Total
At 31 March 2022					
ECL rate	0%	0%	100%	100%	
Gross carrying amount (HK\$)	47,785,097	138,971	12,741,902	771,636	61,437,606
Lifetime ECL (HK\$)	-	-	(12,741,902)	(771,636)	(13,513,538)
				-	47,924,068

Movement in the allowance for ECL of trade receivables

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach ECL, are as follows:

	HK\$
At 1 April 2021	24,787
Allowance for ECL	13,529,676
Reversal of allowances for ECL	(25,837)
Exchange realignment	(15,088)
At 31 March 2022 and 1 April 2022	13,513,538
Exchange realignment	(984,714)
At 31 March 2023	12,528,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Other receivables

For other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for ECL by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions. The Group recognised impairment loss and reversal of impairment loss of HK\$131,781,958 and HK\$303,865, respectively (2022: impairment loss of HK\$563,979,530 and reversal of impairment loss of HK\$1,082,767) in respect of other receivables for the year ended 31 March 2023. The expected credit loss rate for other receivables is 3.10% (2022: 0.00%). The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

The movement of loss allowance for ECL on other receivables is as follows:

	12m ECL HK\$	Lifetime ECL (not credit- impaired) HK\$	Lifetime ECL (credit- impaired) HK\$	Total HK\$
At 1 April 2021	1,043,484	–	–	1,043,484
Transfer from 12m ECL	(1,043,484)	–	1,043,484	–
Allowance for ECL	–	–	563,979,530	563,979,530
Reversal of allowances for ECL	–	–	(1,082,767)	(1,082,767)
Exchange realignment	–	–	(162,475)	(162,475)
At 31 March 2022 and 1 April 2022	–	–	563,777,772	563,777,772
Allowance for ECL	–	–	131,781,958	131,781,958
Reversal of allowances for ECL	–	–	(303,865)	(303,865)
Exchange realignment	–	–	(19,754,545)	(19,754,545)
At 31 March 2023	–	–	675,501,320	675,501,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activity such as obtaining of new borrowings and issuance of new shares.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

At 31 March 2023

	On demand or less than 1 year HK\$	1-5 years HK\$	Total contractual undiscounted cash flow HK\$	Carrying amounts HK\$
Trade and other payables	126,582,036	–	126,582,036	126,582,036
Convertible bond	15,000,000	15,000,000	30,000,000	24,958,072
Amounts due to a shareholder	17,392,891	–	17,392,891	17,392,891
Lease liabilities	2,809,254	101,500	2,910,754	2,852,075
	161,784,181	15,101,500	176,885,681	171,785,074

At 31 March 2022

	On demand or less than 1 year HK\$	1-5 years HK\$	Total contractual undiscounted cash flow HK\$	Carrying amounts HK\$
Trade and other payables	58,439,651	–	58,439,651	58,439,651
Convertible bond	15,000,000	–	15,000,000	13,761,441
Amounts due to a shareholder	61,235	–	61,235	61,235
Lease liabilities	5,363,601	3,520,143	8,883,744	8,616,634
	78,864,487	3,520,143	82,384,630	80,878,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

The Group's interest-bearing bank deposits, and convertible bond bear interest at fixed interest rate and therefore are subject to fair value interest rate risks. The interest rate and repayment terms of the convertible bond outstanding at the year end are disclosed in note 32 to the consolidated financial statements respectively.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's loss for the year to a reasonable change in the interest rate is assessed to be immaterial.

(d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(e) Categories of financial instruments at 31 March

	2023 HK\$	2022 HK\$
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)		
– Trade receivables	72,979,248	47,924,068
– Loan and interest receivable	–	–
– Financial assets included in other receivables and deposits	18,328,902	49,955,119
– Amount due from a joint venture	61,200	–
– Cash and cash equivalents	159,003,957	203,861,996
	250,373,307	301,741,183
Financial liabilities:		
Financial liabilities measured at amortised cost		
– Financial liabilities included in trade and other payables	126,582,036	58,439,651
– Amount due to a shareholder	17,392,891	61,235
– Convertible bond	24,958,072	13,761,441
– Lease liabilities	2,852,075	8,616,634
	171,785,074	80,878,961

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

8. REVENUE

	2023 HK\$	2022 HK\$
Money lending	–	482,522
Trading of goods and commodities	452,908,674	179,045,229
Total	452,908,674	179,527,751

Disaggregation of revenue from contracts with customers:

Segments	2023 HK\$	2022 HK\$
Geographical markets		
Hong Kong	258,701,742	154,387,451
The People's Republic of China	193,358,269	24,761,362
Others	848,663	378,938
Total	452,908,674	179,527,751
Timing of revenue recognition		
At a point in time	452,908,674	179,045,229
Over time	–	482,522
Total	452,908,674	179,527,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. REVENUE (CONTINUED)

Financing services

The Group provides money lending service to the customers. Money lending income is recognised when the related service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

General trading

The Group sells CBD isolate, goods and other commodities to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms ranged from 45 to 90 days.

9. OTHER INCOME, GAINS AND LOSSES

	2023 HK\$	2022 HK\$
Bank interest income	227,944	42,385
Loss on disposal of property, plant and equipment	(3,723)	–
Government Subsidy	549,600	–
Loss on deconsolidation of a subsidiary (note 36)	(671,162)	–
Gain on termination of leases	53,332	–
Impairment of inventory	–	(18,651,927)
Impairment loss on property, plant and equipment	–	(396,784)
Exchange loss	(392,664)	(964,282)
Other income	633,343	944,748
	396,670	(19,025,860)

10. FINANCE COSTS

	2023 HK\$	2022 HK\$
Interest expenses on lease liabilities	194,353	400,653
Interest expenses		
– Effective interest expense on bonds	–	264,301
– Effective interest expense on convertible bond (Note 32)	5,712,068	3,185,724
Finance costs expensed	5,906,421	3,850,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

11. INCOME TAX EXPENSE

	2023 HK\$	2022 HK\$
Current tax		
– Enterprise Income Tax in the PRC	2,755,981	40,375
Deferred tax (note 20)	–	2,167,191
Under provision in prior years	200,296	1,231,277
	2,956,277	3,438,843

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% during the year ended 31 March 2023 (2022: 25%).

The reconciliation between the income tax expense and loss before tax multiplied by the tax rate applicable to losses in the countries concerned is as follows:

	2023 HK\$	2022 HK\$
Loss before tax	(165,902,644)	(1,113,881,114)
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	(37,962,549)	(208,201,672)
Tax effect on share of loss of a joint venture	7,049	–
Tax effect on non-deductible expenses	35,108,360	73,610,226
Tax effect on non-taxable income	(10,095)	(159,139)
Under provision in prior years	200,296	1,231,277
Tax effect of utilisation of tax losses previously recognised	(1,113,799)	–
Tax effect on tax losses not recognised	6,737,280	134,811,148
Tax effect of temporary differences not recognised	(10,265)	2,147,003
Income tax expense	2,956,277	3,438,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2023 HK\$	2022 HK\$
Depreciation		
– right-of-use assets (Note 18)	4,904,448	8,729,840
– property, plant and equipment (Note 17)	667,152	992,124
	5,571,600	9,721,964
Auditor's remuneration	1,500,000	1,500,000
Cost of inventories sold	429,997,831	175,180,018
Net allowance for expected credit losses:		
Allowance for ECL on trade receivables	–	13,529,676
Reversal of allowance for ECL on trade receivables	–	(25,837)
Allowance for ECL on other receivables	131,781,958	563,979,530
Reversal of allowance for ECL on other receivables	(303,865)	(1,082,767)
Allowance for ECL on loan and interest receivables	–	466,969,356
Reversal of allowance for ECL on loan and interest receivables	(1,067,200)	–
	130,410,893	1,043,369,958
Expenses relating to short-term lease	200,400	200,400
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	16,967,681	16,169,245
– retirement benefits scheme contributions	531,448	727,480
	17,499,129	16,896,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

	2023				
	Fees HK\$	Basic salaries HK\$	Contributions to defined contribution retirement plans HK\$	Discretionary bonus HK\$	Total HK\$
Executive directors					
Chow Wang (note (7))	-	488,968	7,500	-	496,468
Wang Zhaoqing (note (7))	-	268,932	7,500	-	276,432
Yin Pingyao (note (6))	-	-	-	-	-
Dong Ming (note (3)&(6))	-	-	-	-	-
Liu Zhouyang (note (2))	-	960,000	18,000	200,000	1,178,000
Tang Ming (note (9))	-	999,996	9,000	468,000	1,476,996
Non-executive directors					
Qian Yinghui (note (2)&(6))	-	-	-	-	-
Huang Eric Bin (note (9))	148,387	-	-	-	148,387
Independent non- executive directors					
Leung Ka Kui (note (8))	254,400	-	-	-	254,400
Wong Chui San, Susan (note (8))	254,400	-	-	-	254,400
Jiang Zhi (note (8))	254,400	-	-	-	254,400
	911,587	2,717,896	42,000	668,000	4,339,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

(a) Directors' and chief executives' emoluments (Continued)

	2022				
	Fees HK\$	Basic salaries HK\$	Contributions to defined contribution retirement plans HK\$	Discretionary bonus HK\$	Total HK\$
Executive directors					
Chow Wang (note (5)&(7))	-	1,272,000	18,000	106,000	1,396,000
Wang Zhaoqing (note (5))	-	699,600	18,000	58,300	775,900
Chu Ka Wa (note (1))	-	519,400	10,500	61,800	591,700
Wang Minghui (note (4))	-	219,571	11,419	21,200	252,190
Yin Pingyao	-	254,400	13,160	21,200	288,760
Dong Ming (note (3)&(6))	-	-	-	-	-
Liu Zhouyang (note (2))	-	370,667	7,500	-	378,167
Non-executive directors					
Fong For (note (4))	219,571	-	-	-	219,571
Qian Yinghui (note (2)&(6))	-	-	-	-	-
Independent non-executive directors					
Leung Ka Kui (note (8))	254,400	-	-	-	254,400
Wong Chui San, Susan (note (8))	254,400	-	-	-	254,400
Jiang Zhi (note (8))	254,400	-	-	-	254,400
	982,771	3,335,638	78,579	268,500	4,665,488

Notes

- (1) Resigned on 1 November 2021
- (2) Appointed on 11 February 2022
- (3) Appointed on 17 January 2022
- (4) Resigned on 11 February 2022
- (5) Mr. Chow Wang's emoluments disclosed above include those services rendered by him as the Chief Executive Officer.
- (6) Agreed not to receive any remuneration during the year
- (7) Removed on 16 August 2022
- (8) Resigned on 10 November 2023
- (9) Appointed on 19 August 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

(a) Directors' and chief executives' emoluments (Continued)

During the year, Mr. Dong Ming and Mr. Yin Pingyao, executive directors of the Company, Mr. Qian Yinghui, non-executive director of the Company have not received any emoluments. There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration during the year.

During the years ended 31 March 2023 and 2022, no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office. During the year ended 31 March 2023, a total of HK\$210,000 housing allowance, other allowances and benefits in kind were paid by the Group to the directors and chief executives in respect of their services as directors and chief executives (2022: nil).

(b) Five highest paid individuals

The five highest paid individuals of the Group included two (2022: two) directors whose emoluments are included in the disclosures in note 13(a) to the consolidated financial statements above.

The emoluments of the three (2022: three) individuals other than the directors of the Company was as follows:

	2023	2022
	HK\$	HK\$
Salaries and allowances	2,567,952	3,134,560
Retirement scheme contributions	40,500	54,000
	2,608,452	3,188,560

Discretionary bonus of HK\$200,000 was paid or receivable by the three individuals other than the directors of the Company during the year ended 31 March 2023 (2022: nil).

The emoluments of the three (2022: three) individuals with the highest emoluments are within the following band:

	2023	2022
	Number of	Number of
	individuals	individuals
Nil – HK\$1,000,000	2	2
HK\$1,000,000 – HK\$1,500,000	1	1

None of the directors and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 March 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

14. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated based on the loss for the year attributable to the owners of the Company of approximately HK\$168,870,808 (2022: HK\$1,117,313,589) and on the weighted average number of 6,736,307,881 ordinary shares (2022: 6,448,152,160 ordinary shares).

Diluted loss per share

As the exercise of the Group's outstanding convertible bond for both years would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options, no diluted earnings per share was presented as same as basic loss per share in both years ended 31 March 2023 and 2022.

15. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are (i) money lending; and (ii) trading of goods and commodities.

(a) Segment revenue and results

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

	Money lending HK\$	Trading of goods and commodities HK\$	Total HK\$
Year ended 31 March 2023			
Revenue			
External sales	-	452,908,674	452,908,674
Segment result	-	(122,494,022)	(122,494,022)
Year ended 31 March 2022			
Revenue			
External sales	482,522	179,045,229	179,527,751
Segment result	(469,368,817)	(609,368,425)	(1,078,737,242)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. SEGMENT REPORTING (CONTINUED)

(a) Segment revenue and results (Continued)

	2023 HK\$	2022 HK\$
Segment result	(122,494,022)	(1,078,737,242)
Unallocated income, gains and losses	2,385,062	(641,010)
Unallocated expenses	(39,844,543)	(30,652,184)
Loss from operations	(159,953,503)	(1,110,030,436)
Finance costs	(5,906,421)	(3,850,678)
Share of loss of a joint venture	(42,720)	-
Loss before tax	(165,902,644)	(1,113,881,114)
Income tax expense	(2,956,277)	(3,438,843)
Loss for the year	(168,858,921)	(1,117,319,957)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned/(loss incurred) from each segment without allocation of certain items, mainly comprising interest revenue, depreciation, central administration costs, directors' and chief executives' salaries, finance costs, share of loss of a joint venture and initial loss on convertible bond. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. SEGMENT REPORTING (CONTINUED)

(b) Segment assets and liabilities

	Money lending HK\$	Trading of goods and commodities HK\$	Total HK\$
As at 31 March 2023			
Segment assets	-	283,896,559	283,896,559
Unallocated assets			36,142,547
			320,039,106
Segment liabilities	-	(147,600,075)	(147,600,075)
Unallocated liabilities			(59,135,734)
			(206,735,809)
As at 31 March 2022			
Segment assets	8,056,510	193,780,212	201,836,722
Unallocated assets			119,916,674
			321,753,396
Segment liabilities	(440,022)	(87,480,973)	(87,920,995)
Unallocated liabilities			(30,655,683)
			(118,576,678)

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in a joint venture, certain other receivables, deposits and prepayments and certain bank balances and cash which are managed on a group basis.
- all liabilities are allocated to reportable and operating segments other than certain other payables, convertible bond and certain lease liabilities which are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. SEGMENT REPORTING (CONTINUED)

(c) Other segment information

	Money lending HK\$	Trading of goods and commodities HK\$	Unallocated HK\$	Total HK\$
Year ended 31 March 2023				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	36,503	365,524	265,125	667,152
Depreciation of right-of-use assets	333,102	1,450,010	3,121,336	4,904,448
Additions to non-current assets (Note)	-	339,785	366,736	706,521
Bank interest income	663	213,001	14,280	227,944
Reversal of allowance for ECL on other receivables	-	(303,865)	-	(303,865)
Allowance for ECL on other receivables	-	131,781,958	-	131,781,958
Reversal of allowance for ECL on loan and interest receivables	(1,067,200)	-	-	(1,067,200)
Year ended 31 March 2022				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	37,401	537,760	416,963	992,124
Depreciation of right-of-use assets	499,653	1,593,325	6,636,862	8,729,840
Additions to non-current assets (Note)	47,891	2,315,451	998	2,364,340
Bank interest income	-	4,474	37,911	42,385
Allowance for ECL on trade receivables	-	13,529,676	-	13,529,676
Reversal of allowance for ECL on trade receivables	-	(25,837)	-	(25,837)
Allowance for ECL on other receivables	-	563,979,530	-	563,979,530
Allowance for ECL on loan and interest receivables	466,969,356	-	-	466,969,356
Reversal of allowance for ECL on other receivables	-	(1,082,767)	-	(1,082,767)

Note: Non-current assets excluded investment in a joint venture and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. SEGMENT REPORTING (CONTINUED)

(d) Geographic information

The Group's operations are mainly located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets, excluding investment in a joint venture, is presented based on the geographical location of the assets.

	Revenue		Non-current assets	
	2023 HK\$	2022 HK\$	2023 HK\$	2022 HK\$
Hong Kong	258,701,742	154,387,451	1,991,498	7,598,525
PRC (excluding Hong Kong)	193,358,269	24,761,362	1,710,907	2,116,262
Others	848,663	378,938	24,730	–
Consolidated total	452,908,674	179,527,751	3,727,135	9,714,787

(e) Revenue from major customers:

	2023 HK\$	2022 HK\$
Customer A ¹	197,378,951	90,675,705
Customer B ¹	N/A²	62,649,435

¹ Revenue from trading of goods and commodities.

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

³ Customer A and B are independent third parties.

16. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2023 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Computer equipment HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
Cost:					
At 1 April 2021	1,089,914	557,159	3,891,342	4,026,327	9,564,742
Additions	218,734	71,520	-	-	290,254
Written-off	-	-	-	(732,524)	(732,524)
Exchange differences	30,002	17,931	-	-	47,933
At 31 March 2022 and 1 April 2022	1,338,650	646,610	3,891,342	3,293,803	9,170,405
Additions	21,550	183,613	187,398	-	392,561
Disposals	(16,614)	(176,951)	-	-	(193,565)
Exchange differences	(71,064)	(9,941)	-	-	(81,005)
At 31 March 2023	1,272,522	643,331	4,078,740	3,293,803	9,288,396
Accumulated depreciation and impairment:					
At 1 April 2021	670,877	457,499	3,265,884	2,808,764	7,203,024
Charge for the year	137,834	50,532	402,660	401,098	992,124
Written-off	-	-	-	(335,740)	(335,740)
Exchange differences	13,119	3,968	-	-	17,087
At 31 March 2022 and 1 April 2022	821,830	511,999	3,668,544	2,874,122	7,876,495
Charge for the year	157,330	66,596	219,113	224,113	667,152
Disposals	(16,614)	(173,228)	-	-	(189,842)
Exchange differences	(34,256)	(7,360)	-	-	(41,616)
At 31 March 2023	928,290	398,007	3,887,657	3,098,235	8,312,189
Carrying amount:					
At 31 March 2023	344,232	245,324	191,083	195,568	976,207
At 31 March 2022	516,820	134,611	222,798	419,681	1,293,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. RIGHT-OF-USE ASSETS

	2023 HK\$	2022 HK\$
At 31 March:		
Right-of-use assets		
– Land and buildings	2,750,928	8,420,877
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	2,809,254	5,363,601
– Between 1 and 2 years	101,500	3,520,143
	2,910,754	8,883,744
Year ended 31 March:		
Depreciation charge of right-of-use assets		
– Land and buildings	4,904,448	8,729,840
Lease interests	194,353	400,653
Expenses related to short-term leases	200,400	200,400
Total cash outflow for leases	5,334,179	9,277,296
Additions to right-of-use assets	313,960	2,074,086

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. INVESTMENT IN A JOINT-VENTURE

	2023
	HK\$
Unlisted investments in Hong Kong	
Share of net assets	17,280

Below shows information of the joint venture that is material to the Group. The joint venture is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

	2023
Name	Ban Loong Jacobson JBM Pharma Limited
Principal place of business/country of incorporation	HK/HK
Principal activities	Distribution of pharmaceutical and medical products
% of ownership interests/voting rights held by the Group	60%/33.3%
At 31 March:	
Current assets	90,000
Current liabilities	(61,200)
Net assets	28,800
Group's share of net assets and share of carry amount of interests	17,280
Cash and cash equivalents included in current assets	50,000
Year ended 31 March:	
Revenue	-
Loss from operations	(71,200)

Ban Loong Jacobson JBM Pharma Limited is a strategic investment of the Group, engaging in the distribution of pharmaceutical and medical products. The investment is accounting for a joint-venture because the resolution of board of Ban Loong Jacobson JBM Pharma Limited required to agreed by all shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

20. DEFERRED TAX

The following are the major deferred tax assets recognised by the Group.

	Allowance for ECL on trade receivables and loan receivables HK\$	Depreciation in excess of the related depreciation allowances HK\$	Total HK\$
At 1 April 2021	1,959,140	208,051	2,167,191
Charged to profit or loss (Note 11)	(1,959,140)	(208,051)	(2,167,191)
At 31 March 2022, 1 April 2022 and 31 March 2023	-	-	-

At the end of the reporting period the Group has unused tax losses of HK\$837,717,013 (2022: HK\$818,474,492) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

21. INVENTORIES

	2023 HK\$	2022 HK\$
Finished goods	50,290,472	6,794,775

The directors of the Company have assessed the net realisable values and condition of the Group's inventories as at 31 March 2023 and made no (2022: HK\$18,651,927) impairment of inventory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at 31 March 2023 and 2022 are as follows:

Name of subsidiaries	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2023	Proportion of ownership interest 2022	Principal activities
Ban Loong Finance Company Limited	Hong Kong	HK\$100	100%	100%	Money lending
Wan Long Xing Ye Commercial Trading (Hong Kong) Limited	Hong Kong	HK\$100	100%	100%	Trading of goods and commodities
BL Healthcare (Hong Kong) Limited (formerly known as Ban Loong Hemp Technology Limited)	Hong Kong	HK\$100	100%	100%	Trading of goods and commodities
BL Organic 株式會社	Japan	JPY15,112,760	100%	100%	Trading of goods and commodities
Wanma Technology Yunnan Co., Limited*# (萬麻科技雲南有限公司)	PRC	RMB20,000,000	100%	100%	Trading of goods and commodities

Notes:

* The entity is foreign-investment enterprise

The English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. TRADE RECEIVABLES

	2023 HK\$	2022 HK\$
Trade receivables	85,508,072	61,437,606
Provision for loss allowance	(12,528,824)	(13,513,538)
Carrying amount	72,979,248	47,924,068

Trade receivables are granted an average credit period of 90 days.

The ageing analysis of trade receivables (before allowance for ECL) is as follows:

	2023 HK\$	2022 HK\$
0 to 90 days	72,979,248	47,785,097
91 to 180 days	–	138,971
181 to 365 days	–	12,741,902
Over 365 days	12,528,824	771,636
	85,508,072	61,437,606

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit losses also incorporate forward looking information.

	0 – 90 days	91 – 180 days	181 – 365 days	Over 365 days	Total
At 31 March 2023					
Weighted average expected loss rate	0.00%	–	–	100.00%	
Receivable amount (HK\$)	72,979,248	–	–	12,528,824	85,508,072
Loss allowance (HK\$)	–	–	–	(12,528,824)	(12,528,824)
At 31 March 2022					
Weighted average expected loss rate	0.00%	0.00%	100.00%	100.00%	
Receivable amount (HK\$)	47,785,097	138,971	12,741,902	771,636	61,437,606
Loss allowance (HK\$)	–	–	(12,741,902)	(771,636)	(13,513,538)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

24. LOAN AND INTEREST RECEIVABLES

	2023 HK\$	2022 HK\$
Loan receivables		
– Secured	274,256,465	274,262,968
– Unsecured	203,519,302	204,579,999
	477,775,767	478,842,967
Provision for loss allowance	(477,775,767)	(478,842,967)
Carrying amount	–	–

The maturity profile of the loan receivables (before allowance for ECL) at the end of the reporting period, analysed by the maturity date, is as follows:

	2023 HK\$	2022 HK\$
Overdue	477,775,767	478,842,967
Gross amount analysed for reporting purpose:		
Current assets	477,775,767	478,842,967

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 3 months to 5 years (2022: 3 months to 5 years). The loans provided to customers bore fixed interest rate ranging from 1% – 2.4% (2022: 1% – 2.4%) per month, depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

With reference to the announcement made by the Company on 25 October 2023 regarding the key findings of the forensic investigation, the loan and interest receivables are fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 HK\$	2022 HK\$
Other receivables (Note (i))	380,135,038	312,003,264
Deposit	313,695,181	300,175,487
Prepayments (Note (ii))	6,105,593	2,073,687
Less: allowance for ECL	(675,501,320)	(563,777,772)
	24,434,492	50,474,666

Notes:

- (i) As at 31 March 2023, included in the balance was advances to suppliers and potential suppliers who are independent third parties in the amount of HK\$247,308 (2022: HK\$70,465) that are interest-free, unsecured and recoverable on demand.
- (ii) Included in the balance was prepayment to suppliers of HK\$4,460,514 (2022: HK\$Nil).

26. AMOUNTS DUE FROM A JOINT VENTURE

As 31 March 2023, the amounts due from a joint-venture are unsecured, interest-free and have no fixed repayment terms.

27. CASH AND CASH EQUIVALENTS

	2023 HK\$	2022 HK\$
Cash and cash equivalents	159,003,957	203,861,996

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (b) Included in bank balances of the Group is approximately HK\$28,919,512 (2022: HK\$25,133,208) of bank balances denominated in RMB placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

28. TRADE AND OTHER PAYABLES

	2023 HK\$	2022 HK\$
Trade payables (Note)	15,067,996	26,432,024
Other payables and accrued charges	111,514,040	32,007,627
	126,582,036	58,439,651

Note: The credit period for trade payables ranging from 45 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

28. TRADE AND OTHER PAYABLES (CONTINUED)

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

	2023 HK\$	2022 HK\$
0 to 30 days	191,845	26,359,755
31 to 60 days	14,869,103	–
61 to 90 days	–	65,221
Over 90 days	7,048	7,048
	15,067,996	26,432,024

29. CONTRACT LIABILITIES

Disclosures of contract liabilities are set out as follows:

	As at 31 March 2023 HK\$	As at 31 March 2022 HK\$	As at 1 April 2021 HK\$
Contract liabilities	34,950,735	37,697,717	33,866,293
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2023	–	37,697,717	
– 2024	34,950,735	–	
	34,950,735	37,697,717	

	Year ended 31 March	
	2023 HK\$	2022 HK\$
Revenue recognised in the year that was included in contract liabilities at beginning of year	37,697,717	33,866,293
Significant changes in contract liabilities during the year:		
– Increase due to operations in the year	34,950,735	37,697,717
– Transfer of contract liabilities to revenue	(37,697,717)	(33,866,293)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

30. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2023 HK\$	2022 HK\$	2023 HK\$	2022 HK\$
Within one year	2,809,254	5,363,601	2,753,903	5,225,728
In the second to fifth years, inclusive	101,500	3,520,143	98,172	3,390,906
	2,910,754	8,883,744	2,852,075	8,616,634
Less: future finance charges	(58,679)	(267,110)	N/A	N/A
Present value of lease obligation	2,852,075	8,616,634	2,852,075	8,616,634
Less: amount due for settlement within 12 months (shown under current liabilities)			(2,753,903)	(5,225,728)
Amount due for settlement after 12 months			98,172	3,390,906

At 31 March 2023, the average effective borrowing rate was 3.2%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

31. AMOUNT DUE TO A SHAREHOLDER

At 31 March 2023 and 2022, the amount due to a shareholder is unsecured, interest-free and repayable on demand.

32. CONVERTIBLE BOND

As at 31 March 2023, the total number of issued ordinary shares (the "Shares") of the Company was 6,799,914,160 shares (2022: 6,448,152,160 shares).

The Company entered into the subscription agreement with Yunnan Baiyao Group Co., Ltd. ("Yunnan Baiyao Group") on 14 October 2019. Pursuant to the subscription agreement and the supplemental subscription agreements, the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai International Trust Corp., Ltd., the convertible bond.

The completion of the subscription took place on 30 October 2020 in accordance with the terms and conditions of the subscription agreement. The principal amount was HK\$500 million with coupon rate of 3% per-annum for 2 years. Under the Subscription, the convertible bond have been issued to Shanghai International Trust Corp., Ltd., which subscribes and holds the convertible bond on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the convertible bond.

Reference is made to the Company's announcement dated 31 October 2022, at maturity of the convertible bond, the Company received a waiver confirmation from Yunnan Baiyao Group to extend the maturity date of the convertible bond for a period of two months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

32. CONVERTIBLE BOND (CONTINUED)

Reference is made to the Company's circular dated 12 January 2023. On 5 December 2022, the Company and Yunnan Baiyao Group entered into an extension supplemental agreement, pursuant to which the Company and Yunnan Baiyao Group conditionally agreed to extend the initial maturity date by two years from 31 October 2022 to 30 October 2024 by way of entering into a supplemental agreement. Save for the proposed extension, all other terms and conditions of the convertible bond remained unchanged. The supplemental agreement was subsequently approved on 1 February 2023.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the full conversion of the convertible bond, 1,937,984,496 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the convertible bond, representing: (a) approximately 28.50% of the existing issued share capital of the Company; and (b) approximately 22.18% of the issued share capital of the Company as enlarged by the issue of the 1,937,984,496 Conversion Shares.

At initial recognition the equity component of the convertible bond was separated from the liability component. The equity element is presented in equity heading "convertible bond reserve". The effective interest rate of the liability component is 18.79%.

The valuation of the convertible bond was performed by Ravia Global Appraisal Advisory Limited.

The movement of the equity component of the convertible bond is set out below:

	Equity component HK\$
At 31 March 2021 and 2022	554,296,709
Derecognition at the renewal of convertible bond on 30 October 2022	(554,296,709)
Initial recognition at the renewal of the convertible bond on 1 February 2023	56,168,231
Equity component at 31 March 2023	56,168,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

32. CONVERTIBLE BOND (CONTINUED)

The movement of the liability component of the convertible bond is set out below:

	Liability component HK\$
Carrying amount at 1 April 2021	25,575,717
Effective interest expenses (Note 10)	3,185,724
Coupon interest paid	(15,000,000)
Carrying amount at 31 March 2022 and 1 April 2022	13,761,441
Effective interest expenses (Note 10)	5,712,068
Accrued interest of the convertible bond	(15,000,000)
Initial recognition at the renewal of the convertible bond on 1 February 2023	20,484,563
Carrying amount at 31 March 2023	24,958,072
Current portion	13,615,541
Non-current portion	11,342,531
	24,958,072

The interest expenses for the year are calculated by applying an effective interest rate of 18.79% (before renewal: 16.48%) to the liability component for 2-year period since the convertible bond were issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

33. SHARE CAPITAL

	2023 HK\$	2022 HK\$
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	200,000,000	200,000,000
	Number of shares	Amount HK\$
Issued and fully paid: (ordinary shares of HK\$0.01 each)		
At 1 April 2021, 31 March 2022 and 1 April 2022	6,448,152,160	64,481,522
Issue of shares on placement (Note (a))	351,762,000	3,517,620
At 31 March 2023	6,799,914,160	67,999,142

Note (a):

On 14 April 2022, the Company and Sunwah GreatWall Group Limited, the subscriber, entered into a subscription agreement in respect of the subscription of 351,762,000 ordinary shares of HK\$0.01 each at a price of HK\$0.285 per share. The share subscription was completed on 6 June 2022 and the premium on the issue of shares, amounting to approximately HK\$96,734,550, was credited to the Company's share premium account.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") approved by the shareholders at an annual general meeting of the Company held on 30 September 2013 (the "Adoption Date"). Under the Share Option Scheme, the directors of the Company may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares ("Shares") in the Company subject to the terms and conditions stipulated therein.

Details of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions and potential contributions which the participants have made or may make to the Group and to motivating the participants to utilise their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the participants whose contributions are or will be beneficial to the long term growth of the Group.

(ii) Participants

The directors of the Company may, at their discretion, invite any participant ("Participant") including any executive director, non-executive director or employee (whether full time or part time), consultant, contractor to the Group or any entity in which any member of the Group holds any interest ("Invested Entity").

(iii) Maximum number of shares

(1) 30% Limit

The 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 of the Company must not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

(2) 10% Limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to Participants specifically identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. SHARE OPTION SCHEME (CONTINUED)

(iv) Maximum Entitlement of Each Participant

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% (0.1% for any director, chief executive or substantial shareholder) of the Shares in issue. Where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% (0.1% for any director, chief executive or substantial shareholder) of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

At at 31 March 2023, a total of 137,945,720 shares (representing 2.03% of the issued shares of the Company) may be granted under the Share Option Scheme.

(v) Price of Shares

The exercise price must be at least the higher of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

(vi) Amount payable upon acceptance of the option

HK\$1.00 is payable by each participant to the Company on acceptance of an offer of an option, which shall be paid within 21 days from the date of offer.

(vii) Time of Exercise of Option

An option shall be exercisable at any time during a period to be notified by the directors of the Company to each grantee, provided that no option shall be exercisable later than ten years after its date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no performance target which must be achieved before an option can be exercised.

(viii) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 March 2023 (2022: nil).

There is no outstanding option as at 31 March 2023 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

The following table shows the Group changes in liabilities arising from financing activities during the year:

	Lease liabilities HK\$	Bonds HK\$	Convertible bond HK\$	Amount due to a shareholder HK\$	Total HK\$
At 1 April 2021	15,212,447	19,954,171	25,575,717	-	60,742,335
Changes in cash flows	(9,076,897)	(20,218,472)	(15,000,000)	61,235	(44,234,134)
Non-cash changes					
- additions	2,074,086	-	-	-	2,074,086
- interest charged	400,653	264,301	3,185,724	-	3,850,678
- exchange realignment	6,345	-	-	-	6,345
At 31 March 2022 and 1 April 2022	8,616,634	-	13,761,441	61,235	22,439,310
Changes in cash flows	(5,133,779)	-	-	2,331,656	(2,802,123)
Non-cash changes					
- additions	313,960	-	-	-	313,960
- termination of lease	(1,163,902)	-	-	-	(1,163,902)
- exchange realignment	24,809	-	-	-	24,809
- interest charged	194,353	-	5,712,068	-	5,906,421
- accrued interest of the convertible bond	-	-	(15,000,000)	15,000,000	-
- initial recognition at the renewal of the convertible bond	-	-	20,484,563	-	20,484,563
At 31 March 2023	2,852,075	-	24,958,072	17,392,891	45,203,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

36. DECONSOLIDATION OF A SUBSIDIARY

On 30 December 2022, the Group resolved to deconsolidate its personal care products trading business in its subsidiary of Shenzhen Qingxiangji Herbal Technology Limited* (深圳市清香集草本科技有限公司), as the Group had lost its control in the subsidiary's financial resources, management accounts and daily operations at the time of the deconsolidation.

Net assets at the date of deconsolidation were as follows:

	HK\$
Inventories	665,459
Cash and cash equivalents	2,766
Net assets deconsolidated	668,225
Release of foreign currency translation reserve	2,937
Loss on deconsolidation of a subsidiary (note 9)	(671,162)
Total consideration	–
Net cash outflow arising on deconsolidation	
Cash and cash equivalents	(2,766)

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

37. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	Note	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment		530,033	426,492
Right-of-use assets		1,813,672	4,935,007
Investments in subsidiaries		24,188,160	24,178,160
		26,531,865	29,539,659
Current assets			
Other receivables, deposits and prepayments		3,185,759	3,534,158
Amount due from a joint venture		50,000	–
Amounts due from subsidiaries	(1)	125,817,676	1,199,961
Cash and cash equivalents		21,382,843	106,842,496
		150,436,278	111,576,615
Current liabilities			
Other payables		15,919,864	11,757,251
Amounts due to subsidiaries		3,560,865	3,793,439
Bonds		–	–
Convertible bond		13,615,541	13,761,441
Lease liabilities		1,883,290	3,161,466
Amounts due to a shareholder	(1)	17,392,891	61,235
		52,372,451	32,534,832
Net current assets		98,063,827	79,041,783
Total assets less current liabilities		124,595,692	108,581,442
Non current liabilities			
Lease liabilities		–	1,883,290
Convertible bond		11,342,531	–
		11,342,531	1,883,290
NET ASSETS		113,253,161	106,698,152
Capital and reserves			
Share capital		67,999,142	64,481,522
Reserves		45,254,019	42,216,630
TOTAL EQUITY		113,253,161	106,698,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

37. FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Statement of financial position (Continued)

Note:

(1) The amounts due are unsecured, interest-free and repayable on demand.

Movement of reserves of the Company

	Share premium HK\$	Capital redemption reserve HK\$	Convertible bond reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2021	988,278,817	176,000	554,296,709	(419,310,438)	1,123,441,088
Total comprehensive loss for the year	-	-	-	(1,081,224,458)	(1,081,224,458)
At 31 March 2022 and 1 April 2022	988,278,817	176,000	554,296,709	(1,500,534,896)	42,216,630
Total comprehensive loss for the year	-	-	-	(73,212,598)	(73,212,598)
Issue of new shares	96,734,550	-	-	-	96,734,550
Modification of a convertible bond	-	-	(498,128,478)	498,128,478	-
Transfer	-	-	-	(20,484,563)	(20,484,563)
At 31 March 2023	1,085,013,367	176,000	56,168,231	(1,096,103,579)	45,254,019

Nature and purpose of reserves

(i) Share premium

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

(ii) Convertible bond reserve

The convertible bond reserve represents the equity component of convertible bond issued by the Company. Items included in convertible bond reserve will not be reclassified subsequently to profit or loss.

38. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

38. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratio at 31 March 2023 and 2022 was as follows:

	2023 HK\$	2022 HK\$
Total liabilities	206,735,809	118,576,678
Less: Cash and cash equivalents	(159,003,957)	(203,861,996)
Net debt/(cash)	47,731,852	(85,285,318)
Total equity attributable to owners of the Company	111,041,208	202,259,858
Gearing ratio	43%	-42%

39. LITIGATIONS AND CONTINGENT LIABILITIES

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

40. COMMITMENTS

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

41. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year.

- (a) The remuneration of the Group's key management personnel is disclosed in note 13 to the consolidated financial statements.
- (b) The effective interest expense incurred by the convertible bond with Yunnan Baiyao Group amounted to HK\$5,712,068 during the year (2022: HK\$3,185,724).

42. EVENTS AFTER THE REPORTING PERIOD

As refer to the announcement made by the Company on 11 October 2023, the Company's English name changed from "Ban Loong Holdings Limited" to "YNBY International Limited" and changed its Chinese name from "萬隆控股集團有限公司" to "雲白國際有限公司", with effect from 5 October 2023.

As refer to the announcement made by the Company on 13 October 2023, the Company resolved to change its financial year end from 31 March to 31 December. The first financial year end date of the Company after the change will be 31 December 2023 and its respective consolidated financial statements of the Company will be for the period nine months from 1 April 2023 to 31 December 2023.

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 5 December 2023.

FIVE-YEAR FINANCIAL SUMMARY

	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Revenue	910,082	1,162,154	1,216,714	179,578	452,909
Profit/(loss) before tax	51,916	60,103	(53,146)	(1,113,881)	(165,903)
Income tax expenses	(7,648)	(10,534)	(8,210)	(3,439)	(2,956)
Profit/(loss) after tax	44,268	49,569	(61,356)	(1,117,320)	(168,859)
Profit/(loss) attributable to shareholders	44,272	49,574	(61,359)	(1,117,314)	(168,871)
Earnings/(loss) attributable to shareholders per share	0.76 HK cent	0.77 HK cent	(0.95) HK cent	(17.33) HK cents	(2.51) HK cents
ASSETS AND LIABILITIES					
Total assets	868,646	966,998	1,442,604	321,754	320,039
Current liabilities	(103,691)	(161,222)	(112,099)	(115,186)	(195,295)
Total assets less current liabilities	764,955	805,776	1,330,505	206,568	124,744
Shareholders' fund	764,030	799,809	1,308,795	202,260	111,041
Provision for reinstatement costs, deferred tax liabilities, bonds and convertible bonds	68,429	69,229	45,529	13,761	24,958
Funds employed	832,459	869,038	1,354,324	216,021	135,999
Return on average shareholders' fund (%)	5.8	5.8	(4.7)	(552.4)	(152.1)
Dividends per share	–	–	–	–	–