

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **Huasheng International Holding Limited**

**華盛國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1323)**

### **PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue from continuing operations increased by threefold to approximately HK\$919.3 million.
- Gross profit from continuing operations increased by 1.5 times to approximately HK\$198.0 million.
- Gross profit margin from continuing operations declined from 38.8% to 21.5%.
- Profit for the year attributable to owners of the Company amounted to approximately HK\$43.9 million.
- Basic and diluted earnings per share from continuing and discontinued operations amounted to approximately HK1.30 cents.
- Recommend the payment of a final dividend of HK0.3 cents per share.

## ANNUAL RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Huasheng International Holding Limited (the “Company”) is pleased to announce the audited annual results of the Company and its subsidiaries (together the “Group”) for the year ended 31 March 2021 with the comparative figures for the corresponding period in 2020 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (restated)
<b>Continuing operations</b>			
Other revenue		<b>886,157</b>	145,617
Interest revenue		<b>33,175</b>	56,764
Total revenue	3	<b>919,332</b>	202,381
Cost of sales		<b>(721,318)</b>	(123,809)
Gross profit		<b>198,014</b>	78,572
Other income	4	<b>6,627</b>	698
Other gains and losses, net	5	<b>(10,457)</b>	(48,246)
Selling and distribution expenses		<b>(81,495)</b>	(13,232)
Administrative expenses		<b>(67,289)</b>	(65,637)
Finance costs	6	<b>(25,472)</b>	(25,377)
Share of profit of associates		<b>–</b>	12,880
Profit (loss) before income tax from continuing operations		<b>19,928</b>	(60,342)
Income tax (expense) credit	7	<b>(21,080)</b>	2,510
Loss for the year from continuing operations	8	<b>(1,152)</b>	(57,832)
<b>Discontinued operations</b>			
Profit (loss) for the year from discontinued operations	9	<b>45,039</b>	(20,360)
Profit (loss) for the year		<b>43,887</b>	(78,192)

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (restated)
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		<u>6,223</u>	<u>(5,519)</u>
Item that was reclassified to profit or loss:			
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries		<u>81</u>	<u>–</u>
Other comprehensive income (loss) for the year, net of income tax		<u>6,304</u>	<u>(5,519)</u>
Total comprehensive income (loss) for the year, net of income tax		<u><b>50,191</b></u>	<u><b>(83,711)</b></u>
Profit (loss) for the year attributable to:			
Owners of the Company		<b>43,891</b>	(78,234)
Non-controlling interests		<u>(4)</u>	<u>42</u>
		<u><b>43,887</b></u>	<u>(78,192)</u>
Total comprehensive income (loss) for the year attributable to:			
Owners of the Company		<b>50,195</b>	(83,726)
Non-controlling interests		<u>(4)</u>	<u>15</u>
		<u><b>50,191</b></u>	<u><b>(83,711)</b></u>
<b>Earnings (loss) per share attributable to owners of the Company</b>	<b>10</b>		
From continuing and discontinued operations			
Basic and diluted (HK cents)		<u>1.30</u>	<u>(2.92)</u>
From continuing operations			
Basic and diluted (HK cents)		<b>(0.03)</b>	(2.16)
From discontinued operations			
Basic and dilutes (HK cents)		<u><b>1.33</b></u>	<u>(0.76)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		4,987	4,470
Property, plant and equipment	12	68,561	67,255
Right-of-use assets		10,336	19,464
Other intangible assets	13	71,192	116,992
Goodwill	14	186,074	218,716
Investments at fair value through profit or loss		21,496	–
Retention receivables	17	73,864	68,275
Deferred tax assets		2,442	4,473
		<u>438,952</u>	<u>499,645</u>
<b>CURRENT ASSETS</b>			
Inventories		15,157	12,928
Loan receivables	16	250,221	321,505
Trade, retention and other receivables and prepayments	17	854,680	663,961
Promissory note receivable		36,000	–
Convertible bonds receivables		16,032	–
Investments at fair value through profit or loss		11,408	–
Tax recoverable		1,894	10,446
Bank balances and cash		110,123	18,238
		<u>1,295,515</u>	<u>1,027,078</u>

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	18	<b>448,491</b>	433,563
Lease liabilities		<b>6,528</b>	12,721
Borrowings	19	<b>52,289</b>	13,313
Convertible bonds	20	–	119,449
Tax payable		<b>530</b>	2,960
		<b>507,838</b>	582,006
<b>NET CURRENT ASSETS</b>		<b>787,677</b>	445,072
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,226,629</b>	944,717
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>7,474</b>	9,184
Borrowings	19	<b>90,408</b>	117,014
Promissory notes	21	<b>44,750</b>	68,365
Bonds payable	22	<b>155,872</b>	–
Deferred tax liabilities		<b>8,956</b>	15,600
		<b>307,460</b>	210,163
<b>NET ASSETS</b>		<b>919,169</b>	734,554
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>34,991</b>	32,748
Reserves		<b>884,178</b>	705,523
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>919,169</b>	738,271
Non-controlling interests		–	(3,717)
<b>TOTAL EQUITY</b>		<b>919,169</b>	734,554

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note (i))	Convertible bonds equity reserve HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000 (Note (ii))	Exchange reserve HK\$'000	Other reserves HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Total HK\$'000		
At 1 April 2019	24,238	1,140,981	49	64,692	1,079	678	(5,762)	(6,000)	(824,769)	395,186	(3,732)	391,454
(Loss) profit for the year	-	-	-	-	-	-	-	-	(78,234)	(78,234)	42	(78,192)
Other comprehensive loss, net of income tax:												
– Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(5,492)	-	-	(5,492)	(27)	(5,519)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(5,492)	-	(78,234)	(83,726)	15	(83,711)
Issue of shares upon exercise of share options	16	1,015	-	-	(263)	-	-	-	-	768	-	768
Issue of shares pursuant to placing agreements	3,973	181,500	-	-	-	-	-	-	-	185,473	-	185,473
Transaction cost attributable to issue of placing shares	-	(6,011)	-	-	-	-	-	-	-	(6,011)	-	(6,011)
Lapse of share options	-	-	-	-	(816)	-	-	-	816	-	-	-
Extinguishment of convertible bonds	-	-	-	(64,492)	-	-	-	-	64,492	-	-	-
Loss on the Extended Convertible Bonds 2019	-	-	-	250	-	-	-	-	-	250	-	250
Issue of shares upon conversion of convertible bonds	1,321	75,836	-	(24,703)	-	-	-	-	-	52,454	-	52,454
Redemption of convertible bonds	-	-	-	(426)	-	-	-	-	-	(426)	-	(426)
Acquisition of subsidiaries	3,200	166,400	-	24,703	-	-	-	-	-	194,303	-	194,303
Transactions with owners	8,510	418,740	-	(64,668)	(1,079)	-	-	-	65,308	426,811	-	426,811
At 31 March 2020	32,748	1,559,721	49	24	-	678	(11,254)	(6,000)	(837,695)	738,271	(3,717)	734,554
Profit (loss) for the year	-	-	-	-	-	-	-	-	43,891	43,891	(4)	43,887
Other comprehensive income (loss), net of income tax:												
– Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	6,223	-	-	6,223	-	6,223
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries	-	-	-	-	-	-	81	-	-	81	-	81
Total comprehensive income (loss) for the year	-	-	-	-	-	-	6,304	-	43,891	50,195	(4)	50,191
Issue of shares pursuant to placing agreement	1,300	81,900	-	-	-	-	-	-	-	83,200	-	83,200
Transaction cost attributable to issue of placing shares	-	(2,497)	-	-	-	-	-	-	-	(2,497)	-	(2,497)
Issue of shares upon conversion of convertible bonds	943	49,057	-	-	-	-	-	-	-	50,000	-	50,000
Extinguishment of convertible bonds	-	-	-	(24)	-	-	-	-	24	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	3,721	3,721
Transactions with owners	2,243	128,460	-	(24)	-	-	-	-	24	130,703	-	134,424
At 31 March 2021	34,991	1,688,181	49	-	-	678	(4,950)	(6,000)	(793,780)	919,169	-	919,169

## Notes:

- (i) In accordance with the provisions of Macao Commercial Code, Two-Two-Free Limited-Macao Commercial Offshore (“Two-Two-Free”), a subsidiary of the Company, is required to transfer a minimum of 25% of annual net profit to legal reserve until the legal reserve equals half of the quota capital. This reserve is not distributable to shareholders.
- (ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in preparing for listing on The Stock Exchange of Hong Kong Limited.
- (iii) The other reserves represent the difference between the fair value of interest-free advance to Mr. Chum Tung Hang, an exshareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK\$6,000,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2021*

## 1. GENERAL INFORMATION

Huasheng International Holding Limited (the “Company”) was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2010. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 13 January 2011. The registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The principal activities of the Group are (i) production and sales of ready-mixed commercial concrete (“Concrete Business”); (ii) wholesale and retail of household consumables (“Household Consumables Business”); and (iii) provision of money lending services (“Money Lending Business”). The Group was also engaged in (i) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”) and (ii) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”), which were disposed of and classified as discontinued operations during the year ended 31 March 2021. Besides, the Group has suspended the operations of its coal trading business due to the uncertainty in the recovery of the trade receivables due from its sole customer. It has also been disposed of and classified as discontinued operations during the year ended 31 March 2021. Further details of which are set out in Notes 9 and 23.

### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, financial assets at fair value through profit or loss (“FVTPL”) and convertible bond receivables which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods. Certain figures in the consolidated financial statements for the year ended 31 March 2020 related to discontinued operations have been reclassified and restated to conform with the current year presentations and accounting treatment.

## 2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### 2.1 New and amended HKFRSs that is effective for annual period beginning on or after 1 April 2020

In the current year, the Group has applied for the first time the following new and amended HKFRSs (which included all HKFRSs, HKAS and Interpretations) issued by the HKICPA, which are relevant to the Group’s operation and effective for the Group’s consolidated financial statements for the annual period beginning on 1 April 2020:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Materials</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The adoption of these new and amended HKFRSs do not have any material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out these consolidated financial statements.

### 2.2 New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> <sup>1,3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i> <sup>2</sup>
Amendments to HKFRSs	<i>Annual improvements to HKFRS 2018–2020</i> <sup>4</sup>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>4</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> <sup>4</sup>
Amendments to HKAS 37	<i>Onerous Contract — Cost of Fulfilling a Contract</i> <sup>4</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current and Non-current and related amendments to Hong Kong interpretation 5 (2020)</i> <sup>5</sup>
Amendments to HKAS 1	<i>Disclosure of Accounting Policies</i> <sup>5</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>5</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>5</sup>
HKFRS 17	<i>Insurance Contracts and related Amendments</i> <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined



***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretations 5 (2020)”***

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

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

In addition, Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The Group will further assess whether application of the amendments will have an impact on the classification on the Group’s borrowings. The impacts on application, if any, will be disclosed in the Group’s future consolidated financial statements.

Except for the amendments to HKFRSs mentioned above, the Directors anticipate that the application of all other new and amendments to HKFRSs unlikely to have any material impact on the consolidated financial statements of the Group in the foreseeable future.

### 3. REVENUE AND SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Concrete Business – Production and sales of ready-mixed commercial concrete
- Household Consumables Business – Wholesale and retail of household consumables
- Money Lending Business – Provision of money lending services
- Digital Technology Business – Design and development of three-dimensional animations, augmented reality technology application and e-learning web application<sup>1</sup> (discontinued operation)
- Education Business – Provision of educational technology solutions through online education programs and provision of English language proficiency tests<sup>2</sup> (discontinued operation)

1. The Group completed the disposal of the entire equity interest of Sino Digital Media (Overseas) Limited, together with its subsidiaries, which carried out the whole Group's Digital Technology Business, on 27 July 2020. Accordingly, the Digital Technology Business segment was classified as a discontinued operation. Details of which are set out in Note 9(a).
2. The Group completed the disposal of the entire equity interest of DigiSmart (Group) Limited, together with its subsidiaries, which carried out the whole Group's Education Business, on 31 March 2021. Accordingly, the Education Business segment was classified as a discontinued operation. Details of which are set out in Note 9(c).

The segment information reported as below does not include any results for the discontinued operations.

#### Revenue

Disaggregation of revenue from contracts with customers from continuing operations:

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Revenue from contracts with customers:		
Sales of goods from Concrete Business	838,506	91,821
Sales of goods from Household Consumables Business	47,651	53,796
	<u>886,157</u>	<u>145,617</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Revenue from other source:		
Interest income from Money Lending Business	<u>33,175</u>	<u>56,764</u>
	<u><b>919,332</b></u>	<u><b>202,381</b></u>
Timing of revenue recognition:		
At point in time	<b>886,157</b>	145,617
Over time	<u>–</u>	<u>–</u>
Revenue from contracts with customers	<u><b>886,157</b></u>	<u><b>145,617</b></u>
Geographical market:		
The People's Republic of China (the "PRC")	<b>838,506</b>	91,821
United Kingdom (the "UK")	<u><b>47,651</b></u>	<u>53,796</u>
Revenue from contracts with customers	<u><b>886,157</b></u>	<u><b>145,617</b></u>

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other services income are recognised when services are provided.

## Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments from continuing operations:

	Continuing operations			Total HK\$'000
	Concrete Business HK\$'000	Household Consumables Business HK\$'000	Money Lending Business HK\$'000	
<b>For the year ended 31 March 2021</b>				
Revenue from external customers	<u>838,506</u>	<u>47,651</u>	<u>33,175</u>	<u>919,332</u>
Segment profit	<u>71,654</u>	<u>3,521</u>	<u>13,283</u>	<u>88,458</u>
Bank interest income				994
Exchange differences				(396)
Fair value loss on investments at FVTPL				(1,589)
Loss on early redemption of promissory notes				(2,827)
Amortisation of other intangible assets				(13,083)
Central administration costs				<u>(51,629)</u>
Profit before income tax from continuing operations				<u><u>19,928</u></u>
	Continuing operations			Total HK\$'000 (restated)
	Concrete Business HK\$'000	Household Consumables Business HK\$'000	Money Lending Business HK\$'000	
<b>For the year ended 31 March 2020</b>				
Revenue from external customers	<u>91,821</u>	<u>53,796</u>	<u>56,764</u>	<u>202,381</u>
Segment profit (loss)	<u>(3,142)</u>	<u>3,932</u>	<u>11,274</u>	12,064
Bank interest income				16
Fair value loss on investments at FVTPL				(6,889)
Fair value loss on promissory notes				(193)
Loss on early redemption of promissory notes				(5,360)
Gain on early redemption of convertible bonds				191
Amortisation of other intangible assets				(3,869)
Loss on the Extended Convertible Bonds 2019				(2,477)
Share of profit of associates				12,880
Loss on deemed disposal of associates				(17,005)
Central administration costs				<u>(49,700)</u>
Loss before income tax from continuing operations				<u><u>(60,342)</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss incurred from) each segment without allocation of bank interest income, exchange differences, change in fair value of investments at FVTPL and promissory notes, gain on early redemption of convertible bonds, loss on early redemption of promissory notes, loss on the Extended Convertible Bonds 2019, amortisation of other intangible assets, share of profit of associates, loss on deemed disposal of associates, central administration costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

### Segment assets and liabilities

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

#### Segment assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Concrete Business	876,864	788,395
Household Consumables Business	20,486	20,041
Money Lending Business	254,022	322,248
<b>Discontinued operations</b>		
Digital Technology Business	–	515
Education Business	–	2,724
	<hr/>	<hr/>
Total segment assets	1,151,372	1,133,923
Other intangible assets	71,192	116,992
Goodwill	186,074	218,716
Amounts due from related parties	–	1,361
Convertible bonds receivable	16,032	–
Promissory note receivable	36,000	–
Investments at FVTPL	32,904	–
Tax recoverable	1,894	10,446
Deferred tax assets	2,442	4,473
Bank balances and cash	110,123	18,238
Unallocated corporate assets	126,434	22,574
	<hr/>	<hr/>
Consolidated total assets	<u><u>1,734,467</u></u>	<u><u>1,526,723</u></u>

### *Segment liabilities*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Concrete Business	435,695	394,639
Household Consumables Business	4,379	4,771
Money Lending Business	2,865	10,256
<b>Discontinued operations</b>		
Digital Technology Business	–	1,153
Education Business	–	2,372
	<hr/>	<hr/>
Total segment liabilities	442,939	413,191
Tax payable	530	2,960
Borrowings	142,697	130,327
Convertible bonds	–	119,449
Promissory notes	44,750	68,365
Bonds payable	155,872	–
Deferred tax liabilities	8,956	15,600
Unallocated corporate liabilities	19,554	42,277
	<hr/>	<hr/>
Consolidated total liabilities	<b>815,298</b>	<b>792,169</b>
	<hr/> <hr/>	<hr/> <hr/>

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

- All assets are allocated to operating segments other than other intangible assets, goodwill, convertible bonds receivable, promissory note receivable, investments at FVTPL, amounts due from related parties, tax recoverable, deferred tax assets, bank balances and cash and unallocated corporate assets.
- All liabilities are allocated to operating segments other than tax payable, borrowings, convertible bonds, promissory notes, bonds payable, deferred tax liabilities and unallocated corporate liabilities.

## Other segment information

The following is an analysis of other segment information from continuing operations:

	Continuing operations				Total HK\$'000
	Concrete Business HK\$'000	Household Consumables Business HK\$'000	Money Lending Business HK\$'000	Unallocated Corporate Office HK\$'000	
<b>For the year ended 31 March 2021</b>					
Capital additions	1,986	1,038	2,452	2,099	7,575
Depreciation of property, plant and equipment	10,642	215	130	129	11,116
(Reversal of impairment loss) impairment loss on trade, retention and other receivables	(3,761)	19	–	(1,000)	(4,742)
Depreciation of right-of-use assets	903	1,059	642	9,238	11,842
Impairment loss on loan receivables, net	–	–	14,139	–	14,139

	Continuing operations				Total HK\$'000 (restated)
	Concrete Business HK\$'000	Household Consumables Business HK\$'000	Money Lending Business HK\$'000	Unallocated Corporate Office HK\$'000	
<b>For the year ended 31 March 2020</b>					
Capital additions	189	4,931	–	–	5,120
Depreciation of property, plant and equipment	2,476	168	–	72	2,716
(Reversal of impairment loss) impairment loss on trade, retention and other receivables	(1,754)	70	–	(10,142)	(11,826)
Depreciation of right-of-use assets	229	905	201	9,394	10,729
Impairment loss on loan receivables, net	–	–	28,075	–	28,075

These segment information has been included in the measures of segment results or assets.

## Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services from continuing operations:

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Sales of goods from Concrete Business	838,506	91,821
Sales of goods from Household Consumables Business	47,651	53,796
Interest income from Money Lending Business	33,175	56,764
	<b>919,332</b>	<b>202,381</b>

### Information about geographical areas

In determining the Group's information about geographical areas, revenue from continuing operations is analysed based on the locations of the customers.

The following table provides an analysis of the Group's revenue from continuing operations generated from external customers by geographical market, irrespective of the origin of the goods.

	<b>Revenue by geographical market</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b> (restated)
<b>Continuing operations</b>		
The PRC	<b>838,506</b>	91,821
UK	<b>47,651</b>	53,796
Hong Kong	<b>33,175</b>	56,764
	<b>919,332</b>	<b>202,381</b>

As at 31 March 2021, approximately HK\$292,127,000, HK\$18,096,000, HK\$30,636,000 and HK\$291,000 of the non-financial assets classified as non-current assets are located in the PRC, the UK, Hong Kong and Macau, respectively.

As at 31 March 2020, approximately HK\$308,672,000, HK\$16,611,000, HK\$101,315,000 and HK\$299,000 of the non-financial assets classified as non-current assets are located in the PRC, the UK, Hong Kong and Macau, respectively.

### Information about major customers

There is no revenue from customers for the both years ended 31 March 2021 and 2020 contributing over 10% of the total revenue of the Group from continuing operations.



#### 4. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Bank interest income	994	16
Rental income	129	99
Interest income from convertible bonds receivable	813	–
Litigation income ( <i>Note 1</i> )	1,347	552
Government grants	1,341	–
Government subsidies ( <i>Note 2</i> )	1,125	–
Commission income	89	–
Sundry income	789	31
	<u>6,627</u>	<u>698</u>

#### *Notes:*

1. There were litigation claims initiated by the Group against certain trade debtors to demand for immediate repayment of the unsettled trade and retention receivables. Pursuant to the respective judgements of the courts, approximately HK\$1,347,000 in aggregate amount of interests, penalties and recharges of corresponding legal costs received from those trade debtors during the year ended 31 March 2021.
2. During the year ended 31 March 2021, the Group received funding support amounting to approximately HK\$1,125,000 from the employment support scheme under the anti-epidemic fund, set up by the Hong Kong government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 5. OTHER GAINS AND LOSSES, NET

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Exchange differences	(396)	–
Gain on early redemption of convertible bonds	–	191
Loss on disposal of property, plant and equipment	(378)	–
Fair value loss on investment properties	–	(264)
Fair value loss on investments at FVTPL	(1,589)	(6,889)
Fair value gain on convertible bond receivables	72	–
Fair value loss on promissory notes	–	(193)
Loss on early redemption of promissory notes	(2,827)	(5,360)
Loss on early redemption of borrowings	(2,005)	–
Reversal of impairment loss on trade, retention and other receivables	4,742	11,826
Impairment loss on loan receivables	(14,139)	(28,075)
Written-off of trade receivables	(19)	–
Net loss on sales of loan receivables	(1,500)	–
Loss on the Extended Convertible Bonds 2019	–	(2,477)
Loss on deemed disposal of associates	–	(17,005)
Gain on modification of borrowings	7,592	–
Others	(10)	–
	<u>(10,457)</u>	<u>(48,246)</u>

## 6. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
<b>Continuing operations</b>		
Effective interest expenses on convertible bonds	7,863	18,488
Effective interest expenses on bonds payable	386	–
Interest expenses on borrowings	11,415	3,693
Interest expenses on promissory notes	4,913	2,027
Interest expenses on lease liabilities	895	1,169
	<u>25,472</u>	<u>25,377</u>

## 7. INCOME TAX EXPENSE (CREDIT)

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Current tax:		
– Hong Kong Profits Tax	–	2,034
– PRC Enterprise Income Tax (“PRC EIT”)	10,381	–
– UK Corporate Tax	382	817
	<u>10,763</u>	<u>2,851</u>
Under (over)-provision in respect of prior years:		
– Hong Kong Profits Tax	–	(2,170)
– PRC EIT	9,424	–
– UK Corporate Tax	–	(13)
	<u>9,424</u>	<u>(2,183)</u>
Deferred taxation:		
– Current year	893	(3,178)
	<u>893</u>	<u>(3,178)</u>
Income tax expense (credit)	<u><u>21,080</u></u>	<u><u>(2,510)</u></u>

### (i) Hong Kong

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

### (ii) PRC

PRC EIT is calculated at 25% (2020: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for subsidiaries of the Company which were recognised as a high and new technology enterprise (“HNTE”) and in accordance with relevant laws and regulations in the PRC, the subsidiaries are entitled to the preferential tax rate of 15% corporate income tax rate for HNTE during the year.

**(iii) United Kingdom**

UK Corporate Tax is calculated at 19% (2020: 19%) of the estimated assessable profits of subsidiaries operating in the UK.

**(iv) Other jurisdictions**

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the “BVI”) and Macau, the Group is not subject to any income tax.

**8. LOSS FOR THE YEAR**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>		
The Group's loss for the year has been arrived at after charging:		
Directors' remuneration	13,617	14,426
Other staff costs	36,130	18,056
Retirement benefit scheme contributions ( <i>Note a</i> )	2,847	598
	<hr/>	<hr/>
Total staff costs	52,594	33,080
	<hr/>	<hr/>
Auditor's remuneration		
– Audit services	1,450	1,150
– Non-audit services	15	15
Cost of inventories sold	689,599	118,140
Depreciation of property, plant and equipment	11,116	2,716
Depreciation of right-of-use assets	11,842	10,729
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	–	255
Amortisation of other intangible assets	13,083	3,869
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (a) No forfeited contributions available for offset against existing contributions during the year (2020: Nil).

## **9. DISCONTINUED OPERATIONS**

### **(a) Digital Technology Business**

On 15 June 2020, the Group through its indirectly wholly-owned subsidiary, DigiSmart (Group) Limited, entered into a disposal agreement with an independent third party in relation to the disposal of entire equity interest in Sino Digital Media (Overseas) Limited, (“Sino Digital”, together with its subsidiaries are referred to as the “Sino Digital Group”) at a total consideration of HK\$30,000,000 (the “Sino Digital Disposal”). The Sino Digital Group, represents the whole Digital Technology Business of the Group and upon completion of the Sino Digital Disposal, the Group’s Digital Technology Business would be discontinued.

The Sino Digital Disposal was completed on 27 July 2020. Details of assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 23(a).

The disposal of Sino Digital Group enable the Group to free up resources and eliminate from the Group uncertainty of future performance of the Digital Technology Business and redirect its resources to other business segments which may have higher growth potential to maximize returns for the shareholders of the Company. Details of the disposal are set out in the announcement of the Company dated 27 July 2020.

### **(b) Coal Business**

On 1 September 2020, the Group through its indirectly wholly-owned subsidiary, China Indonesia Alliances Coal Investment Company Limited (“China Coal”), entered into a sale and purchase agreement with the minority shareholder in relation to the disposal of 90% of the issued share capital and sale loan in China Coal Alliances Trading Company Limited (“CCAT”) at a nominal consideration of HK\$100 (the “CCAT Disposal”). CCAT represents the whole Coal Business of the Group and its performance was classified as discontinued operation.

The CCAT Disposal was completed on 1 September 2020. Details of assets and liabilities disposed of, and the calculation of gain on disposal are disclosed in Note 23(b).

In view of the uncertainty in the recovery of the long outstanding trade receivables from CCAT’s sole customer, the Directors had considered that the CCAT Disposal is expected to allow the Group to realise its investment in CCAT and improve the Group’s gearing level.

**(c) Education Business**

On 10 March 2021, the Group through its direct wholly-owned subsidiary, Virtual Garden Investments Limited, entered into a sale and purchase agreement with an independent third party in relation to the disposal of entire equity interest in DigiSmart (Group) Limited, (“DigiSmart”, together with its subsidiaries are referred to as the “DigiSmart Group”) at a total consideration of HK\$40,000,000 (the “DigiSmart Disposal”). The DigiSmart Group, represents the whole Education Business segment of the Group upon completion of the DigiSmart Disposal, the Group’s Education Business would be discontinued.

The DigiSmart Disposal was completed on 31 March 2021. Details of assets and liabilities disposed of, and the calculation of gain on disposal are disclosed in Note 23(c).

In view of the unsatisfactory financial performance of DigiSmart Group, the Directors had considered that the DigiSmart Disposal is expected to allow the Group focusing on other profit making segments and to reallocate resources to other business segments of the Group. Details of the disposal are set out in the announcements of the Company dated 10 March 2021 and 31 March 2021 respectively.

The financial performance and cash flows of Digital Technology Business, Coal Business and Education Business for the period from 1 April 2020 to their respective dates of disposal are classified and included as part of discontinued operations for the year ended 31 March 2021. The comparative financial performance and cash flows of the discontinued operations have been re-presented as part of discontinued operations for the year ended 31 March 2020.

The results of Digital Technology Business, Coal Business and Education Business for the period from 1 April 2020 up to their respective dates of disposal and the year ended 31 March 2020 have been presented separately as a single line item in the consolidated statement of profit or loss and other comprehensive income, details of which are as follows:

	2021				2020			
	Digital Technology Business HK\$'000	Coal Business HK\$'000	Education Business HK\$'000	Total HK\$'000	Digital Technology Business HK\$'000	Coal Business HK\$'000	Education Business HK\$'000	Total HK\$'000 (restated)
Revenue	428	-	8,931	9,359	763	-	10,312	11,075
Cost of sales	(179)	-	(3,484)	(3,663)	(799)	-	(3,067)	(3,866)
Gross profit (loss)	249	-	5,447	5,696	(36)	-	7,245	7,209
Other income	108	-	712	820	53	-	9	62
Other gains and losses, net	(3)	-	(129)	(132)	(8,244)	456	(13,157)	(20,945)
Administrative expenses	(563)	(41)	(6,263)	(6,867)	(1,980)	(37)	(6,836)	(8,853)
(Loss) profit before income tax from discontinued operations	(209)	(41)	(233)	(483)	(10,207)	419	(12,739)	(22,527)
Income tax credit	-	-	-	-	-	-	2,167	2,167

	2021				2020			
	Digital Technology Business HK\$'000	Coal Business HK\$'000	Education Business HK\$'000	Total HK\$'000	Digital Technology Business HK\$'000	Coal Business HK\$'000	Education Business HK\$'000	Total HK\$'000 (restated)
(Loss) profit after income tax from discontinued operations	(209)	(41)	(233)	(483)	(10,207)	419	(10,572)	(20,360)
Gain on disposal of subsidiaries (including reclassification of exchange reserve from equity to profit or loss on disposal of subsidiaries)	114	14,052	31,356	45,522	-	-	-	-
Profit (loss) for the year from discontinued operations	<u>(95)</u>	<u>14,011</u>	<u>31,123</u>	<u>45,039</u>	<u>(10,207)</u>	<u>419</u>	<u>(10,572)</u>	<u>(20,360)</u>
Profit (loss) for the year from discontinued operations attributable to:								
– Owners of the Company	(95)	14,015	31,123	45,043	(10,207)	377	(10,572)	(20,402)
– Non-controlling interests	-	(4)	-	(4)	-	42	-	42
	<u>(95)</u>	<u>14,011</u>	<u>31,123</u>	<u>45,039</u>	<u>(10,207)</u>	<u>419</u>	<u>(10,572)</u>	<u>(20,360)</u>
<b>Cash flows from discontinued operations</b>								
Net cash (used in) generated from operating activities	(817)	-	369	(448)	(1,382)	-	(972)	(2,354)
Net (decrease) increase in bank balance and cash	<u>(817)</u>	<u>-</u>	<u>369</u>	<u>(448)</u>	<u>(1,382)</u>	<u>-</u>	<u>(972)</u>	<u>(2,354)</u>

## 10. EARNINGS (LOSS) PER SHARE

The calculations of basic earnings (loss) per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the profit (loss) for the year attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the year.

The calculations of diluted earnings (loss) per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the respective adjusted profit (loss) for the year attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding to conversion of all dilutive potential ordinary shares.

As at 31 March 2021 and 2020, the Company's convertible bonds had an anti –dilutive effect to the basic earnings (loss) per share calculation. The conversion of the above potential ordinary shares is not assumed in the computation of the diluted earnings (loss) per share.

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Profit (loss) for the year attributable to owners of the Company		
(i) Continuing and discontinued operations	<b>43,891</b>	(78,234)
(ii) Continuing operations	<b>(1,152)</b>	(57,832)
(iii) Discontinued operations	<b>45,043</b>	(20,402)
	<u><b>3,375,022,822</b></u>	<u><b>2,676,255,625</b></u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u><b>3,375,022,822</b></u>	<u><b>2,676,255,625</b></u>

## 11. DIVIDENDS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed 2021 final dividend of HK0.3 cents (2020: Nil) per share	<u><b>10,497</b></u>	<u><b>–</b></u>

The Board recommend the payment of a 2021 final dividend of HK0.3 cents per share, totalling of approximately HK\$10,497,000. Such dividend is subject to approval by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.



## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 April 2019	381	434	100	702	2,165	–	3,782
Additions	–	34	–	–	67	135	236
Acquisition of subsidiaries	–	11,478	44,381	–	682	13,906	70,447
Disposals	–	–	–	–	(1)	–	(1)
Exchange realignment	–	(412)	(1,380)	(43)	(39)	(340)	(2,214)
At 31 March 2020	381	11,534	43,101	659	2,874	13,701	72,250
Additions	–	897	–	3,957	1,634	1,087	7,575
Disposals	–	(855)	(6,954)	(701)	(1,263)	–	(9,773)
Disposal of subsidiaries	–	–	–	–	(503)	–	(503)
Transfer	–	14,077	137	–	16	(14,230)	–
Exchange realignment	–	1,861	4,866	42	135	732	7,636
At 31 March 2021	<u>381</u>	<u>27,514</u>	<u>41,150</u>	<u>3,957</u>	<u>2,893</u>	<u>1,290</u>	<u>77,185</u>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 April 2019	114	315	87	444	1,754	–	2,714
Charge for the year	8	477	1,994	125	236	–	2,840
Elimination on disposals	–	–	–	–	(1)	–	(1)
Exchange realignment	–	(110)	(402)	(31)	(15)	–	(558)
At 31 March 2020	122	682	1,679	538	1,974	–	4,995
Charge for the year	7	3,036	7,518	341	292	–	11,194
Elimination on disposals	–	(800)	(6,598)	(701)	(1,065)	–	(9,164)
Elimination on disposal of subsidiaries	–	–	–	–	(444)	–	(444)
Exchange realignment	–	512	1,457	34	40	–	2,043
At 31 March 2021	<u>129</u>	<u>3,430</u>	<u>4,056</u>	<u>212</u>	<u>797</u>	<u>–</u>	<u>8,624</u>
<b>NET CARRYING VALUE</b>							
At 31 March 2021	<u>252</u>	<u>24,084</u>	<u>37,094</u>	<u>3,745</u>	<u>2,096</u>	<u>1,290</u>	<u>68,561</u>
At 31 March 2020	<u>259</u>	<u>10,852</u>	<u>41,422</u>	<u>121</u>	<u>900</u>	<u>13,701</u>	<u>67,255</u>

### 13. OTHER INTANGIBLE ASSETS

	Coal Sales Contract HK\$'000	Customer Network HK\$'000	License Agreements HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 April 2019	57,346	8,301	55,006	120,653
Acquisition of subsidiaries	–	85,787	–	85,787
Exchange realignment	–	(512)	–	(512)
At 31 March 2020	57,346	93,576	55,006	205,928
Disposal of subsidiaries ( <i>Note 23</i> )	(57,346)	–	(55,006)	(112,352)
Exchange realignment	–	901	–	901
At 31 March 2021	<u>–</u>	<u>94,477</u>	<u>–</u>	<u>94,477</u>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
At 1 April 2019	57,346	5,949	8,996	72,291
Charge for the year	–	3,869	–	3,869
Impairment loss recognised	–	–	13,169	13,169
Exchange realignment	–	(393)	–	(393)
At 31 March 2020	57,346	9,425	22,165	88,936
Charge for the year	–	13,083	–	13,083
Disposal of subsidiaries ( <i>Note 23</i> )	(57,346)	–	(22,165)	(79,511)
Exchange realignment	–	777	–	777
At 31 March 2021	<u>–</u>	<u>23,285</u>	<u>–</u>	<u>23,285</u>
<b>NET CARRYING VALUE</b>				
At 31 March 2021	<u>–</u>	<u>71,192</u>	<u>–</u>	<u>71,192</u>
At 31 March 2020	<u>–</u>	<u>84,151</u>	<u>32,841</u>	<u>116,992</u>

The Coal Sales Contract represented a legally binding sales contract of coal products entered into between the Group and a customer, which was acquired as part of the Group's acquisition of China Coal and its 90%-owned subsidiary (collectively the "China Coal Group") in prior year. The Coal Sales Contract was fully impaired in prior years and CCAT Disposal was completed during the year ended 31 March 2021.

Customer Network represents a long and close business relationship with customers of S&J Distribution Limited (“S&J”) and Alpha Youth Limited (together with its subsidiaries, the “Alpha Youth Group”), which was acquired as part of the Group’s acquisition of S&J in prior years and Alpha Youth Group in last year; and has been allocated to the Household Consumables Business CGU and Concrete Business CGU respectively. The Customer Network of S&J and Alpha Youth Group are amortised on straight-line basis over 10 years and 7 years respectively.

License Agreements represent the authorisation to be an official representative of (i) TOEIC (the Test of English for International Communication) in Hong Kong and Macau; (ii) TOEFL Junior tests (a general assessment of middle school-level English-language proficiency of the Test of English as a Foreign Language) in Hong Kong and Macau; (iii) TOEFL ITP (the Institutional Testing Program of the Test of English as a Foreign Language) in Hong Kong, Macau and the Southern China; and (iv) TOEIC (the Test of English for International Communication) (the tests of listening and reading only) in 8 provinces of the PRC. The License Agreements were acquired as part of the Group’s acquisition of DigiSmart (Group) Limited and its subsidiaries (collectively the “DigiSmart Group”) in prior years and has been allocated to the Education Business CGU.

The Group assessed the useful lives of the License Agreements as indefinite because the Group considered the License Agreements are renewable at no additional cost and that the business relationship with the license owner becomes probable to continue indefinitely in the foreseeable future. Based on historical records, the Group is able to renew the License Agreements with the license owner without any additional cost.

The License Agreements were disposed of through the DigiSmart Group Disposal during the year ended 31 March 2021.

Particulars regarding impairment testing on other intangible assets are set out in Note 15.

## 14. GOODWILL

	Concrete Business CGU HK\$'000	Household Consumables Business CGU HK\$'000	Money Lending Business CGU HK\$'000	Digital Technology Business CGU HK\$'000	Education Business CGU HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 April 2019	–	9,774	21,795	113,633	61,319	206,521
Acquisition of subsidiaries	154,505	–	–	–	–	154,505
At 31 March 2020	154,505	9,774	21,795	113,633	61,319	361,026
Disposal of subsidiaries ( <i>Note 23</i> )	–	–	–	(113,633)	(61,319)	(174,952)
At 31 March 2021	<u>154,505</u>	<u>9,774</u>	<u>21,795</u>	<u>–</u>	<u>–</u>	<u>186,074</u>

	Concrete Business CGU HK\$'000	Household Consumables Business CGU HK\$'000	Money Lending Business CGU HK\$'000	Digital Technology Business CGU HK\$'000	Education Business CGU HK\$'000	Total HK\$'000
<b>ACCUMULATED IMPAIRMENT LOSSES</b>						
At 1 April 2019	–	–	–	72,756	61,319	134,075
Impairment	–	–	–	8,235	–	8,235
	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,235</u>	<u>–</u>	<u>8,235</u>
At 31 March 2020	–	–	–	80,991	61,319	142,310
Disposal of subsidiaries (Note 23)	–	–	–	(80,991)	(61,319)	(142,310)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(80,991)</u>	<u>(61,319)</u>	<u>(142,310)</u>
At 31 March 2021	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>NET CARRYING VALUE</b>						
At 31 March 2021	<u>154,505</u>	<u>9,774</u>	<u>21,795</u>	<u>–</u>	<u>–</u>	<u>186,074</u>
At 31 March 2020	<u>154,505</u>	<u>9,774</u>	<u>21,795</u>	<u>32,642</u>	<u>–</u>	<u>218,716</u>

Goodwill arising in prior years related to (i) the acquisition of S&J and has been allocated to the Household Consumables Business CGU; (ii) the acquisition of DigiSmart Group and has been allocated to the Digital Technology Business CGU and Education Business CGU in proportion to the estimated fair value of the respective CGUs as at the date of completion of the acquisition; (iii) the acquisition of Chengxin Finance Limited (“Chengxin Finance”) and has been allocated to the Money Lending Business CGU; and (iv) the acquisition of Alpha Youth Group and has been allocated to the Concrete Business CGU.

Goodwill allocated to the Digital Technology Business and Education Business were disposed of on 27 July 2020 and 31 March 2021 respectively. Further details are set out in Notes 23(a) and 23(c).

None of the goodwill of the CGUs recognised is expected to be deductible for income tax purposes.

Particulars regarding impairment testing on goodwill are set out in Note 15.

## 15. IMPAIRMENT TESTING ON OTHER INTANGIBLE ASSETS AND GOODWILL

For the purpose of impairment testing as at 31 March 2021, other intangible assets and goodwill set out in Notes 13 and 14 respectively have been allocated to three individual CGUs, comprising a subsidiary in Household Consumables Business, a subsidiary in Money Lending Business and subsidiaries in Concrete Business; while for year ended 31 March 2020, other intangible assets and goodwill have been allocated to five individual CGUs comprising the above mentioned CGUs, together with subsidiaries in Digital Technology Business and Education Business which were completed disposal during the year ended 31 March 2021. The carrying amounts of other intangible assets and goodwill as at 31 March 2021 and 2020 allocated to these units are as follows:

	Customer Network with finite useful life		License Agreements with indefinite useful lives		Goodwill	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Household Consumables Business CGU (Unit A)	724	1,428	–	–	9,774	9,774
Digital Technology Business CGU (Unit B)	–	–	–	–	–	32,642
Education Business CGU (Unit C)	–	–	–	32,841	–	–
Money Lending Business CGU (Unit D)	–	–	–	–	21,795	21,795
Concrete Business CGU (Unit E)	70,468	82,723	–	–	154,505	154,505
	<b>71,192</b>	<b>84,151</b>	<b>–</b>	<b>32,841</b>	<b>186,074</b>	<b>218,716</b>

During the year ended 31 March 2021, the Group determines that there is no impairment of other intangible assets in respect of the Household Consumables Business CGU and Concrete Business CGU. There is no impairment of goodwill in respect of the Household Consumable Business CGU, Money Lending Business CGU and Concrete Business CGU as at 31 March 2021. The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

### Unit A

The recoverable amount of this unit has been determined based on a value-in-use calculation with reference to a professional valuation performed by Asset Appraisal Limited (“AAL”), an independent firm of professionally qualified valuers for the years ended 31 March 2021 and 2020. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2020: a five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2020: 2%). The pre-tax rate used to discount the forecast cash flows is 15.64% (2020: 13.38%).

## **Unit B**

The recoverable amount of this unit as at 31 March 2020 has been determined to be approximately HK\$30,000,000 based on the fair value less costs of disposal calculation with reference to consideration agreed in the agreement for sale and purchase for the entire issued share capital in Sino Digital. The calculation uses the consideration less direct selling cost. The disposal of Sino Digital Group was completed on 27 July 2020. Further details are set out in Note 23(a).

Based on the impairment assessment of the Digital Technology Business CGU as at 31 March 2020, the goodwill allocated to Digital Technology Business CGU was determined to be impaired. An impairment loss of approximately HK\$8,235,000 was recognised in consolidated profit or loss under the loss from discontinued operations for the year ended 31 March 2020. The impairment loss recognised during the year ended 31 March 2020 was mainly attributable to the consideration lower than the net assets value of the Digital Technology Business CGU.

## **Unit C**

The recoverable amount of this unit as at 31 March 2020 has been determined to be approximately HK\$32,841,000 based on a value-in-use calculation with reference to a professional valuation performed by AAL. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2%. The pre-tax rate used to discount the forecast cash flows is 16.42%.

Based on the impairment assessment of the Education Business CGU as at 31 March 2020, the other intangible asset allocated to Education Business CGU was determined to be impaired. An impairment loss of approximately HK\$13,169,000 was recognised in consolidated profit or loss under the loss from discontinued operations for the year ended 31 March 2020. The impairment loss recognised during the year ended 31 March 2020 was mainly attributable to a fall in annual growth rate over the five-year forecast period due to the increase in competition among other market participants, loss of competitiveness and the change in customers' needs.

As at 31 March 2021, the whole Education Business was completed disposal at consideration of HK\$40,000,000 in total. Further details are set out in Note 23(c).

## **Unit D**

The recoverable amounts of this unit as at 31 March 2021 and 2020 have been determined based on a value-in-use calculation with reference to a professional valuation performed by AAL. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using zero growth rate. The pre-tax rate used to discount the forecast cash flows is 19.55% (2020: 16.8%).

The basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the respective CGUs. The discount rate used reflects specific risks relating to industries in relation to the respective CGUs.

#### Unit E

The recoverable amount of this unit as at 31 March 2021 has been determined based on a value-in-use calculation with reference to a professional valuation performed by AAL (2020: Grant Sherman Appraisal Limited), an independent firm of professionally qualified valuers. The calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2020: five-year period). Cash flows beyond the projection period are extrapolated using estimated growth rate of 3% (2020: 3%). The pre-tax rate used to discount the forecast cash flows is 17.10% (2020: 20.2%).

For Unit A, Unit D and Unit E, for which no impairment loss was recognised during the year, reasonably possible changes in key assumptions on which the management had based its determination of the units' recoverable amounts would not cause the units' carrying amounts to exceed their respective recoverable amounts.

## 16. LOAN RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables		
– Collateralised	74,070	74,070
– Non-collateralised	182,000	241,086
	<u>256,070</u>	315,156
Accrued interest receivables	49,365	47,424
	<u>305,435</u>	362,580
Less: impairment loss recognised	(55,214)	(41,075)
	<u><u>250,221</u></u>	<u><u>321,505</u></u>

The loan receivables of the Group's Money Lending Business are all denominated in Hong Kong dollar ("HK\$"). The initial loan periods granted to customers are mainly within two years.

The loans provided to customers bore fixed monthly interest rate ranging from 12% to 32% (2020: 8% to 36%) per annum. The effective interest rates of the above loan receivables ranging from 13% to 36% (2020: 8% to 43%) per annum.

The ageing analysis of loan receivables (net of allowance of doubtful debt) prepared based on initial loan commencement date as set out in the relevant contracts is as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
0–90 days	<b>20,000</b>	–
91–180 days	–	27,166
181–365 days	<b>8,000</b>	50,000
Over 365 days	<b>179,000</b>	203,052
	<b>207,000</b>	280,218

The management of the Group reviews and assesses for impairment individually based on customers' repayment history and the fair values of the collaterals, if any. As at 31 March 2021, impairment loss of approximately HK\$14,139,000 was provided (2020: approximately HK\$28,075,000) on loan receivables and accrued interest on an individual assessment basis. Certain loan receivables amounting to HK\$12,641,000 (2020: HK\$12,550,000) are guaranteed by a related party.

Loan receivables that were past due but not impaired related to customers that have made regular payments to the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable.

#### 17. TRADE, RETENTION AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Trade receivables, gross	<b>350,982</b>	451,388
Less: impairment loss recognised	<b>(15,096)</b>	(89,040)
Trade receivables, net	<b>335,886</b>	362,348
Retention receivables, gross	<b>362,948</b>	357,669
Less: impairment loss recognised	<b>(11,180)</b>	(15,799)
Retention receivables, net	<b>351,768</b>	341,870
Bills receivables	<b>53,343</b>	7,151
Prepayments and deposits	<b>149,457</b>	10,836
Other receivables	<b>38,090</b>	8,670
Amounts due from related parties ( <i>Note (i)</i> )	–	1,361
Trade, retention and other receivables and prepayments	<b>928,544</b>	732,236



	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysis as		
Current	854,680	663,961
Non-current		
– Retention receivables	<u>73,864</u>	<u>68,275</u>
	<u><b>928,544</b></u>	<u><b>732,236</b></u>

*Notes:*

- (i) The balances represent the amounts due from companies which directors of certain subsidiaries have direct equity interest or amounts due from the directors of certain subsidiaries. The amounts are unsecured, interest-free and repayable on demand.
- (ii) The trade and other receivables are denominated in the functional currencies of the relevant group entities.

**Trade receivables**

The Group generally allows an average credit period of 30 to 90 days (2020: 30 to 90 days) to its trade customers. However, certain portion of the trade receivables from Concrete Business (i.e. the retention portion) would be allowed to settle until 30 to 90 days after the completion of the construction by its trade customers.

The ageing analysis of the Group's trade receivables (net of retention portion and impairment losses) based on the invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	40,692	48,845
31 – 60 days	52,527	27,411
61 – 90 days	55,332	61,173
Over 90 days	<u>187,335</u>	<u>224,919</u>
	<u><b>335,886</b></u>	<u><b>362,348</b></u>

All bills receivables were aged within 180 days as at the years ended 31 March 2021 and 2020.

## Retention receivables

The Group's retention receivables represent certified contract payments in respect of goods delivered, for which 20% to 30% of the contract value are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. The retention receivables should be released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects, which the Group's goods satisfactorily passing inspection and is consistent with market practice. In the opinion of the management, the retention receivables to be received after 1 year are classified as non-current assets in the consolidated statements of financial position since it is not expected to realise the retention receivables in the Group's normal operating cycle.

As at 31 March 2021, retention receivables amounting to approximately HK\$351,768,000 (2020: HK\$341,870,000), which are entitled by the Group subject to the Group's goods satisfactorily passing inspection as the Group's entitlement to this final payment is conditional on the Group's goods satisfactorily passing inspection.

The ageing analysis of the Group's retention receivables (net of impairment losses) based on the revenue recognition date at the end of the reporting period is as follows:–

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	280,632	93,746
31 – 60 days	5,792	108
61 – 90 days	525	89,687
Over 90 days	64,819	158,329
	<u>351,768</u>	<u>341,870</u>

## 18. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Trade payables ( <i>Note a</i> )	344,155	368,989
Bills payable	44,369	–
Contract liabilities ( <i>Note b</i> )	16,395	9,990
Other payables and accruals	42,163	53,175
Amount due to controlling shareholder ( <i>Note c</i> )	1,409	1,409
	<u>448,491</u>	<u>433,563</u>

*Notes:*

- (a) The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	83,299	81,568
31 – 60 days	23	82,715
61 – 90 days	76,591	–
Over 90 days	184,242	204,706
	<u>344,155</u>	<u>368,989</u>

The above trade and other payables of the Group are denominated in the functional currencies of the relevant group entities.

- (b) At 31 March 2021 and 2020, customer deposits are contract liabilities and the Group does not expect to refund any of the advance payments. Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives a deposit from customers when they sign the concrete supply agreement. The deposit is negotiated on a case by case basis with customers. These deposits are recognised as a contract liability until the revenue recognised exceeds the amount of the deposit.

Movements in contract liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the year	9,990	1,319
Acquisition of subsidiaries	–	5,871
Disposal of subsidiaries	(792)	–
Increase in contract liabilities as a result of receipt of customer deposits during the year	16,435	3,634
Decrease in contract liabilities as a results of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(9,972)	(964)
Exchange realignment	734	130
At the end of the year	<u>16,395</u>	<u>9,990</u>

- (c) The amount was unsecured, interest free and repayable on demand.

## 19. BORROWINGS

	2021		2020	
	Maturity	HK\$'000	Maturity	HK\$'000
<b>Current</b>				
Unsecured				
– Bond ( <i>Note (i)</i> )		–	2021	13,313
– Current portion of Loans ( <i>Note (ii)</i> )	2022	<u>2,289</u>		<u>–</u>
		<u>2,289</u>		<u>13,313</u>
Secured				
– Term loan ( <i>Note (iii)</i> )	2022	<u>50,000</u>		<u>–</u>
		<u>52,289</u>		<u>13,313</u>
<b>Non-current</b>				
Unsecured – Loans ( <i>Note (ii)</i> )	2024-2029	<u>90,408</u>	2022-2029	<u>117,014</u>
<b>Total borrowings</b>		<u>142,697</u>		<u>130,327</u>

The current and non-current borrowings were scheduled to repay as follows:–

	2021	2020
	HK\$'000	HK\$'000
Analysed into:		
On demand or within one year	52,289	13,313
In the second year	–	30,016
In the third to fifth year, inclusive	56,622	24,317
After five years	<u>33,786</u>	<u>62,681</u>
	<u>142,697</u>	<u>130,327</u>

The amounts due are based on the scheduled repayment dates set out in the borrowing agreements with no repayment on demand clause contained.

*Notes:*

- (i) On 25 July 2019, the Company entered a bond subscription agreement with an independent third party to issue 10% coupon bond of principal amount of HK\$12,500,000 (the “Bond”).

The Bond is denominated in HK\$ and issued on 7 August 2019 at par. The Bond is unsecured and mature one year from the date of issue at 102% of its principal amount. Interest is payable at the maturity date. The effective interest rate of the Bond is 12% per annum. The Bond was fully repaid during the year end 31 March 2021.

The Bond represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate on the initial date applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms. The interest charged on the Bond for the period is calculated by applying effective interest rates of approximately 12% per annum to the Bond since the Bond was issued.

The Directors consider that the effective interest rate of the Bond on initial recognition would be similar to at the end of each reporting period.

- (ii) Alpha Youth Group entered into several loan agreements with the ex-shareholder and companies associated with the exshareholder, to convert the amount due to them into unsecured long term loans (the “Loans”).

The Loans are denominated in RMB and are unsecured and mature between 2 to 10 years from the date of the Loan agreements. The Loans bear fixed rate interest of 1% per annum and payable annually. The weighted average effective interest rate of the Loans is 6.96% per annum. During the year ended 31 March 2021, the interest rate was revised from 1% per annum to nil and several early redemption on part of the outstanding Loans by the Company which resulted in a gain on modification of Loans and a loss on early redemption of approximately HK\$7,592,000 and HK\$2,005,000 recognised in the profit and loss account respectively.

- (iii) The Company entered into a loan facility with an independent third party for a term loan facility amounting to HK\$50,000,000. The loan denominated in HK\$ and bearing interest at 12% per annum with term of one year from the date of drawdown. The loan was secured by pledging the entire shares of an indirectly wholly-owned subsidiary, Chengxin Finance as collateral. As at 31 March 2021, the loan has been fully drawdown by the Company.

## **20. CONVERTIBLE BONDS**

### **Convertible Bonds due on 2019**

On 11 August 2017, the Company issued HK\$200,000,000 8% guaranteed convertible bonds with an aggregate principal amount of HK\$200,000,000 (the “Convertible Bonds 2019”).

The Convertible Bonds 2019 mature two years from the date of issue at 116% of its principal amount; or can be early redeemed by the Company or the holder at amount equal to all outstanding Convertible Bonds 2019 at 100% of the principal amount plus a premium of 8% per annum after the first anniversary of the date of issue (i.e. 11 August 2018); or can be converted into shares of the Company on and after 11 August 2017 to 10 August 2019 at the holder’s option at the conversion price of HK\$0.46 per share, which is subject to certain adjustments prescribed in the convertible bonds subscription agreement. Interest of 8% per annum is payable per repayment schedule and is paid on 30 June and 31 December until the bonds are converted or redeemed. The fair value of the liability component and the equity conversion component were determined at date of issuance of the Convertible Bonds 2019 with reference to a professional valuation performed by AAL.

The fair value of liability component was calculated using a market interest rate for an equivalent non-convertible bond and netting off the fair values of issuer callable redemption and holder puttable redemption options and subsequently measured at amortised cost. The residual amount of approximately HK\$65,174,000, representing the fair value of the equity conversion component, was included in the convertible bonds equity reserve.

On 29 March 2019, the Company made early redemption on part of the outstanding Convertible Bonds 2019 at the principal amount of HK\$50,000,000. Upon the partial redemption of the Convertible Bonds 2019, the respective value of the convertible bonds equity reserve of approximately HK\$482,000 was released during the year ended 31 March 2019.

During year ended 31 March 2020, the Company made several early redemption on part of the outstanding Convertible Bonds 2019 at total principal amount of HK\$50,000,000. Upon partial redemption of the Convertible Bonds 2019, the respective value of the convertible bonds equity reserve of approximately HK\$426,000 was released.

On 9 August 2019, the Company, the subscriber and the guarantor entered into the deed of amendment (the “First Deed of Amendment”) and agreed to amend the terms of the Convertible Bonds 2019 subject to the terms of the First Deed of Amendment. The Company, the subscriber and the guarantor agreed to amend the terms of the Convertible Bonds 2019 (the “Proposed Amendment”) such that the maturity date be extended for a further term of three months, being 10 November 2019 from the original maturity date of the Convertible Bonds 2019 which falls on 10 August 2019, subject to the fulfillment of the conditions precedent set out in the First Deed of Amendment. Apart from the Proposed Amendment above, the remaining terms and conditions of the Convertible Bond 2019 remain intact and unchanged.

On 23 August 2019, the Company, the subscriber and the guarantor entered into the amended and restated deed of amendment (the “Amended and Restated Deed of Amendment”) to amend certain terms of the First Deed of Amendment. The terms and conditions of the Amended and Restated Deed of Amendment are the same as the First Deed of Amendment save and except that (i) the conversion price be revised from HK\$0.46 per share to HK\$0.52 per share (subject to adjustments) (the “New Conversion Price”); (ii) the long stop date under the First Deed of Amendment be extended to 6 September 2019; and (iii) the interest rate of the Convertible Bonds 2019 be revised from 8% per annum to 12% per annum with effect from the date immediately after the expiry of the original maturity date, being 11 August 2019. The proposed amendments to the terms of the Convertible Bonds 2019 shall be subject to the fulfillment of the conditions precedent as set out in the First Deed of Amendment.

All the conditions precedent set out in the Amended and Restated Deed of Amendment have been fulfilled on 27 August 2019, the Proposed Amendment took effect on 27 August 2019 (the “First Extension Date”). For further details, please refer to the announcements of the Company dated 9 August, 23 August and 28 August 2019.

On 11 November 2019, the Company, the subscriber and guarantor entered into the deed of amendment (the “Second Deed of Amendment”) and agreed to amend the terms of the Convertible Bonds 2019 (the “New Proposed Amendments”) such that (i) the maturity date be extended for a further term of six months, being 10 May 2020 from the first amended maturity date of the Convertible Bonds 2019 which falls on 10 November 2019, and (ii) the conversion price to revised from HK\$0.52 per share to HK\$0.53 per share (subject to adjustments) (the “Second New Conversion Price”), subjected to the fulfillment of the conditions precedent set out in the Second Deed of Amendment. Apart from the New Proposed Amendment above, the remaining terms and conditions of the Convertible Bonds 2019 remain intact and unchanged.

All the conditions precedent set out in the Second Deed of Amendment have been fulfilled on 14 November 2019, the New Proposed Amendments took effect on 14 November 2019 (the “Second Extension Date”). For details, please refer to the announcements of the Company dated 11 November and 14 November 2019.

On 11 May 2020, the Company, the subscriber and guarantor entered into the deed of amendment (the “Third Deed of Amendment”) and agreed to amend the terms of the Convertible Bonds 2019 (the “Further New Proposed Amendments”) such that the maturity date be extended for a further term of six months, being 11 November 2020 from the second amended maturity date of the Convertible Bonds 2019 which falls on 10 May 2020 subjected to the fulfillment of the conditions precedent set out in the Third Deed of Amendment. Apart from the Further New Proposed Amendment above, the remaining terms and conditions of the Convertible Bonds 2019 remain intact and unchanged.

All the conditions precedent set out in the Third Deed of Amendment have been fulfilled on 26 June 2020, the Further New Proposed Amendments took effect on 26 June 2020 (the “Third Extension Date”). For details, please refer to the announcements of the Company dated 11 May and 26 June 2020.

During the year ended 31 March 2021, the subscriber exercised the conversion right to convert principal amount of HK\$50,000,000 Convertible Bond 2019 into ordinary shares of the Company, 94,339,621 shares being allotted and issued at conversion price of HK\$0.53 per share. The remaining Convertible Bonds 2019 was wholly redeemed at maturity.

### **Convertible Bonds for Acquisition of Alpha Youth Group**

On 6 January 2020, the Group completed the acquisition of remaining 80% equity interest in Alpha Youth Group, for a nominal consideration of HK\$432,942,624. Part of the consideration was satisfied by the Company’s issue of convertible bonds in respective principal amounts of HK\$70,000,000 (the “Alpha Youth Convertible Bonds”) to the vendor. The Alpha Youth Convertible Bonds is unsecured and interest free.

The Alpha Youth Convertible Bonds mature three years from the date of issue at 100% of its principal amount, or can be converted into shares of the Company on and after 6 January 2020 to 5 January 2023 at the holder's option at the conversion price of HK\$0.53 per share, which is subjected to certain adjustments prescribed in the convertible bonds subscription agreement. The fair value of the liability component and the equity conversion component were determined at date of issuance of the Alpha Youth Convertible Bonds with reference to a professional valuation performed by Grant Sherman Appraisal Limited.

The fair value of liability component was calculated using a market interest rate for comparable bond and subsequently measure at amortised cost. The fair values of issuer callable redemption and holder puttable redemption option were calculated by netting the fair value of liability component from the fair value of the Alpha Youth Convertible Bonds calculated under Binomial Option Pricing Model. Part of the residual amount of approximately HK\$24,703,000, representing the fair value of the equity conversion component, was included in the convertible bonds equity reserve.

As at 11 February 2020, the vendor exercised all the conversion right resulted in 132,075,471 shares being allotted and issued at conversion price of HK\$0.53 per share. Upon the conversion, the respective value of the convertible bonds equity reserve of approximately HK\$24,703,000 was released during the year ended 31 March 2020.

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Equity component</b>		
At beginning of the year	<b>24</b>	64,692
Issuance during the year	–	24,703
Conversion during the year	–	(24,703)
Redemption	–	(426)
Extinguishment of the Convertible Bonds 2019	<b>(24)</b>	(64,492)
Loss on the Extended Convertible Bonds 2019	–	250
	<hr/>	<hr/>
At the end of the year	<hr/> <b>–</b> <hr/>	<hr/> <b>24</b> <hr/>
<b>Liability component</b>		
At the beginning of the year	<b>119,449</b>	176,038
Issuance during the year	–	51,942
Effective interest expenses	<b>7,863</b>	18,488
Interest paid	<b>(8,162)</b>	(10,529)
Conversion during the year	<b>(50,000)</b>	(52,468)
Redemption	<b>(69,150)</b>	(57,992)
Gain on redemption	–	(191)
Transfer to accrual	–	(8,066)
Loss on Extended Convertible Bonds 2019	–	2,227
	<hr/>	<hr/>
At the end of the year	<hr/> <b>–</b> <hr/>	<hr/> <b>119,449</b> <hr/>



The effective interest rate of the liability component on initial recognition and the subsequent recognition of interest expenses on the Convertible Bonds 2019 and Alpha Youth Convertible Bonds were calculated using effective interest rate of 6.64% and 10.19% per annum respectively.

The Convertible Bonds 2019 was guaranteed by Mr. Wong Wai Sing, an executive Director (the “Guarantor”), who unconditionally and irrevocably guaranteed that if the Company does not pay any sum payable by it under the subscription agreement of the Convertible Bonds 2019 by the time and on the date specified for such payment, the Guarantor would pay that sum to or to the order of the Convertible Bonds 2019 holder.

## 21. PROMISSORY NOTES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	68,365	13,589
Fair value of promissory notes issued for acquisition of subsidiaries	–	114,842
Redemption during the year	(30,943)	(67,500)
Loss on early redemption	2,827	5,360
Effective interest expenses	4,913	2,027
Fair value loss recognised in profit or loss	–	193
Transfer to accruals	(412)	(146)
	<u>44,750</u>	<u>68,365</u>
At the end of the year	<u>44,750</u>	<u>68,365</u>

On 15 February 2018, the Group completed the acquisition of 20% equity interest in Alpha Youth Group, for a nominal consideration of HK\$119,000,000. Part of the consideration was satisfied by the Company’s issue of promissory notes in principal amount of HK\$8,500,000 (the “Promissory Note 1”) and HK\$15,500,000 (the “Promissory Note 2”) to the vendor. The promissory notes are unsecured, interest-free and repayable on the date falling two years after the date of issue. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

The Promissory Note 1 and Promissory Note 2 were redeemed by the Company in full during the year ended 31 March 2020.

On 6 January 2020, the Group completed the acquisition of remaining 80% equity interest in Alpha Youth Group, for a nominal consideration of HK\$431,309,000. Part of the consideration was satisfied by the Company's issue of promissory notes in respective principal amounts of HK\$36,000,000 (the "Promissory Note A"), HK\$36,000,000 (the "Promissory Note B") and HK\$60,942,624 (the "Promissory Note C") to the vendor. The Promissory Note A, B and C are unsecured and bear interest at 2% per annum. Promissory Note A, Promissory Note B and Promissory Note C have a maturity period of one year, two years and three years from the date of issuance respectively. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

During the year ended 31 March 2020, Promissory Note A was fully redeemed in full.

During the year ended 31 March 2021, Promissory Note B was early redeemed in full and Promissory Note C was partially early redeemed by the Company. The early redemption by the Company resulted in a total loss of approximately HK\$2,827,000 during the year.

The fair value of the promissory notes at date of issuance are determined with reference to a professional valuation performed by Grant Sherman Appraisal Limited. The effective interest rate of the promissory notes on initial recognition and the subsequent measurement of interest expense on the promissory notes are calculated using effective interest rate ranged from 7.38% to 9.85% per annum.

## 22. BONDS PAYABLE

	<b>2021</b> <b>HK\$'000</b>
At beginning of the year	–
Issuance of bonds	<b>154,752</b>
Interest expenses incurred	<b>386</b>
Exchange realignment	<b>734</b>
	<hr/>
At the end of the year	<b>155,872</b>
	<hr/> <hr/>
Analysed for reporting purposes as:	
Current liabilities	–
Non-current liabilities	<b>155,872</b>
	<hr/>
	<b>155,872</b>
	<hr/> <hr/>

On 10 March 2021, the Company issued seven-year corporate bonds with a principal amount of US\$20,000,000 (equivalent to approximately HK\$154,752,000) to an independent third party at an issue price equal to the face value of the bonds. The corporate bond is unsecured and is denominated in US\$. The principal of the corporate bonds payable bears interest at rate of 4.2% per annum and is payable semi-annually in arrears.

The Company may at any time after the fifth anniversary of the issue date of the bonds and before the maturity date to early redeem the corporate bonds payable, with the prior written consent from the bond holder provided that not less than 30 days advance notice of such redemption intention shall have been given to the bond holders. The redemption should be in integral multiples of US\$5,000,000 and where the outstanding principal amount of the corporate bonds to be redeemed is less than US\$10,000,000, any early redemption shall be made in whole, at 100% of the principal amount and the interest accrued up to the day of such early redemption.

At the end of the reporting period, the carrying amount of the bonds payable comprised of principal amount and accrued interest amounted to US\$20,000,000 and US\$52,700 respectively.

## 23. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of Sino Digital Group on 27 July 2020

The disposal of Sino Digital Group was completed on 27 July 2020 at consideration of HK\$30 million. Upon completion, Sino Digital Group ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Sino Digital Group were ceased to be consolidated with those of the Group.

Details of the disposal of Sino Digital Group were set out in the announcement of the Company dated 27 July 2020.

The following table summarises the consideration received for the disposal of Sino Digital Group and the net assets of Sino Digital Group as at the date of disposal:

	<i>HK\$'000</i>
Consideration satisfied by:	
Cash	5,000
Promissory note receivable	25,000
	<hr/>
	30,000
	<hr/> <hr/>

Analysis of assets and liabilities disposed of as at the date of disposal:

Goodwill	32,642
Trade and other receivables, prepayments and deposits	1,160
Bank and cash balance	1,195
Accruals and other payable	(4,169)
Tax payable	(1,040)
	<hr/>

HK\$'000

Net assets disposed of	29,788
Reclassification adjustment of exchange reserve on disposal of Sino Digital Group	(2)
Direct cost incurred for disposal	100
Gain on disposal of subsidiaries	114
	<hr/>
Total consideration received	30,000
	<hr/> <hr/>
Net cash inflow arising on the date of disposal:	
Cash consideration	5,000
Bank balances and cash disposed of	(1,195)
Cost directly attributable to the disposal	(100)
	<hr/>
	3,705
	<hr/> <hr/>

The gain on disposal of Sino Digital Group was included in the profit from discontinued operations for the year ended 31 March 2021 (Note 9) in the consolidated statement of profit or loss and other comprehensive income for the year.

**(b) Disposal of China Coal Alliances Trading Company Limited (“CCAT”) on 1 September 2020**

The disposal of CCAT was completed on 1 September 2020 at consideration of HK\$100. Upon completion, CCAT ceased to be a subsidiary of the Company and results, assets and liabilities of CCAT were ceased to be consolidated with those of the Group.

The net liabilities of CCAT as at the date of disposal were as follows:

HK\$'000

Other intangible assets (Note 13)	–
Trade and other payables and accruals	(17,935)
Shareholders' loan	(19,279)
	<hr/>
Net liabilities disposal of	(37,214)
Non-controlling interest	3,721
Assignment of CCAT Shareholder's Loan	19,279
Reclassification adjustment of exchange reserve on disposal of CCAT	162
Gain on disposal of subsidiary	14,052
	<hr/>
Total cash consideration received	–*
	<hr/> <hr/>

\* Cash consideration at HK\$100

The gain on the disposal of CCAT was included in the profit from discontinued operations for the year ended 31 March 2021 (Note 9) in the consolidated statement of profit or loss and other comprehensive income for the year.

**(c) Disposal of DigiSmart Group on 31 March 2021**

The disposal of DigiSmart Group was completed on 31 March 2021 at consideration of HK\$40 million. Upon completion, DigiSmart Group ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of DigiSmart Group were ceased to be consolidated with those of the Group.

Details of the disposal of DigiSmart Group were set out in the announcements of the Company dated 10 March 2021 and 31 March 2021.

The following table summarises the consideration received for the disposal of DigiSmart Group and the net assets of DigiSmart Group as at the date of disposal:

	<i>HK\$'000</i>
Consideration satisfied by:	
Cash	4,000
Promissory note receivable	36,000
	<u>40,000</u>
Analysis of assets and liabilities disposed of as at the date of disposal:	
Other intangible assets ( <i>Note 13</i> )	32,841
Property, plant and equipment	59
Trade and other receivables, prepayments and deposits	9,106
Inventory	30
Tax recoverable	633
Bank and cash balance	756
Accruals and other payable	(29,379)
Deferred tax liabilities	(5,423)
	<u>8,623</u>
Net assets disposed of	8,623
Reclassification adjustment of exchange reserve on disposal of DigiSmart Group	(79)
Direct cost incurred for the disposal	100
Gain on disposal of subsidiaries	31,356
	<u>40,000</u>
Total consideration received	<u>40,000</u>
Net cash inflow arising on the date of disposal:	
Cash consideration	4,000
Bank balances and cash disposed of	(756)
Cost directly attributable to the disposal	(100)
	<u>3,144</u>

The gain on disposal of DigiSmart Group was included in the profit from discontinued operations for the year ended 31 March 2021 (Note 9) in the consolidated statement of profit or loss and other comprehensive income for the year.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

During the year, the Group has been engaged in (i) production and sales of ready-mixed commercial concrete (“Concrete Business”); (ii) wholesale and retail of household consumables (“Household Consumables Business”) and (iii) provision of money lending services (“Money Lending Business”). Besides, the Group was also engaged in (i) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”) and (ii) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”), which were disposed of and classified as discontinued operations during the year ended 31 March 2021. Details are disclosed in note 9 to the consolidated financial statements of this announcement.

The Group recorded a net profit attributable to owners of the Company of approximately HK\$43.9 million as compared to a net loss of approximately HK\$78.2 million for the year ended 31 March 2020.

#### **Continuing Operations**

##### ***Revenue***

The Group’s revenue from continuing operations increased by approximately HK\$717.0 million or threefold from approximately HK\$202.4 million (restated) for the year ended 31 March 2020 to approximately HK\$919.3 million for the corresponding period in 2021.

The following table sets forth a breakdown of the Group's revenue from continuing operations by segments and geographical locations and as a percentage of the Group's total revenue from continuing operations for the year ended 31 March 2021, with comparative figures for the corresponding period in 2020:

	Year ended 31 March			
	2021 HK\$'000	2021 %	2020 HK\$'000 (restated)	2020 %
By segment:				
Concrete Business	838,506	91.2	91,821	45.4
Household Consumables Business	47,651	5.2	53,796	26.6
Money Lending Business	33,175	3.6	56,764	28.0
Total	<u>919,332</u>	<u>100.0</u>	<u>202,381</u>	<u>100.0</u>

	Year ended 31 March			
	2021 HK\$'000	2021 %	2020 HK\$'000 (restated)	2020 %
By geographical location:				
The People's Republic of China (the "PRC")	838,506	91.2	91,821	45.4
United Kingdom (the "UK")	47,651	5.2	53,796	26.6
Hong Kong	33,175	3.6	56,764	28.0
Total	<u>919,332</u>	<u>100.0</u>	<u>202,381</u>	<u>100.0</u>

The Group's revenue from Concrete Business increased by approximately HK\$746.7 million or around nine times from approximately HK\$91.8 million for the year ended 31 March 2020 to approximately HK\$838.5 million for the corresponding period in 2021 was due to 12-month's revenue was recognised during the year ended 31 March 2021 while only 3-month's revenue was consolidated for the corresponding period in 2020. Revenue from Concrete Business contributed approximately 91.2% of the Group's total revenue from continuing operations. Concrete Business became the major revenue generator of the Group since its acquisition.

The Group's revenue from Household Consumables Business decreased by approximately HK\$6.1 million or 11.4% from approximately HK\$53.8 million for the year ended 31 March 2020 to approximately HK\$47.7 million for the corresponding period in 2021 was mainly due to decrease in sales volume resulted from the lockdown measures and social distancing rules implemented by the government of the UK during the year ended 31 March 2021.

Revenue from Money Lending Business decreased by approximately HK\$23.6 million or 41.6% from approximately HK\$56.8 million for year ended 31 March 2020 to approximately HK\$33.2 million during the corresponding period in 2021 was due to the tightening of the credit control measures resulting in the decrease in average loan portfolio to customers from approximately HK\$304.7 million for the year ended 31 March 2020 to approximately HK\$285.6 million for the corresponding period in 2021.

### ***Gross Profit and Gross Profit Margin***

The following table sets forth the Group's gross profit and the gross profit margin from continuing operations by business segment for the year ended 31 March 2021, with comparative figures for the corresponding period in 2020:

	<b>Year ended 31 March</b>			
	<b>2021</b> <b>HK\$'000</b>	<b>2021</b> <b>GP%</b>	<b>2020</b> <b>HK\$'000</b> (restated)	<b>2020</b> <b>GP%</b>
By segment:				
Concrete Business	<b>155,332</b>	<b>18.5</b>	11,322	12.3
Household Consumables Business	<b>9,507</b>	<b>20.0</b>	10,486	19.5
Money Lending Business	<b>33,175</b>	<b>100.0</b>	56,764	100.0
Overall	<b><u>198,014</u></b>	<b>21.5</b>	<b><u>78,572</u></b>	38.8

Gross profit from continuing operations increased by approximately HK\$119.4 million or 152.0% from approximately HK\$78.6 million for the year ended 31 March 2020 to approximately HK\$198.0 million year-on-year.

The Group's gross profit margin for Concrete Business increased from approximately 12.3% for the year ended 31 March 2020 to approximately 18.5% for the corresponding period in 2021, which was mainly due to higher average selling prices of ready-mix concrete and tight control in production costs.

The Group's gross profit margin for Household Consumables Business remained constant at approximately 20% for both years ended 31 March 2021 and 2020.



The gross profit margin for Money Lending Business was 100% for both years ended 31 March 2021 and 2020 and continue to contribute a positive impact to the Group's gross profit margin.

### ***Other Income***

Other income from continuing operations mainly consists of bank interest income, interest income from convertible bond receivables, grants and subsidies from government and litigation income. Other income increased by approximately HK\$5.9 million from approximately HK\$0.7 million (restated) for the year ended 31 March 2020 to approximately HK\$6.6 million for the corresponding period in 2021 due to (i) grants and subsidies received from government amounted to approximately HK\$2.5 million; (ii) interest income from convertible bond receivables of approximately HK\$0.8 million which was subscribed in August 2020 and (iii) increase in litigation income from Concrete Business by approximately HK\$0.8 million.

### ***Other Gains and Losses, Net***

Other gains and losses, net from continuing operations for the year ended 31 March 2021 mainly comprise of loss on early redemption of promissory notes and borrowings of approximately HK\$4.8 million in total; loss on sales of loan receivables to an independent third party of approximately HK\$1.5 million; and impairment loss on loan receivables of approximately HK\$14.1 million; whereas offset by the reversal of impairment loss on trade, retention and other receivables of approximately HK\$4.7 million and a gain on modification of borrowings of approximately HK\$7.6 million.

For the corresponding period in 2020, the other gains and losses, net from continuing operations mainly comprise of impairment loss on loan receivables, net of approximately HK\$28.1 million and loss on deemed disposal of associates of approximately HK\$17.0 million; whereas offset by the reversal of impairment loss on trade, retention and other receivables of approximately HK\$11.8 million.

Further details in relation to the above impairment loss are discussed under paragraph headed "Impairments" in this announcement.

### ***Selling and Distribution Expenses***

Selling and distribution expenses mainly consist of transportation expenses, staff cost for distribution unit and commissions paid to sales agents. Approximately HK\$81.5 million was recognised during the year ended 31 March 2021 which increased by approximately HK\$68.3 million compared with the corresponding period in 2020. The primary reason for the significant increase was due to the recognition of a full year selling and distribution expenses from the Concrete Business during the year compared to only a 3-month's period of such expenses was recognised for the corresponding period in 2020.

### ***Administrative Expenses***

Administrative expenses mainly consist of staff costs (including directors' remuneration), legal and professional fees, consultancy fees and depreciation charges for owned assets and right-of-use assets. Administrative expenses increased by approximately HK\$1.7 million or 2.5% from approximately HK\$65.6 million (restated) for the year ended 31 March 2020 to approximately HK\$67.3 million for the corresponding period in 2021 mainly due to the increase in staff benefits and the increase in administrative expenses in relation to Concrete Business, which contributed a full year expenses while only 3-month's period noted in year ended 31 March 2020.

### ***Finance Costs***

Finance costs from continuing operations mainly represent interest expenses on convertible bonds, promissory notes, borrowings and lease liabilities. The finance costs remained constant at approximately HK\$25.4 million for both years ended 31 March 2021 and 2020.

### ***Profit (Loss) before Income Tax***

The Group recorded a profit before income tax from continuing operations of approximately HK\$19.9 million for the year ended 31 March 2021 as compared to a loss before income tax of approximately HK\$60.3 million for the year ended 31 March 2020. The turnaround results for the year ended 31 March 2021 was mainly attributable to (i) the positive performance generated from Concrete Business; (ii) nil loss on deemed disposal of associates recognised while one-off loss of approximately HK\$17.0 million noted in year ended 31 March 2020; and (iii) increase in payouts from government support schemes.

### ***Income Tax Expense (Credit)***

The Group recorded an income tax expense of approximately HK\$21.1 million during the year ended 31 March 2021 as compared to an income tax credit of approximately HK\$2.5 million (restated) during the year ended 31 March 2020. The subsidiaries operating in Hong Kong were subject to Hong Kong Profits Tax at two-tiered profits tax rates regime for the year ended 31 March 2021. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of the qualifying group entity is calculated at 8.25%, and for profits above HK\$2.0 million is taxed at 16.5% (2020: 16.5%). For the subsidiaries operating in the PRC, pursuant to the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Regulation on the implementation of the EIT Law, the general enterprise income tax rate of the PRC entities was 25% from 1 January 2008 onwards, while subsidiary which was recognised as a high and new technology enterprise is subject to a preferential tax rate of 15% (2020: 15%). For the subsidiaries operating in the UK were subject to Corporate Tax at rate of 19% for the estimated assessable profits for both years.

The major reasons for the significant change in income tax for the year was mainly resulted from increase in profit generated from Concrete Business as compared with the same period in 2020.

### ***Impairments***

During the year ended 31 March 2021, the Group recognised an impairment loss on loan receivables of approximately HK\$14.1 million as those customers were in financial difficulties and default in repayment. The Group considered that the recoverability of the amounts due from these customers is remote.

### **Discontinued Operations**

#### ***(a) Digital Technology Business***

On 15 June 2020, the Group through its indirectly wholly-owned subsidiary, DigiSmart (Group) Limited, entered into a disposal agreement with Creative Sino Holdings Limited in relation to the disposal of entire equity interest in Sino Digital Media (Overseas) Limited, (“Sino Digital”, together with its subsidiaries are referred to as the “Sino Digital Group”) at a total consideration of HK\$30.0 million (the “Sino Digital Disposal”). The Sino Digital Group carried out all of the Group’s Digital Technology Business. Digital Technology Business was classified as discontinued operation and the Sino Digital Disposal was completed on 27 July 2020.

The Sino Digital Disposal enabled the Group to avoid potential loss from unfavourable future performance of Digital Technology Business and redirect its resources to other business segments which may have higher growth potential to maximize returns for shareholders of the Company.

Details of the Sino Digital Disposal are set out in the announcement of the Company dated 27 July 2020 and notes 9 and 23(a) to the consolidated financial statements of this announcement.

**(b) Coal Business**

On 1 September 2020, the Group through its indirectly wholly-owned subsidiary, China Indonesia Alliances Coal Investment Company Limited, entered into a sale and purchase agreement with the minority shareholder in relation to the disposal of 90% of the issued share capital and sale loan in China Coal Alliances Trading Company Limited (“CCAT”) at a nominal consideration of HK\$100 (the “CCAT Disposal”). CCAT carried out the entire operations of Coal Business and its performance was classified as discontinued operation. The CCAT Disposal was completed on 1 September 2020.

In view of the uncertainty in the recovery of the long outstanding trade receivables from CCAT’s sole customer, the Directors had considered that the CCAT Disposal allowed the Group to realise its investment in CCAT and improve the Group’s gearing level.

Details of the CCAT Disposal are set out in notes 9 and 23(b) to the consolidated financial statements of this announcement.

**(c) Education Business**

On 10 March 2021, the Group through its direct wholly-owned subsidiary, Virtual Garden Investments Limited, entered into a sale and purchase agreement with Creative Sino Holdings Limited in relation to the disposal of entire equity interest in DigiSmart (Group) Limited, (“DigiSmart”, together with its subsidiaries are referred to as the “DigiSmart Group”) at a total consideration of HK\$40.0 million (the “DigiSmart Disposal”). The DigiSmart Group, carried out the whole Education Business and was classified as discontinued operation for the year ended 31 March 2021. The DigiSmart Disposal was completed on 31 March 2021.

In view of the unsatisfactory financial performance of the DigiSmart Group, the Directors had considered that the DigiSmart Disposal would allow the Group focusing on other profit making segments and to reallocate resources to other business segments of the Group.

Details of the DigiSmart Disposal are set out in the announcements of the Company dated 10 March 2021, 31 March 2021 and notes 9 and 23(c) to the consolidated financial statements of this announcement.

## **Total Comprehensive Income (Loss) for the Year Attributable to Owners of the Company**

The total comprehensive income for the year attributable to owners of the Company approximately HK\$50.2 million for the year ended 31 March 2021 as compared to a total comprehensive loss of approximately HK\$83.7 million for the year ended 31 March 2020.

The improvement was mainly attributable to (i) the newly acquired Concrete Business which contributed a positive performance to the Group since its acquisition in January 2020 and (ii) one-off gain from the disposal of subsidiaries amounted to approximately HK\$45.5 million during the year.

## **Liquidity and Financial Resources**

As at 31 March 2021, the Group had indebtedness comprising promissory notes, bonds payable and borrowings amounted to approximately HK\$343.3 million (2020: approximately HK\$318.1 million).

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$110.1 million (2020: approximately HK\$18.2 million) which were denominated in Hong Kong Dollar (“HK\$”), Renminbi (“RMB”), British Pound (“GBP”) and United States Dollar (“USD”).

As at 31 March 2021, the Group’s current ratio, calculated based on current assets over current liabilities, was approximately 2.6 (2020: approximately 1.8), reflecting the abundance of financial resources. The Group’s gearing ratio was approximately 37.4% (2020: approximately 43.1%), calculated based on the total debts of approximately HK\$343.3 million (2020: approximately HK\$318.1 million) over shareholder’s equity of approximately HK\$919.2 million (2020: approximately HK\$738.3 million).

## Capital Structure

The capital structure of the Group as at 31 March 2021 are summarised as follows:

### **(A) *Share Capital***

As at 31 March 2021, the Company has 3,499,098,293 ordinary shares (2020: 3,274,758,672 ordinary shares) in issue with total shareholders' equity of the Group amounted to approximately HK\$919.2 million (31 March 2020: approximately HK\$738.3 million).

During the year ended 31 March 2021, the Company issued total of 224,339,621 ordinary shares in which 130,000,000 ordinary shares by way of placing allotted on 3 November 2020 and 94,339,621 ordinary shares upon conversion of the Convertible Bonds (as defined below).

### **(B) *Convertible Bonds***

On 4 August 2017, the Company, as issuer, Mr. Wong Wai Sing, as guarantor, and Lead Thrive Investments Limited ("Lead Thrive"), as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK\$200.0 million with an initial conversion price at HK\$0.46 per share due on 10 August 2019 (the "Convertible Bonds"). The Convertible Bonds was issued on 11 August 2017.

During the years ended 31 March 2020 and 2021, the Company, Mr. Wong Wai Sing and Lead Thrive entered into several deeds of amendments to amend certain terms and conditions of the Convertible Bonds. Details of the amendments and the movement of the Convertible Bonds are set out in note 20 to the consolidated financial statements of this announcement.

During the year ended 31 March 2021, principal amount of HK\$50.0 million Convertible Bonds was converted into 94,339,621 ordinary shares of the Company at conversion price of HK\$0.53 per share and all remaining outstanding Convertible Bonds were redeemed before matured. As at 31 March 2021, no Convertible Bonds remained outstanding.

**(C) *Promissory notes***

Summary of the promissory notes movement during the year ended 31 March 2021 are as follows. Further details are set out in note 21 to the consolidated financial statements of this announcement:

Date of issue	Maturity date	Interest rate per annum	Principal amount (HK\$)		
			As at 01.04.2020	Redeemed during the year	As at 31.03.2021
6 January 2020	6 January 2022	2%	20,000,000	20,000,000	–
6 January 2020	6 January 2023	2%	60,942,624	10,942,624	50,000,000
Total			<u>80,942,624</u>	<u>30,942,624</u>	<u>50,000,000</u>

**(D) *Bonds payable***

On 10 March 2021, the Company issued a seven-year corporate bond with a principal amount of USD20.0 million (equivalent to approximately HK\$154.8 million) to an independent third party at an issue price equal to the face value of the bond. The corporate bond is unsecured and is denominated in USD. The principal of the corporate bond payable bears interest at 4.2% per annum and is payable semi-annually in arrears. Further details are set out in note 22 to the consolidated financial statements of this announcement.

Details of other borrowings of the Group are set out in note 19 to the consolidated financial statements of this announcement.

## Currency and Interest Rate Exposure

Certain sales transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risks. Currently, the Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Certain monetary financial assets are denominated in foreign currencies as at 31 March 2021. The exposure in exchange rate risks mainly arose from fluctuations of USD, GBP and RMB to HK\$. The Group's currency risk exposure in relation to the monetary financial assets is expected to be minimal as USD is pegged with HK\$.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the Group's bank balances and the Group's exposure to interest rate risk on bank balances is expected to be minimal.

## Charge on Assets

As at 31 March 2021, the Group has charged assets as security for borrowings. The details are set out in note 19 to the consolidated financial statements of this announcement (2020: Nil).

## Contingent Liabilities

As at 31 March 2021, the Group did not have any contingent liabilities or guarantee that would have a material impact on the financial position or results of operations (2020: Nil).

## Capital Commitment

As at 31 March 2021, the Group had the following commitments:

	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
Capital commitment contracted but not provided for:		
Limited partnership interest	<b><u>46,163</u></b>	<b><u>26,610</u></b>



## Operating Lease Commitments

### *The Group as Lessor*

As at 31 March 2021, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	161	50
In the second to fifth years, inclusive	<u>217</u>	<u>–</u>
	<u>378</u>	<u>50</u>

### Significant Events and Material Disposals

Save as the issuance of bonds payable as disclosed in the paragraph headed “Capital Structure” under “Business and Financial Review” and the disposals of Digital Technology Business and Education Business as disclosed in the paragraph headed “Discontinued Operations” under “Business and Financial Review” in this announcement, the Group has no other significant events and material disposals noted during the year ended 31 March 2021.

### Fund Raising Activities

The Group has conducted a placing of shares (the “Placing”) under the general mandate during the year ended 31 March 2021.

The placing shares of each placing were allotted and issued to not less than six placees, who and whose ultimate beneficial owners (if applicable) are independent third parties as defined under the rules governing the listing of securities on the Stock Exchange. All newly issued placing shares rank pari passu in all respects with the existing shares.

The Directors considered that the Placing represented an opportunity to raise additional funding so as to improve the gearing ratio and would strengthen the Group’s financial position.

Details of the Placing and the use of the proceeds are set as below:

Date and particulars of the placing	Aggregate nominal value (HK\$)	Closing market price per share of the Company on the date on which the terms of the issue were fixed (HK\$)	Gross and Net proceeds raised (HK\$)	Intended use of proceeds	Actual use of proceeds as at 31 March 2021
Placing of 130,000,000 ordinary shares under general mandate on 3 November 2020 at placing price of HK\$0.64 per share	1,300,000	0.78	Approximately 83.2 million (Gross) 80.5 million (Net) (approximately HK\$0.62 per share)	All the net proceeds were intended to be used for partial repayment of the principal and accrued interest of the Convertible Bonds.	Fully utilised as intended

Further details are set out in the announcements of the Company dated 16 October 2020 and 3 November 2020.

### Employee Information and Remuneration Policy

As at 31 March 2021, the Group employed a total of 267 (31 March 2020: 300) employees. During the year ended 31 March 2021, staff costs, including directors' emoluments under the continuing operations, amounted to approximately HK\$52.6 million (2020: approximately HK\$33.1 million (restated)).

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefits.

The Company adopted the share option scheme on 26 February 2015, where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group.

## **Prospects**

Concrete Business has demonstrated its financial stability and resilience during the global economic downturn caused by COVID-19 and has contributed a strong and stable revenue to the Group. The Group is confident that Concrete Business will continue to act as the main growth driver to sustain profitability of the Group in the long-term. With the general decline in confirmed cases around the globe, it is possible that the pandemic will be contained in the near future, with favorable consequences for the recovery of the global economy in the next year. The Group will continue to expand the market share of Concrete Business in Haikou City, secure better results and increase shareholders' return in forthcoming years.

### **Concrete Business**

The Group completed the acquisition of the remaining 80% equity interest of Alpha Youth Limited in the last quarter of the financial year ended 31 March 2020 and since then, the Group have commenced to engage in production and sales of ready-mixed commercial concrete in Haikou City, Hainan Province, the PRC. With the strong demand for concrete in Hainan Province in the coming years, together with good relationship between the suppliers and the signed framework agreements with the customers, the Group believes the future demand of concrete is secured with a stable supply of raw materials for production of concrete.

### **Household Consumables Business**

Amid the lockdown measures and social distancing rules implemented in the UK during majority period of the year ended 31 March 2021, Household Consumables Business recorded a slight decrease in revenue while the gross profit margin remained constant. With the rollouts of vaccination programs and coronavirus restrictions are lifted in the UK, the Group believes that the performance of Household Consumables Business would recover ahead in coming year. The Group is currently identifying appropriate permanent site, to support the future growth of this segment.

### **Money Lending Business**

Money Lending Business continues to contribute a stable and favorable income stream to the Group. The Group's Money Lending Business is one of the third-tier licensed money lenders in Hong Kong. The Group continue to position as a small but resilient market player in the industry relying on our stringent and continuous risk assessment procedures. Additional money lenders licensing conditions have been implemented by the Companies Registry. Some of our competitors with fewer resources might leave the market due to the tightened regulatory measures. With the decrease in competition, the Group is optimistic on the continual profitability in this segment. The Group will continue to develop this business under prudent credit control procedures and strategies to balance between business growth and risk exposure.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company and the Board are devoted to achieve and promote a high standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholder's value and safeguarding interests of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles with emphasis on effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

### **Compliance of the Code Provisions**

Throughout the year, the Company has complied with all the code provisions contained in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules"), with the exception of the following deviations:

#### ***Code provision A.2.1***

The code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Wai Sing ("Mr. Wong") held the role of chairman of the Board ("Chairman") and chief executive officer of the Company during the year ended 31 March 2021.

The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

#### ***Code provision E.1.2***

The code provision E.1.2 of the CG Code stipulates, among other things, that the chairman of the board should attend the annual general meeting.

Mr. Wong, the Chairman, was unable to attend the annual general meeting held on 7 August 2020 due to other commitment and Mr. Wong appointed Mr. Wong Jeffrey, an executive Director, to act as his representative and to take the chair of the annual general meeting and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

### ***Rules 3.10(1) and 3.21***

Dr. Hui Chik Kwan had tendered his resignation as an independent non-executive Director, member of audit committee, remuneration committee and nomination committee of the Company with effect from 31 March 2020 as he desires to devote more time for his personal affairs. Following his resignation, the Company fails to meet the requirements of (i) having at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; and (ii) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules.

The Company has fulfilled the Listing Rules requirements subsequent to the appointment of Mr. Li Kwok Tai, James as an independent non-executive Director, member of each of audit committee, remuneration committee and nomination committee on 21 September 2020.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company had adopted a code of conduct regarding directors' securities transactions with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company had made specific enquiries to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions throughout the year ended 31 March 2021.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES**

Save as those disclosed under paragraph headed "Fund Raising Activities" of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended 31 March 2021.

## **AUDIT COMMITTEE AND FINANCIAL INFORMATION**

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year, but represents an extract from the consolidated financial statements. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, and the final results of the Group for the year ended 31 March 2021.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2021 as set out in this announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## **DIVIDEND**

The Directors recommended the declaration of a final dividend paid out of share premium account of the Company at the rate of HK0.3 cents per share for the year ended 31 March 2021 (2020: Nil), to all persons registered as holders of shares of the Company on Monday, 23 August 2021. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company ("AGM"), the final dividend will be paid on Friday, 24 September 2021.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) For the purpose of determining members who are entitled to attend and vote at the forthcoming AGM to be held on Friday, 13 August 2021, the register of members of the Company will be closed from Tuesday, 10 August 2021 to Friday, 13 August 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 August 2021.
- (b) For the purpose of determining members who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 19 August 2021 to Monday, 23 August 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 18 August 2021.

## PUBLICATION OF FURTHER FINANCIAL INFORMATION

The annual results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.huashengih.com>). The annual report for the year ended 31 March 2021 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange's website and Company's website in due course.

By Order of the Board  
**Huasheng International Holding Limited**  
**Wong Jeffrey**  
*Executive Director*

Hong Kong, 23 June 2021

*As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chan Kin Lung and Mr. Wong Jeffrey; and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James.*