SYNERTONE

協同通信集團有限公司
Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1613

Annual Report 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. Han Weining *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi

COMMITTEES

AUDIT COMMITTEE

Mr. Lam Ying Hung Andy *(Chairman)*
Mr. Wang Chen
Ms. Li Mingqi

NOMINATION COMMITTEE

Mr. Wang Chen *(Chairman)*
Mr. Lam Ying Hung Andy
Ms. Li Mingqi

REMUNERATION COMMITTEE

Ms. Li Mingqi *(Chairperson)*
Mr. Lam Ying Hung Andy
Mr. Wang Chen

COMPANY SECRETARY

Mr. Ting Kin Wai

AUTHORISED REPRESENTATIVES

Mr. Han Weining
Mr. Lam Ying Hung Andy (alternate to Mr. Han Weining)
Mr. Ting Kin Wai

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tsim Sha Tsui Centre
66 Mody Road
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

130 Qunxian Road, Nanhu District
Jiaxing City, Zhejiang Province
China

PRINCIPAL BANKERS

HONG KONG

The Hongkong & Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

PEOPLE'S REPUBLIC OF CHINA ("PRC")

Bank of China
China Construction Bank
Bank of Jiaxing
Hecheng Rural Commercial Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Merchants Bank
China Minsheng Bank
Bank of Tianjin

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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LEGAL ADVISER

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Suite 3701–10, 37/F
Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

WEBSITE

www.synertone.net

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1613

FINANCIAL HIGHLIGHTS

The financial highlights of Synertone Communication Corporation (the "Company", together with its subsidiaries, the "Group") for the year ended 31 March 2021 are presented as follows:

- Revenue of the Group increased by approximately HK$17.1 million or 23.4% from approximately HK$73.2 million for the year ended 31 March 2020 to approximately HK$90.3 million for the year ended 31 March 2021.

- Gross profit of the Group decreased by approximately HK$4.1 million from approximately HK$27.1 million for the year ended 31 March 2020 to approximately HK$23.0 million for the year ended 31 March 2021, with gross profit margin decreased from approximately 37.0% for the year ended 31 March 2020 to 25.5% for the year ended 31 March 2021.

- Loss attributable to owners of the Company decreased by approximately HK$23.6 million or 61.0% from approximately HK$38.7 million for the year ended 31 March 2020 to HK$15.1 million for the year ended 31 March 2021.

Results performance for the year ended 31 March	**2021**	2020	2019
For continuing and discontinued operations			
Revenue (HK$'000)	**90,281**	73,243	81,005
Gross profit (HK$'000)	**23,019**	27,081	26,781
Gross profit margin (%)	**25.5**	37.0	33.1
(Loss)/profit for the year (HK$'000)	**(16,891)**	(38,490)	206,184
Net (loss)/profit margin (%)	**(18.7)**	(52.6)	254.5
Basic (loss)/earnings per share (HK$)	**(0.01)**	(0.04)	0.05

Liquidity and gearing ratio as at 31 March	**2021**	2020	2019
Inventories turnover days *(Note 1)*	**268**	367	310
Trade receivables turnover days *(Note 2)*	**151**	209	347
Trade payables turnover days *(Note 3)*	**58**	132	194
Current ratio	**1.0**	1.6	1.1
Gearing ratio (%) *(Note 4)*	**43.8**	12.8	67.7

Operating cash flow and capital expenditure for the year ended 31 March	**2021**	2020	2019
Net cash used in operating activities (HK$'000)	**(7,726)**	(17,869)	(38,363)
Capital expenditure (HK$'000) *(Note 5)*	**2,251**	1,938	1,220

Notes:

1. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of sales (excluding depreciation and amortisation charges) for the year and multiplied by 365 days.

2. Calculation was based on the average of the trade receivables balance at the beginning and the end of the relevant year divided by total turnover for the year and multiplied by 365 days.

3. Calculation was based on the average of the trade payables balance at the beginning and the end of the relevant year divided by cost of sales (excluding depreciation and amortisation charges) for the year and multiplied by 365 days.

4. Calculation was based on total bank and other borrowings, lease liabilities and finance leases payable, net of cash and cash equivalents at the end of the relevant year, over total equity at the end of the relevant year.

5. It represented the payments in relation to the acquisition of property, plant and equipment.

CEO'S STATEMENT

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I hereby present the Group's annual report for the financial year ended 31 March 2021 ("FY2021").

Due to the rapid recovery from the coronavirus disease (the "COVID-19") pandemic in the People's Republic of China ("China" or the "PRC"), the Group's production of automation control systems and intelligent building systems resumed to its normal capacity during FY2021. Coupled with the sustainable market demand in China, the Group recorded a significant increase in sales revenue from HK$73.2 million for the year ended 31 March 2020 ("FY2020") to HK$90.3 million for FY2021. Attributable to the cost-saving measures implemented during the year, the Group's loss attributable to owners of the Company has reduced significantly to HK$15.1 million as compared to HK$38.7 million for FY2020. Looking ahead, in view of the stronger market demand for our products under the stabilized COVID-19 pandemic situation in China, we remain confident in the prospects of our principal businesses in control systems and building intelligence. Under the current turbulent business environment, we will also strive to carry out other businesses in the future that may contribute positively in terms of profitability and diversity to the Group's operations.

It is our ongoing strategy to explore new investment or mergers and acquisitions opportunities which can expand or diversify our business and bring long-term benefit to the Group. During the year, in June 2020, we successfully acquired 20% equity interest in Iogo Workshop Investment Limited ("Iogo Workshop"), which is principally engaged in the leasing of charging stations for mobile devices in China, at a consideration of HK$56 million. The Group shared a loss of HK$0.9 million from such investment for FY2021 mainly due to the adverse impact of the COVID-19 pandemic during 2020. However, we believe that the performance will improve in the future following the stabilized pandemic situation in China.

In April 2021, the Company successfully placed 162,000,000 new shares to not less than six independent placees under a share placement exercise. The completion of the share placement further strengthened the financial position of the Group with net proceeds of approximately HK$39.9 million, which are expected to be applied as general working capital and for further investments of the Group. We will continue to seek and identify any suitable fund-raising opportunities in the future for the benefit of the Group's operations and for our future development.

On behalf of the Board, I would like to extend my sincere gratitude to the shareholders, staff, customers, suppliers and other stakeholders for your continuous support and contribution to the Company over the years.

Han Weining
Chief Executive Officer

21 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading provider of building and community intelligence solution products and integrated communication and automation control systems. The Group's products are widely used in high-rise buildings, high-end residential complexes and smart communities by providing fully digital intelligent control systems for human's modern life. As the world's leading provider of automation control systems, the Group possesses leading standard of technical know-how and commercial competitiveness with which the products are extensively applied in diversified industries including electrical power, petrochemical, public utilities, mining, natural gas and food and beverage industries. The Group has its operation base in Jiaxing City, Zhejiang province of China and has established offices and sales network across major cities in China, including Beijing, Shanghai, Changsha and Hangzhou.

During FY2021, the Group's continuing operations include (i) design, development and sale of automation control systems and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

Control system operations

The Group's control system operations provide customers with automation control systems, which are widely used in various industries to monitor pressure, temperature, fluid levels and traffic condition, including airport control and public utilities control. The Group has established a solid customer base ranging from sizeable listed corporations to governmental entities, municipal utilities (fresh water, sewage, gas and city lights) as well as power generation plants.

Attributable to China's immediate recovery from the adverse impact under the COVID-19 pandemic since early 2020, the Group's production of and customer orders for control systems have resumed rapidly to its normal level starting from FY2021. As a result, the external revenue recorded by the Group's control system segment increased significantly to HK$39.5 million for FY2021 (2020: HK$30.8 million). Due to improvement in sales performance, the segment profit of HK$1.6 million was recorded by the control system segment as compared to a segment loss of HK$5.4 million for FY2020.

Building intelligence operations

The Group's building intelligence business mainly provides customers, which comprise major property developers or building systems integrators, with (i) video intercom system and security alarm solutions products for residential complexes; and (ii) smart home devices and systems for households. The production base is located at Jiaxing Science City in Zhejiang province of China, which has developed an efficient and unified manufacturing control process with ISO9001 certification and has been accredited high technology enterprise status with continuing new products and software developments.

Since the first quarter of 2020, the sales operation of the Group's "MOX" brand video intercom and surveillance system products has improved due to the overall market demand was recovered from the negative impact of the COVID-19 pandemic. As a result, the external revenue of the Group's building intelligence segment significantly increased to HK$50.8 million for FY2021 (2020: HK$42.4 million). However, an increased segment loss of HK$9.6 million (2020: HK$1.0 million) was recorded in FY2021 by the Group's building intelligence segment mainly due to one-off provision on obsolete stocks of HK$5.5 million (2020: HK$ Nil) was recognized in FY2021. The Group considered that such provision was made on prudent and one-off basis and therefore non-recurring in nature.

Leveraging the large installation base and advanced technology, the Group has been making progress in the home automation markets, both in China and in overseas countries such as Australia. Its suite of home automation products are proven, and leading-edge, creating exciting growth potential in new and existing dwellings markets.

Investment in associate engaging in the charging station leasing operations

On 19 June 2020, the Company acquired 20% equity interests in an associate namely Iogo Workshop which, through its wholly-owned subsidiary深圳市海豚共享科技有限公司(literally translated as Shenzhen Dolphin Technology Company Limited), is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services.

For FY2021, the revenue and the operating loss of Iogo Workshop and its subsidiaries (collectively known as the "Iogo Workshop Group") were HK$3.8 million and HK$4.4 million respectively. An operating loss was recorded mainly due to the COVID-19 pandemic leading to the decrease in advertising income earned during FY2021. Accordingly, the loss recognized by the Group as sharing of results of its associates for the current financial year was HK$0.9 million. Along with the gradual recovery from the COVID-19 pandemic, the Group believed that the advertising activities of the Iogo Workshop Group will resume with its financial performance will gradually improve in the coming future.

Business prospects

The Board remains optimistic on the performance of the Group's businesses in both control system and building intelligence. Following the stabilized situation of the COVID-19 pandemic in China since the second quarter of 2020, the Group's principal operations have gradually recovered and resumed to normal. The Board believes that the performance of our "MOX" brand building intelligence products will remain competitive under the strong real estate market situation in China currently, which has secured a sustainable and stable demand for our building intelligence products in the China market. For the purpose of better utilization of the Group's financial resources and improving the Group's financial position and performance under the prevailing unfavourable business environment, the Group will also consider carrying out other business activities that are considered profitable and can contribute to the Group positively in the short-term future.

Future fund raising and investment opportunities

The Company will continue to explore opportunities for new investments or mergers and acquisitions which can expand or diversify the Group's business and will bring long-term benefit to the Group. This intention is evidenced by the Group's acquisition of 20% equity interest in Iogo Workshop, which is principally engaged in the leasing of charging stations for mobile devices, in June 2020. For the purpose of financing the Group's current businesses or any potential investment or acquisitions in the future, the Company is also continuously seeking and assessing any potential fund-raising opportunities, which may include the issue of new shares or convertible securities of the Company. The Company will make announcement(s) in respect thereof as required by the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") should they materialize.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue from its continuing operations of approximately HK$90.3 million for the year ended 31 March 2021, representing an increase of approximately HK$17.1 million or 23.4% as compared to the revenue of approximately HK$73.2 million for the year ended 31 March 2020.

During the year under review, the Group derived its revenue from the control system and the building intelligence businesses. The following table sets forth a breakdown of revenue by business segments for the years presented:

	2021		2020	
	HK$'000	**%**	HK$'000	%
Building intelligence	**50,761**	**56.2**	42,426	57.9
Control system	**39,520**	**43.8**	30,817	42.1
	90,281	**100.0**	73,243	100.0

The increase in the Group's revenue from continuing operations for the year ended 31 March 2021 was mainly attributable to the recovery of the market demand for the Group's products and the resumption of the Group's operations and production in China after their suspension in the final quarter of FY2020 due to the outbreak of COVID-19 pandemic.

Cost of sales

Cost of sales of the Group consists of costs of raw materials, labour costs and manufacturing overheads. It increased by approximately HK$21.1 million or 45.7% from approximately HK$46.2 million for FY2020 to approximately HK$67.3 million for FY2021, which is in line with the increase in sales for the year.

Gross profit and gross profit margin

The Group's gross profit from continuing operations for FY2021 was approximately HK$23.0 million, representing a decrease of approximately HK$4.1 million or 15.1% from approximately HK$27.1 million for FY2020. The gross profit margin for FY2021 also decreased to 25.5% as compared to 37.0% for FY2020. The decrease in both the gross profit and the gross profit margin was mainly attributable to the surge in material prices generally in China due to the impact of COVID-19 pandemic, which in turn led to the significant increase in the Group's average purchase costs for production as compared to the sales increase for FY2021.

Other income and other losses

The Group's other income represents, among others, interest income and value-added taxes refund. For FY2021, it also includes a one-off net gain of approximately HK$5.1 million (2020: HK$ Nil) arising from a trading transaction of respirator masks, which was entered into by the Group in May 2020. Accordingly, the total other income recognized for FY2021 increased significantly to HK$10.7 million (2020: HK$6.1 million).

The net other losses of the Group for FY2021 increased significantly to HK$6.7 million (2020: HK$0.6 million) mainly due to the recognition of one-off write-off of obsolete stocks of HK$5.5 million (2020: HK$ Nil) in current financial year.

Administrative and other operating expenses

The administrative and other operating expenses of the Group from continuing operations mainly represent the staff costs, depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets and legal and professional fees. The expenses decreased by approximately HK$5.1 million or 12.3% from approximately HK$41.6 million for FY2020 to approximately HK$36.5 million for FY2021, mainly attributable to the adoption of stricter control over administrative and operating expenses by the management during the year.

Research and development expenditure

The research and development expenditure of the Group from continuing operations reduced by approximately HK$13.7 million or 76.5% from approximately HK$17.9 million for FY2020 to approximately HK$4.2 million for FY2021 as a result of the stricter cost control adopted by the Group and limited research and development activities conducted by the Group during the current financial year.

Reversal of expected credit loss, net

In FY2021, the Group recorded a net reversal of expected credit loss of HK$4.6 million (2020: HK$2.4 million) for its continuing operations in relation to its trade receivables and loan and other receivables. As at 31 March 2021, the Group's trade receivables amounted to HK$53.0 million (2020: HK$52.1 million) and the loan and other receivables (including the receivable from trading of respirator masks) amounted to HK$47.0 million (2020: HK$64.1 million), out of which amounts of HK$14.2 million (2020: HK$16.0 million) and HK$1.0 million (2020: HK$2.8 million) were considered impaired for each of the trade receivables and the loan and other receivables respectively based on an expected credit loss model. For the purpose of assessment of expected credit loss, expected loss rates were estimated based on historical observed default rates over the expected life of the debtors and were adjusted for forward looking information that was available without undue costs or effort.

Finance costs

The finance costs of the Group from continuing operations was approximately HK$3.8 million for the year ended 31 March 2021, mainly representing interest expense on bank and other borrowings. The decrease in finance costs of approximately HK$2.6 million or 40.6% from approximately HK$6.4 million for the year ended 31 March 2020 was due to the decrease in average balance of bank and other borrowings of the Group in FY2021.

Loss from discontinued operations

During FY2020, the Group discontinued its communication technology business in August 2019 through disposals of Synertone Communication Technology Limited and Thrive United Holdings Limited. The loss from the Group's communication technology business up to the date of disposal completion amounted to HK$5.3 million was recorded and classified as loss from discontinued operations of the Group for the year ended 31 March 2020.

Loss for the year

The Group recorded a loss attributable to owners of the Company of approximately HK$15.1 million for FY2021 (2020: HK$38.7 million) mainly due to the negative impact of the COVID-19 pandemic, leading to a significant increase in the Group's purchase costs for production and a deterioration on the Group's overall gross profit and gross profit margin due to the surge of material prices in China. However, the loss situation was improved as compared to FY2020 mainly due to a stricter cost control adopted by the Group and reduced research and development activities conducted by the Group during the current financial year.

Capital structure, liquidity and financial resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by shareholders of the Company (the "Shareholders"). In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. As at 31 March 2021, the issued share capital of the Company was approximately HK$258.1 million (2020: HK$258.1 million), comprising 1,032,363,200 shares (the "Shares") of the Company of nominal value of HK$0.25 each (2020: 1,032,363,200 Shares).

On 19 February 2020, the Company issued and allotted 860,000,000 new shares (the "Subscription Shares") of the Company to Mr. Lam Siu Sun for cash at subscription price of HK$0.1 per Subscription Share (the "Subscription"). The net proceeds from the Subscription, after deduction of expenses, amounted to approximately HK$85,900,000, which were intended to be used as the Group's general working capital and/or for future investment opportunities of the Group. As at 31 March 2020, the unused net proceeds from the Subscription were approximately HK$58.3 million, which were fully utilized during FY2021 as intended use for the Group's general working capital and/or for investment opportunities of the Group with details as follows:

Description of use of proceeds	Amount (in HK$ million)
Acquisition of interests in an associate	15.8
Deposit paid for acquisition of a brokerage business	1.3
Legal and professional fees	2.6
Net increase in receivables	24.1
New office refurbishment and decoration	1.8
Other administrative and operating uses	1.5
Rental expenses, deposits and management fee	1.3
Staff salaries	1.9
Trading deposit paid for respirator masks transaction	8.0
Total	58.3

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2021 was approximately 1.0 (2020: approximately 1.6). Gearing ratio calculated by total borrowings (comprising bank and other borrowings and lease liabilities) net of cash and cash equivalents, over total equity as at 31 March 2021 was 44% (2020: 13%).

Bank and other borrowings

As at 31 March 2021, the Group had outstanding bank and other borrowings of approximately HK$69.0 million (2020: approximately HK$66.1 million).

Pledge of assets

As at 31 March 2021, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK$41.4 million (2020: approximately HK$40.6 million) pledged against bank borrowings raised by the Group.

Contingent liabilities

As at 31 March 2021, the Group had no material contingent liabilities.

Major acquisition and disposal

On 17 April 2020, the Company, as purchaser, entered into a sale and purchase agreement (the "Wellington Agreement") with Wellington Investments Group Limited (the "Vendor"), as vendor, pursuant to which the Company agreed to acquire the entire equity interests in Wellington Financial Limited, a company principally engaged in securities trading and brokerage services in Hong Kong, at a consideration of HK$2.5 million plus the net asset value amount to be determined in accordance with the terms of the Wellington Agreement. According to the terms of the Wellington Agreement, the total consideration for the transaction shall not exceed HK$16 million. As certain condition(s) precedent under the Wellington Agreement were not satisfied or waived (as the case may be) on or before 31 December 2020, being the long stop date for the transaction under the Wellington Agreement, and the Company and the Vendor did not agree on any further extension of such long stop date, the Wellington Agreement and the acquisition lapsed on 1 January 2021 pursuant to the terms of the Wellington Agreement.

On 5 June 2020, the Company, as purchaser, entered into a sale and purchase agreement with Wylie Wei Ji Chak, as vendor, pursuant to which the Company agreed to acquire from Wylie Wei Ji Chak 20% equity interests in Iogo Workshop at a total consideration of HK$56 million. Iogo Workshop, together with its subsidiaries, is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. The acquisition of 20% equity interests in Iogo Workshop was completed on 19 June 2020 and thereafter, Iogo Workshop became an associate of the Company.

Save as disclosed above, the Group has no other major acquisition or disposal transactions during the year ended 31 March 2021.

Significant capital expenditure for the year

Save as disclosed above, the Group has no significant capital expenditure commitments as at 31 March 2021.

Risk of foreign exchange fluctuations

Substantially all transactions of the Group are denominated in Renminbi ("RMB"), United States dollars ("US$") and Hong Kong dollars ("HK$") and most of the bank deposits are denominated in RMB and HK$ to minimise foreign exchange exposure. Despite the fluctuation of the exchange rates of RMB against US$ and HK$ during the year, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2021.

Employee and remuneration policy

As at 31 March 2021, the Group had 133 employees (2020: 148). For the year ended 31 March 2021, the staff costs of the Group from continuing operations amounted to approximately HK$13.7 million, representing a decrease of approximately HK$8.2 million or 37.4% as compared to approximately HK$21.9 million for the corresponding period last year, mainly due to the reduced number of the Group's employees and senior executive personnel during the year.

The Group's employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the remuneration committee of the Company (the "Remuneration Committee"), and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics. The Group also adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the shares of the Company. As at 31 March 2021, no share options were outstanding under the share option scheme.

The Group has been committing resources in continuing education and training programmes for management staff and other employees in order to upgrade their skills and knowledge. These training courses include internal courses run by the management of the Group and external courses provided by professional trainers. They range from technical training for production staff to financial and administrative trainings for management staff.

EVENTS SUBSEQUENT TO YEAR END

On 19 March 2021, the Company entered into a placing agreement (the "Placing Agreement") with Silverbricks Securities Company Limited (the "Placing Agent"), pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best effort basis, up to 202,000,000 placing shares (the "Placing Shares") of the Company of nominal value of HK$0.25 each at the price (the "Placing Price") of HK$0.25 per Placing Share to not less than six independent placees (the "Placing"). The Placing Price represented a discount of approximately 1.96% to the closing price of HK$0.255 per Share as quoted on the Stock Exchange on 19 March 2021, being the date of the Placing Agreement. The Board considered that the Placing would strengthen the Group's financial position, broaden the Company's shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the unfavourable COVID-19 pandemic situation. Accordingly, the Directors were of the view that the Placing was in the interests of the Company and the Shareholders as a whole.

The completion of the Placing took place on 14 April 2021 and an aggregate of 162,000,000 Placing Shares were issued and allotted to not less than six placees at the Placing Price of HK$0.25 per Placing Share, representing approximately 13.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing. The aggregate nominal value of the Placing Shares issued and allotted was HK$40.5 million. The net proceeds from the Placing, after deduction of expenses related to the Placing, amounted to approximately HK$39.9 million, representing a net price of approximately HK$0.246 per Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise.

On 19 April 2021, the Company entered into a share subscription agreement (the "Share Subscription Agreement") with New Paramount Limited ("New Paramount"), which is principally engaged in the open smart blockchain platform and disk storage banking technology business in relation to blockchain and decentralized cloud computing systems. Pursuant to the Share Subscription Agreement, the Company or its nominee shall subscribe for new shares of New Paramount representing approximately 3.33% of its enlarged issued share capital at a total consideration of HK$10,000,000 (the "Proposed Transaction"). The Proposed Transaction has not yet completed as at the date of this report.

Save as disclosed above, there were no other significant events subsequent to year end and up to the date of this report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2021.

DIRECTORS

DIRECTORS

EXECUTIVE DIRECTOR

Han Weining (韓衛寧*), ("Mr. Han"), aged 59, was appointed as an executive Director and the chief executive officer of the Company in February 2011 and June 2015, respectively. Mr. Han is also a director of certain subsidiaries of the Company. From 1989 to 2006, he worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia pacific. Mr. Han also served as an executive director of MOX Group in Australia. Mr. Han graduated from Zhejiang University (浙江大學) majoring in Wireless Electronic Technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Mr. Han is the sole director and sole shareholder of Excel Time Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Ying Hung Andy (林英鴻), ("Mr. Lam"), aged 56, was appointed as an independent non-executive Director in February 2011. He is the chairman of the audit committee of the Company (the "Audit Committee") and a member of each of the nomination committee (the "Nomination Committee") of the Company and the Remuneration Committee. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. He is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in Ecommerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. He is currently the managing consultant of Lontreprise Consulting Limited, and had been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of each of Xingfa Aluminum Holdings Limited (Stock Code: 0098), Brilliant Circle Holdings International Limited (Stock Code: 1008) and Weiye Holdings Limited (Stock Code: 1570), the shares of all of the above companies are listed on the Main Board of the Stock Exchange.

* *For identification purpose only*

Wang Chen (王忱) ("Mr. Wang"), aged 56, was appointed as an independent non-executive Director in June 2015. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Wang holds a Bachelor of Engineering degree in Microwave Communication Engineering from PLA Institute of Communication Engineering (中國人民解放軍通信工程學院) (now known as PLA University of Science and Technology) and a degree of Executive Master of Business Administration (EMBA) from the School of Business, Sun Yat-Sen University (中山大學). From 1986 to 2006, he worked in the Information Technology Department of the People's Liberation Army General Staff. Since 2006, Mr. Wang is the chairman of Guangzhou SKYI Information Technology Co., Ltd. (廣州市天奕信息科技有限公司 (now known as 廣州市天奕信息技術股份有限公司)), a company established in 2006 and its shares quoted on the National Equities Exchange and Quotations System (the New Third Board*) in the People's Republic of China from 9 May 2017 to 14 October 2020 (Stock Code: 871411) and is principally engaged in development on software of quality assurance and general automated test system.

Li Mingqi (李明綺) ("Ms. Li"), aged 53, was appointed as an independent non-executive Director in October 2016. She is the chairperson of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Ms. Li graduated from Fudan University in Shanghai with a Bachelor's degree in Economics. She has also obtained a Master's degree in Economics from the Southern Methodist University and a Master's degree in Management and Administrative Sciences from the University of Texas. Ms. Li is a Certified Public Accountant in the State of New York, the United States of America and was licensed under license series 7 and 63 at the registered representative level in the United States of America from May 2019. She has extensive experience in financial management. Ms. Li was a senior associate of JP Morgan Chase, associate/portfolio manager of BHF Capital, vice president of Transamerica Business Capital, vice president of Morgan Stanley and hedge fund controller of Mercury Capital Management. She was also an independent non-executive director of Sino Gas International Holdings, Inc., whose shares were previously listed on the Over-The-Counter Bulletin Board in the United States of America, from March 2011 to November 2014. Ms. Li served as a business consultant of Seekers Advisors H.K. Limited from May 2015 to August 2016 and is currently a registered representative of Emerson Equity LLC and an independent non-executive director of Neo-Neon Holdings Limited (Stock Code: 1868), whose shares are listed on the Main Board of the Stock Exchange.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors are pleased to present the Company's annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 18 April 2012, the shares of the Company successfully commenced dealing on the Main Board of the Stock Exchange.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal operations of the Group are conducted in the PRC. The principal businesses of the Group include provision of (i) design, development and sale of automation control systems, and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings. Particulars of principal activities of the principal subsidiaries of the Company are set out in note 19 to the financial statements.

Further discussion and analysis of these activities, including an indication of likely future developments in the Group's business, can be found in the CEO's Statement and the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' Report.

Details of key performance indicators are shown in the "Financial Highlights" and "Management Discussion and Analysis" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

BUSINESS/MARKET RISKS

The Group's revenue is mainly derived from customers located in the PRC. The Group undertakes the risks associated with China, including risk of change in the policies and regulations, technological obsolescence, supply and demand imbalance, and overall economic conditions. Business/market risks may adversely affect the Group's business, financial and/or operating performance.

The functional manager will carefully scrutinize each project for related risks and returns. These include assessment of relevant government policies, market demand, market conditions and economic data. The management is responsible for supervision, conducting regular operational reviews and keeping the Board fully informed through regular reports (either in written or verbal form), and prompt decisions can therefore be made if changes are required.

OPERATIONAL RISK

The front-line or functional manager will review key activities of the Group and ensures all material required control procedures, including financial and operational, are functioning implemented. Precautionary and contingency measures are also set up to ensure the Group is protected against major potential loss, damage or impact to the business operations.

FINANCIAL RISK

The Group's business operation is exposed to risks from exchange rates, interest rates and liquidity. Please also refer to note 31 to the financial statements for discussion of the financial risks facing by the Group.

COMPLIANCE RISKS

Front-line or functional manager reviews key activities of the Group to ensure the compliance of local rules and regulations from time to time. The responsible persons of each of the major subsidiaries are required to communicate and consult with local legal advisors in daily operations or for material transactions if necessary. The Group has implemented certain internal control procedures to avoid/reduce the risk of non-compliance of local rules and regulations as well as the requirements of the Listing Rules.

KEY RELATIONSHIPS

(a) Employees

Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety. The Group maintains a good relationship with its employees. Staff salary payment and promotion will be measured against their progressive performance level, contribution, and achievement against the objectives set by the Group. The annual performance evaluation will be conducted annually.

(b) Customers

To maintain customer intimacy and keep good relationship with key customers, the Group has implemented a series of policies including the promotion of new products to customers, offered free testing and the provision of after sales and maintenance services.

(c) Suppliers

The Group has developed stable relationships with many of its key suppliers and implements stringent selection criteria for raw materials suppliers and product parts and components suppliers to maintain the quality of its products. The Group only procures raw materials and parts and components from suppliers who have passed its quality and reliability tests. The Group randomly inspects test samples of raw materials and product parts from its suppliers and return those that do not pass the inspection. Every year the Group will also conduct annual appraisal on key suppliers and new suppliers so as to ensure materials produced by these suppliers are in line with the Group's quality requirement.

Further discussion on the key relationships is set out in the Environmental, Social and Governance Report set out in this annual report.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

As a responsible corporation, the Group is committed to maintain the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

Further discussion on the environmental policies is set out in the Environmental, Social and Governance Report set out in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 March 2021 and up to the date of this annual report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 70 and 72 of this annual report respectively.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 27 August 2021 ("2021 AGM"), the register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer of Shares accompanied by the relevant share certificate(s) 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, 23 August 2021.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the five financial years ended 31 March 2021 is set out on page 172 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2021, together with the reasons therefore, are set out in note 29 to the financial statements. Details of change in the capital structure of the Company are set out in the paragraph headed "Capital structure, liquidity and financial resources" in the section headed "Management Discussion and Analysis" of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or, applicable laws of the Cayman Islands which would oblige the Company to offer new shares of the Company on a pro rata basis to the Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

RESERVES

The movements in the reserves of the Company and the Group during the year ended 31 March 2021 are set out in note 29 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2021, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2020: Nil).

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's revenue from sales of goods or rendering of services attributable to the major customers and purchases attributable to the major suppliers during the year ended 31 March 2021 is as follows:

	Percentage of the Group's total	
	Revenue	Purchases
The largest customer	31%	
Five largest customers in aggregate	48%	
The largest supplier		34%
Five largest suppliers in aggregate		39%

At all time during the year ended 31 March 2021, none of the Directors or any of their close associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or the five largest customers.

DIRECTORS

The Directors during the year ended 31 March 2021 and up to the date of this annual report are as follows:

EXECUTIVE DIRECTOR

Mr. Han Weining *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. and the Board considered that each of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

In accordance with the Articles of Association, Mr. Wang Chen and Ms. Li Mingqi will retire by rotation at the 2021 AGM and, being eligible, will offer themselves for re-election.

Subsequent to the date hereof but prior to the date of despatch of this annual report, on 15 July 2021, Ms. Wang Jie, whose biographical information was detailed in the announcement of the Company dated 15 July 2021, was appointed as the executive Director. In accordance with the Articles of Association, Ms. Wang Jie will retire at the 2021 AGM and, being eligible, will offer herself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2021 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year ended 31 March 2021.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Save for the above, at no time during the year ended 31 March 2021 and up to the date of this annual report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

EMOLUMENT POLICY

The Group's employee remuneration policy is determined based on a number of factors such as their performance, experience and prevailing industry practices. Compensation policies and packages of employees are reviewed on a yearly basis. In addition to basic salary, performance related salary such as bonus may also be awarded to employees based on internal performance evaluation. The Group also adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the shares of the Company.

The Group has been committing resources to continuing education and training programs for management staff and other employees in order to upgrade their skills and knowledge. These training courses include internal courses run by the management of the Group and external courses provided by professional trainers, ranging from technical training for production staff to financial and administrative trainings for management staff.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or a controlling shareholder (as defined in the Listing Rules) of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and chief executive of the Company in any of the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

LONG POSITIONS IN SHARES

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Han Weining	Interest of a controlled corporation	238,942,059 *(Note)*	23.15%
	Beneficial owner	8,160,000	0.79%

Note: These interests in Shares are held by Excel Time Investments Limited ("Excel Time"), which is wholly and beneficially owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han Weining is deemed to be interested in these 238,942,059 Shares. Mr. Han Weining is the sole director of Excel Time.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year ended 31 March 2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31 March 2021, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

LONG POSITION IN SHARES

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued Shares *(Note 1)*
Excel Time	Beneficial owner	238,942,059 *(Note 2)*	23.15%
Lam Siu Sun	Beneficial owner	172,000,000	16.66%
Gao Jiemin	Beneficial owner	97,716,800	9.47%

Notes:

1. Based on 1,032,363,200 Shares in issue as at 31 March 2021.

2. Excel Time is wholly-owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director whose interest in Shares is set out in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company or its associated corporations".

Save as disclosed above, as at 31 March 2021, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 22 March 2012, whereby the Board or a duly authorised committee thereof may at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to eligible participants an option to subscribe for shares of the Company. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.

Eligible participants of the Share Option Scheme include, (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Company or any of its subsidiaries holds an equity interest, including any executive Director, any of its subsidiaries or any Invested Entity; (ii) any non-executive Director (including any independent non-executive Director), any of its subsidiaries or any Invested Entity; (iii) any Shareholder, any of its subsidiaries or any Invested Entity or any holder of any securities issued by the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Company, any of its subsidiaries or any Invested Entity; (v) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity; (vi) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity; (vii) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; or (viii) the trustee of any trust preapproved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to the above classes of participants. For the avoidance of doubt, the grant of any option by the Company for the subscription of shares of the Company or other securities of the Company or its subsidiaries to any person who fall within any of the above classes of participants shall not, by itself, unless the Board otherwise determines, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any option shall be determined by the Board at its sole and absolute discretion from time to time.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company will not exceed 30% of the issued share capital of the Company. No option may be granted to any one person in any 12-month period which, if exercised in full, would result in the total number of Shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval by the Shareholders in a general meeting.

The subscription price for Shares under the Share Option Scheme will be a price not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the Shares.

As at 31 March 2020 and 2021, there was no outstanding share options under the Share Option Scheme. During the year ended 31 March 2021, there was no share option granted, exercised, lapsed or cancelled.

The total number of Shares available for issue under the Share Option Scheme is 86,036,320, representing approximately 7.20% of the total number of Shares in issue as at the date of this report.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Change in Director's information since the date of the 2020 interim report of the Company up to the date of this annual report is set out below:

– Mr. Wang Chen, an independent non-executive Director, is the chairman of Guangzhou SKYI Information Technology Co., Ltd. (廣州市天奕信息技術股份有限公司), which has ceased its listing on the National Equities Exchange and Quotations System (the New Third Board*) in the PRC with effect from 15 October 2020.

– Mr. Lam Ying Hung Andy, an independent non-executive Director, whose term of directorship under the letter of appointment with the Company was renewed automatically on 22 March 2021 for three years until 21 March 2024.

CODE ON CORPORATE GOVERNANCE PRACTICES

A report on the principal corporate governance practice adopted by the Company is set out on pages 27 to 41 of this annual report.

CONNECTED TRANSACTION

During the year ended 31 March 2021, the Directors are not aware of any transactions of the Group which constituted non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2021, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are set out in note 35 to the financial statements.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme as disclosed in the paragraph headed "Share Option Scheme" of this report and the Placing Agreement as disclosed in the paragraph headed "Events After The Reporting Period" of this report, no equity-linked agreements were entered into by the Company during the year ended 31 March 2021 or subsisted at the end of the year.

SHARES ISSUED DURING THE YEAR

No Shares were issued by the Company during the year ended 31 March 2021.

* *For identification purpose only*

EVENTS AFTER THE REPORTING PERIOD

On 19 March 2021, the Company entered into the Placing Agreement with Silverbricks Securities Company Limited, the Placing Agent, pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best effort basis, up to 202,000,000 Placing Shares at the Placing Price of HK$0.25 per Placing Share to not less than six independent placees. The Placing Price represented a discount of approximately 1.96% to the closing price of HK$0.255 per Share as quoted on the Stock Exchange on 19 March 2021, being the date of the Placing Agreement. The Board considered that the Placing would strengthen the Group's financial position, broaden the Company's shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the unfavourable COVID-19 pandemic situation. Accordingly, the Directors were of the view that the Placing was in the interests of the Company and the Shareholders as a whole.

The completion of the Placing took place on 14 April 2021 and an aggregate of 162,000,000 Placing Shares were issued and allotted to not less than six placees at the Placing Price of HK$0.25 per Placing Share, representing approximately 13.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing. The aggregate nominal value of the Placing Shares issued and allotted was HK$40.5 million. The net proceeds from the Placing, after deduction of expenses related to the Placing, amounted to approximately HK$39.9 million, representing a net price of approximately HK$0.246 per Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise.

On 19 April 2021, the Company entered into the Share Subscription Agreement with New Paramount Limited, which is principally engaged in the open smart blockchain platform and disk storage banking technology business in relation to blockchain and decentralized cloud computing systems. Pursuant to the Share Subscription Agreement, the Company or its nominee shall subscribe for new shares of New Paramount representing approximately 3.33% of its enlarged issued share capital at a total consideration of HK$10,000,000. The Proposed Transaction has not yet completed as at the date of this report.

Save as disclosed above, the Group had no significant events occurring after the reporting period up to the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (as committee chairman), Mr. Wang Chen and Ms. Li Mingqi. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 March 2021 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient public float as required under the Listing Rules during the year ended 31 March 2021 and up to the date of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng Limited shall retire and a resolution will be proposed for approval by Shareholders at the 2021 AGM to re-appoint HLB Hodgson Impey Cheng Limited as the auditor of the Company.

On Behalf of the Board

Han Weining
Executive Director

Hong Kong, 21 June 2021

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board considers that the Company was in compliance with all the applicable code provisions as set out in the CG Code during the year ended 31 March 2021 apart from code provisions A.2 and E.1.2 as disclosed below.

CODE PROVISIONS UNDER A.2 OF THE CG CODE

Under code provision A.2 of the CG Code, there should be two key aspects on the management of the Company, being the management of the Board and the day-to-day management of the Group's business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Under the current structure and functions of the Board, the role of chairman should be responsible for the management and leadership of the Board while the role of chief executive officer should be responsible for the day-to-day management of the Group's business. However, the position of the chairman of the Board has been vacant since 3 January 2020 following the resignation of Mr. Wong Chit On as the executive Director and the chairman of the Board. Hence the Company did not comply with code provisions under A.2 of the CG Code during the year ended 31 March 2021.

Currently, the roles and functions of the chairman, including the coordination and communication of the Board, are performed collectively by the Board members themselves. The Company is identifying the suitable candidates who possess suitable leadership, knowledge, skills and experience to fill the vacancy of chairman of the Board from time to time.

CODE PROVISION E.1.2 OF THE CG CODE

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. As the position of chairman of the Board was vacant as at the date of the annual general meeting held on 28 August 2020 (the "2020 AGM"), Mr. Han Weining, the executive Director and chief executive officer of the Company, was appointed as the chairman of the 2020 AGM to answer and address questions raised by the Shareholders at the 2020 AGM.

The Directors believed that Mr. Han Weining, as the chief executive officer of the Company and the executive Director, possessed sufficient knowledge on the Group's businesses and had the required leadership in maintaining an effective dialogue with Shareholders and addressing any issues or questions raised in the general meeting. Therefore, Mr. Han was considered suitable and appropriate to act as the chairman of the 2020 AGM in the absence of the chairman of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2021.

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

As at 31 March 2021 and at the date of this report, the Board comprises one executive Director and three independent non-executive Directors. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. The Board members during the year and up to the date of this annual report, were:

Executive Director
Mr. Han Weining *(Chief Executive Officer)*

Independent Non-Executive Directors
Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors, as at the date of this annual report, are set out on pages 14 to 15 of this annual report.

Appropriate directors' liability insurance cover has been arranged to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are to be reviewed regularly.

(B) BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors. The Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service, and the selection of candidates will also base on the above. The Nomination Committee will review and adopt the above measurements when it reviewed the composition of the Board and it will also review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. After assessing the suitability of the Directors' skills and experiences to the Company's business, the Nomination Committee considered that the existing Board was appropriately structured.

(C) RESPONSIBILITY OF DIRECTORS

The Board is responsible for the overall leadership of the Company. The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors are responsible for formulating the business strategies and development plan of the Group, while the senior management personnel are delegated to supervise and execute the plans and overall management of the Group.

Training and Continuous Development for Directors
As at the date of this annual report, the Company has received the continuous professional development records from each of the Directors as a record of training (in the form of reading articles, researches, journals or professional updates, and attending briefings, trainings, seminars or conference) they received for the year ended 31 March 2021.

(D) BOARD MEETINGS AND GENERAL MEETING

In compliance with the code provision A.1.1 of the CG Code, there are at least four regular board meetings should be held each year at approximately quarterly intervals. A notice of the meeting would be given to all Directors at least 14 days prior to the date of the meeting to enable all Directors to attend the meetings. The agenda of the meeting shall be determined after consulting each Director so that each Director is given the opportunity to include their proposals into the agenda.

For the year ended 31 March 2021, four Board meetings and one general meeting, being the 2020 AGM, were held and the attendance record of the Directors during their tenure is set out below:

	Number of Board meetings attended/held	Attendance ratio	General meetings
Executive Director			
Mr. Han Weining *(Chief Executive Officer)*	4/4	100%	1/1
Independent Non-executive Directors			
Mr. Lam Ying Hung Andy	4/4	100%	1/1
Mr. Wang Chen	4/4	100%	1/1
Ms. Li Mingqi	4/4	100%	1/1

The company secretary of the Company (the "Company Secretary") assists the chairman of each meetings in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. The Company Secretary also keeps detailed minutes of each meetings, which are available to all Directors for inspection. A draft of Board minutes are circulated to all Directors for their comments and approved as soon as practicable after the Board meetings.

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing Directors with board papers and related materials and ensuring that board procedures are followed.

(E) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The current independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi. The Board considers that all independent non-executive Directors possess appropriate and sufficient industry and finance experience and qualification to carry out their duties so as to protect the interest of the Shareholders. One of the independent non-executive Directors, Mr. Lam Ying Hung Andy, has over 20 years of experience in accounting and finance industry and he is a fellow of the Association of Chartered Certified Accountants (United Kingdom).

The Board confirms that the Company has received from each of the independent non-executive Directors an annual confirmation in respect of their independence for the year under review and up to the date of publication of this annual report pursuant to Rule 3.13 of the Listing Rules. Based on the confirmation, the Board considers all independent non-executive Directors to be independent.

(F) TERMS OF APPOINTMENT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy has renewed his letter of appointment with the Company for a term of three years commencing on 22 March 2021, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

Mr. Wang Chen has renewed his letter of appointment with the Company for a term of three years commencing on 25 June 2018, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

Ms. Li Mingqi has renewed her letter of appointment with the Company for a term of three years commencing on 3 October 2019, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

(G) NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL PROCEDURES

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

(i) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(ii) taking the lead where potential conflicts of interests arise;

(iii) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;

(iv) bringing a range of business and financial experience to the Board, giving the Board and any committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

(v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(vi) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

(vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. Every Director is subject to the provisions of retirement from office by rotation at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members held immediately after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIVIDEND POLICY

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for the Group's future growth. In proposing any dividend payout, the Company would consider various factors including but not limited to the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity, future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and the Company's constitutional documents. The Company does not have any pre-determined dividend distribution proportion or distribution ratio. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the position of chairman of the Board was vacant following the resignation of Mr. Wong Chit On as the executive Director and the chairman of the Board on 3 January 2020, and the chief executive officer of the Company was Mr. Han Weining throughout the year. The Company is in the process of identifying the suitable candidate with appropriate background, qualification and experience to fill in the vacancy as soon as possible. The roles of the chairman and chief executive officer were separate and not exercised by the same individual.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. In line with the development of the Company and for the enhancement of corporate governance of the Company, the chairman of the Board should be responsible for the management of the Board by providing leadership for the Board and taking primary responsibility for ensuring that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with Shareholders and that their views were communicated to the Board as a whole, and the chief executive officer of the Company, being Mr. Han Weining, is responsible for the day-to-day management of business of the Group.

COMPANY SECRETARY

During the year ended 31 March 2021, the Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group until 29 April 2020 in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Mr. Tse Kam Fai ("Mr. Tse"), the representative of Uni-1, was appointed as the named Company Secretary of the Company until 29 April 2020, and Ms. Zhang Lin, the CEO Assistant, is the primary point of contact at the Company for Mr. Tse.

On 29 April 2020, Mr. Tse resigned as the Company Secretary and Mr. Ting Kin Wai, a staff of the Company, was appointed as the Company Secretary in replacement of Mr. Tse. According to the requirements of Rule 3.29 of the Listing Rules, Mr. Ting has taken no less than 15 hours of relevant professional training for the year ended 31 March 2021.

BOARD COMMITTEES

In accordance with the requirements of the Listing Rules, the Company has established Board committees in compliance with the CG Code as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and monitor the Group's financial reporting process, risk management and internal control systems. The members of the Audit Committee are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi, all being independent non-executive Directors. Mr. Lam Ying Hung Andy is the chairman of the Audit Committee.

The Company's annual results for the year ended 31 March 2021 have been reviewed and discussed by the Audit Committee.

For the year ended 31 March 2021, the Audit Committee has held 2 meetings. The work performed by the Audit Committee during the year included reviewed the Group's annual financial statements for the year ended 31 March 2020 and the interim financial statements for the six months ended 30 September 2020; and discussed with the auditors on the audit plan. The attendance record of each member of the Audit Committee is set out below:

	Number of Audit Committee meetings attended/held	Attendance ratio
Mr. Lam Ying Hung Andy	2/2	100%
Mr. Wang Chen	2/2	100%
Ms. Li Mingqi	2/2	100%

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the Remuneration Committee are Ms. Li Mingqi, Mr. Lam Ying Hung Andy and Mr. Wang Chen, all being independent non-executive Directors. Ms. Li Mingqi is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management; to consider and advise on the recommendations regarding remuneration, bonuses and other compensation payable to all Directors and senior management; to review and approve the management's remuneration proposal; to make recommendations on performance evaluation procedure for determining remuneration of Directors and senior management. The Remuneration Committee shall ensure the Company has a formal and transparent procedure for developing remuneration policy of all Directors and senior management and none of the Directors is involved in determining his/her own remuneration. The Remuneration Committee has adopted the approach made under B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Director and senior management of the Company.

For the year ended 31 March 2021, the Remuneration Committee has held 1 meeting. The work performed by the Remuneration Committee during the year included reviewed the existing policy and structure of the remuneration for the Directors and senior management of the Company. The attendance record of each member of the Remuneration Committee is set out below:

	Number of Remuneration Committee meetings attended/held	Attendance ratio
Ms. Li Mingqi	1/1	100%
Mr. Lam Ying Hung Andy	1/1	100%
Mr. Wang Chen	1/1	100%

The remuneration of the senior management (being Directors) of the Company for the year ended 31 March 2021, by band is set out below:

Remuneration	Number of Individuals 2021
HK$1 to HK$1,000,000	3
HK$1,500,001 to HK$2,000,000	1
	4

NOMINATION COMMITTEE

The Nomination Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the Nomination Committee are the independent non-executive Directors, Mr. Wang Chen, Mr. Lam Ying Hung Andy and Ms. Li Mingqi. Mr. Wang Chen is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to (1) review the structure, size and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (2) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (3) assess the independence of the independent non-executive Directors; (4) make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

For the year ended 31 March 2021, the Nomination Committee has held 1 meeting. The work performed by the Nomination Committee during the year included: reviewed the structure, size and composition of the Board; considered the independence of independent non-executive Directors; and made recommendations to the Board on the re-election of retiring Directors at the 2020 AGM. The attendance record of each member of the Nomination Committee is set out below:

	Number of Nomination Committee meetings attended/held	Attendance ratio
Mr. Wang Chen	1/1	100%
Mr. Lam Ying Hung Andy	1/1	100%
Ms. Li Mingqi	1/1	100%

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

The Company recognizes the importance of maintaining a timely communication and transparent reporting to the Shareholders and/or investors.

The Company maintains an on-going dialogue with the Shareholders and/or investors by various communication channels, including but not limited to, general meetings, annual and interim reports, announcements and circulars. The Company publishes all corporate communications on the Company's website at www.synertone.net, and on the website of the Stock Exchange at www.hkexnews.hk.

In compliance with the CG Code, notice will be given to the Shareholders for annual general meeting at least 20 clear business days before the meeting and notice will be given for all other general meetings at least 10 clear business days.

All general meetings of the Company have been conducted by way of poll and detailed procedures for conducting a poll were explained at the commencement of the meeting. The poll voting results will be published by way of an announcement immediately following the relevant general meeting.

The procedures for Shareholders to convene and put forward proposals at an annual general meeting or extraordinary general meeting are set out in Article 58 of the Articles of Association, which can be accessed on the Company's website at www.synertone.net or on the website of the Stock Exchange. Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

During the year ended 31 March 2021, there were no changes in the Company's constitutional documents.

ACCOUNTABILITY AND AUDIT

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2021 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2021, the total fee in respect of audit services provided by HLB Hodgson Impey Cheng Limited, the auditor of the Company, was approximately HK$700,000.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group for the year ended 31 March 2021 and confirm that the financial statements give a true and fair view of the state of affairs of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The statement of the auditor as to its responsibility for the financial statements is set out in the Independent Auditors' Report set out on pages 64 to 69 of this annual report. The Directors have prepared the financial statements on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board's responsibilities for the risk management and internal control systems

The Board acknowledges that it is responsible for the risk management and internal control systems and oversees such systems on an ongoing basis, while ensuring a review of the effectiveness of these systems of the Group is conducted at least annually. The scope of such review covers all material controls, including financial, operational and compliance controls. The Group's risk management and internal control systems are designed to manage risks rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. The management has provided a confirmation to the Audit Committee on the effectiveness of these systems for the year ended 31 March 2021 and the Audit Committee has recommended the Board for approval of the confirmation of the management.

Main features of the risk management systems

The Company recognises that good risk management is essential for the long-term and sustainable growth of a business. The Group has established a governance structure and the major responsibilities of each role of the structure are summarized below:

Role	Major Responsibilities
Board	– determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives;
	– oversees management in the design, implement and monitoring of the risk management and internal control systems;
	– oversees the Group's risk management and internal control systems on an ongoing basis and ensures the Company establishes and maintains appropriate and effective risk management and internal control systems;
Audit Committee	– reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls;
	– reviews the emerging risks of the Group annually, and the risk management and the internal controls in place to address those risks;
	– discusses the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have an effective systems;
	– considers major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Group's management's response to these findings;
	– implements any remedial plans recommended by the management should there be any internal control deficiencies;

Role		**Major Responsibilities**
Management	–	designs, implements and ongoing assesses the Group's risk management and internal control systems;
	–	gives prompt responses to, and follow up the findings on risk management and internal control matters as delegated by the Board, on Audit Committee's initiative or raised by the external risk management and internal control review advisor(s);
	–	provides confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems;
Risk Owners	–	ultimately accountable for ensuring the risk is managed appropriately;
	–	prepare their respective operating plans pursuant to corporate objectives for consideration; and
	–	responsible for, or oversight of, activities to manage each identified risk.

In addition, the Company has engaged external consultant to conduct a review of the effectiveness of the risk management and internal control systems for the year ended 31 March 2021.

Main features of the internal control systems

The Company has in place an internal control system which is compatible with the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

Control Environment	–	a set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
Risk Assessment	–	a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
Control Activities	–	actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
Information and Communication	–	internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
Monitoring	–	ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Process used to identify, evaluate and manage significant risks

(1) Understand the business objective and update the risk assessment criteria and relevant risk items.

(2) Review the existing risk management mechanism, identify areas for enhancement and refine the mechanism if necessary.

(3) Identify relevant risks and update the identified risks in the risk register in response to the changes in the Company's business and the external environment.

(4) Rating for the impacts and inherent likelihood of each identified risks, priorities the identified risk items and identify the responsible risk owners.

(5) Analyse the counter measures which have been put in the risk response (ranking) table based on risk priorities.

All high risk items should be reduced or eliminated by mitigation actions while all medium risk items should be considered for mitigation which subject to a cost benefit analysis.

(6) Estimate the initial and ongoing costs for mitigation by comparing with the estimate cost of non-mitigation and consider all risk mitigation options. Once the decision to mitigate the risk has been made and the strategy is identified of each risk item, a mitigation plan should be developed.

(7) Prepare for the risk assessment results, which covers significant control failings or weaknesses that have been identified, which have a material impact on the Company's financial performance or condition, and present the same to the Audit Committee.

(8) Develop the ongoing risk mitigation plan for the top prioritised (significant) risk items based on the risk assessment results.

In achieving sound and effective risk management and internal control systems, employees are obliged to respect all applicable legislation, rules and regulations, and to follow certain policies and procedures.

For the year ended 31 March 2021, the Board considered the risk management and internal control systems of the Company are effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of such review covers the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting functions and their attitude against internal control of the Group. The Board will continue to work with the management to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

Whistleblowing policy

The Group relies on each of its employees, at all levels, to monitor the quality of the Group's daily operation and compliance with relevant laws and regulations. The Group considers recommendations from employees for improving the Group's practices and controls and communicates policy changes and other matters of the Group in a timely basis.

In addition, the Company has adopted a whistleblowing policy, under which employees and those who deal with the Company are provided with ways to raise their concerns about possible improprieties in any matter relating to the Company without fear of reprisal or victimization, and in a responsible and effective manner. Written complaints can be lodged directly to the chairman of the Audit Committee and copied to the Company Secretary. The chairman of the Audit Committee shall convene a meeting to decide whether and/or how to carry out any necessary investigation and, depending upon the circumstances, consider to nominate investigating officer or to set up a special committee to investigate the matter independently.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with the requirements of the SFO and the Listing Rules for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in the announcements or circulars of the Company are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

The Group has adopted and implemented written policy and procedures on handling and dissemination of inside information. Certain measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements, which include the following:

- The Group has established the inside information team (the "Inside Information Team") to identify, assess and escalate potentially inside information to the attention of the Board.

- A reporting channel has been set up for employees to use upon they become aware of actual or potentially inside information ("Information"). They must report to their respective divisional disclosure officers, or the Inside Information Team of the Information at the possible earliest time. Divisional disclosure officers shall then conduct preliminary assessment of the Information received. Upon notification of Information, the Inside Information Team reviews and decides whether the Information must be disclosed, as well as when and how the Information shall be released and gives recommendation to the Board. The Board reviews the recommendation from the Inside Information Team and decides whether the Information should be disclosed; and/or any other appropriate actions.

- The Group has designated officers with appropriate skills and training to speak on behalf of the Group when communicating with media, analysts or investors.

- The Group has strict prohibition on unauthorized use or disclosure of confidential information. Such prohibition is included in the employment agreements for all employees.

- Officers/relevant employees are given access to a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information. Trainings are provided to them on a regular basis to ensure that they are familiar with the procedures as well as their relevant disclosure duties and obligations.

Internal audit function

The Company currently does not assign any specialized staff to monitor the internal control system of the Company. The Board has reviewed, on an annual basis, the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

On behalf of the Board
Han Weining
Executive Director and Chief Executive Officer

21 June 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE AND STANDARD OF THE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (this "Report") summarizes the environmental, social and governance ("ESG") initiatives, plans and performance of Synertone Communication Corporation and its subsidiaries (the "Group"), which demonstrates its commitment to sustainable development.

The principal businesses of the Group currently include provision of (1) design, development and sale of automation control systems, and (2) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings. As a provider of smart city, smart community, smart home and industrial automation equipment and solutions, the Group is committed to realizing automated information management functions involving security, building automation, smart home, facility energy consumption and industrial production for a wide range of users such as large communities, apartments, hotels, commercial buildings and industrial and mining enterprises, and is committed to providing customers with value-for-money products and first-class services.

The Group believes that environmental protection, low carbon and sustainable development are the general trends of society. The Group is committed to integrating ESG concepts into its risk management system with corresponding measures taken to address its daily operations and governance, which is perceived as our active commitment to global sustainability practices.

REPORTING PERIOD

This Report details the Group's ESG activities, challenges and initiatives for the year ended 31 March 2021 (the "Reporting Year").

REPORTING SCOPE

The statistics on the number of employees and the number of resigned employees in this Report cover all the operating locations of the Group. Except for the above data, the scope of this Report covers only the Group's major operating companies with a high percentage of revenue, namely MOX Control IT (China) Limited (萬科思自控信息(中國)有限公司) ("MOX"). The Group will continue to assess the key ESG aspects of the different operations, and will expand the scope of disclosure where appropriate.

This Report was prepared based on the information obtained from or implied in official documents or statistic report of the Group, covering issues concerned by stakeholders of the Group. To further understand their needs, the Group actively communicates with its stakeholders, including shareholders, the government, employees, clients, suppliers, the community and the public. Matters related to ESG which pose significant influence on the stakeholders were evaluated and identified through the combination of group discussions and phone interview.

REPORTING STANDARD

This ESG report was prepared in accordance with "comply or explain" provisions set out in Appendix 27 "ESG Reporting Guide" of the Listing Rules and the principles of materiality, quantitative, balance and consistency. This Report intends to summarise the philosophy of the Group on ESG aspects and relevant overall performance of the business operations of the Group in the PRC during the Reporting Year. For the philosophy and performance of corporate governance of the Group, please refer to the "Corporate Governance Report" in the Annual Report 2021.

ENGAGEMENT WITH STAKEHOLDERS

The Group proactively listened to the views of stakeholders to ensure continuous improvement. The Group strived to communicate with internal and external stakeholders through various communication channels, so as to understand and respond to their expectations and concerns, and to strike a balance between their respective interests, which in turn enabled us to determine our business development direction in the long run.

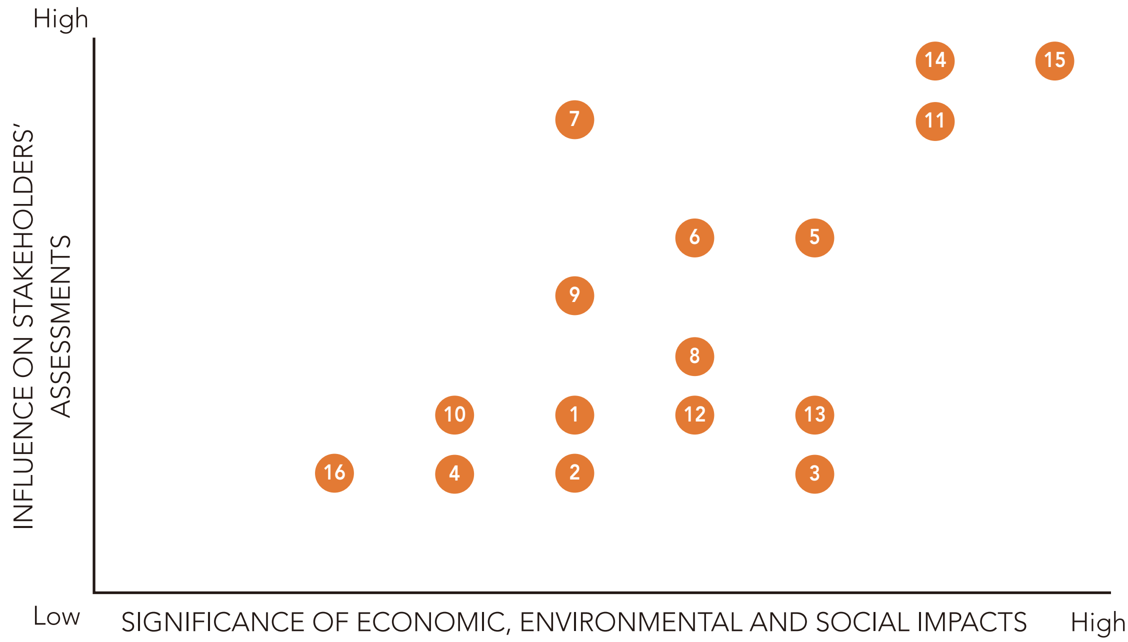
Stakeholders	Communication and response	Expectations and concerns
Shareholders	• Annual general meeting and other shareholder meeting • Financial report and corporate announcements	• Financial results • Corporate transparency • Sound risk control
The government	• Inspection and monitor by government organizations	• Being law-abiding • Paying tax in accordance with the law
Employees	• Regular performance reviews • Internal announcements and newsletters	• Career development platform • Remuneration and benefit • Safe working environment
Clients	• Inquiry by telephone	• Customer information security • Customer interest protection
Supplier	• Conference calls	• Collaboration integrity • Business ethics and creditworthiness
The community and the public	• ESG report	• Environmental friendliness • Employment opportunities

MATERIALITY ASSESSMENT

During the Reporting Year, the Group carried out a materiality assessment to the ESG related issues. With reference to its actual business and industrial characteristics, the Group identified and recognized 16 issues in relation to the ESG, and invited internal and external stakeholders to give rating on the materiality of such 16 issues. After consolidating the rating results of stakeholders and the Group's sustainable development target, our management concluded in a report the materiality priority of these issues and prepared a materiality matrix chart.

The result of materiality assessment will be used by the Group as a guidance when developing future ESG working projects and targets, with a view to creating sustainable value for stakeholders.

The Group's ESG materiality matrix chart for the Reporting Year is as follows:



Material ESG issues relating to the Group

1. Greenhouse gas ("GHG") emissions
2. Waste management
3. Energy consumption
4. Water resource consumption
5. Talent attraction and retention
6. Employee benefits
7. Inclusion and equal opportunities
8. Occupational health and safety
9. Employee development and training
10. Supply chain management
11. Product quality control
12. Customer satisfaction
13. Customer privacy protection
14. Anti-corruption
15. Corporate governance
16. Community investments

The Group confirmed that appropriate and effective management policies and control systems for ESG matters have been established and that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

A. ENVIRONMENT

Emission management

The Group is committed to ensuring continuous growth of its business and at the same time maintaining sustainable development of the environment. The Group conducts internal trainings and internal review with reference to relevant requirements of ISO14000 Environmental Management System. The Group strives to make environmental protection a self-motivation to every employee, making the spirit of environmental protection a part of corporate culture. The Group has launched a number of measures for environmental protection, with an aim to optimising emission management and enhancing efficient use of resources.

The Group strictly complies with relevant national and local laws and regulations on environmental protection and pollutant emissions, including "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and "Regulations on Construction Projects Environmental Protection (建設項目環境保護管理條例)" during business operation. The Group's production process does not involve wastewater discharge. Domestic sewage discharged in daily operation and exhaust gases emitted in production process comply with relevant local standards.

All domestic sewage is discharged through sewage pipelines, with the sewage discharge pipelines and sewage treatment equipment being maintained and repaired regularly. Meanwhile, circulating water is used in cooling, greening and cleaning to minimise discharge of wastewater. Thus the total water consumption of the Group has been effectively reduced.

After centralising and collecting soldering tin exhaust gases during the production process, high-efficiency particulate air filter (HEPA) is used in filtering process. The gas is then led to direct emission through windows after the processing performance reaches 99.9%. In addition, the Group arranges use of vehicles reasonably and promotes green travelling to reduce the emission of greenhouse gas. Through these efforts, the Group is aiming to enhance the environmental protection awareness of its staff, and as a result, the air pollution emissions and GHG emissions of the Group have been effectively reduced.

Air emissions

During the Reporting Year, the main air pollution emissions of the Group from vehicle used during operation are set out below:

Emission Type and Related Emission Data

Types of air pollutants	Unit	Emission
NO_x	Kg	**1.38**
SO_x	Kg	**0.04**
PM	Kg	**0.10**

GHG emissions

During the Reporting Year, the GHG emissions and intensity of the Group during operation are set out below:

GHG Emissions and Intensity

Scope of GHG emission *(note)*	Unit	Emission
Direct GHG emissions *(Scope 1)*	Tonnes CO_2 equivalent	**70.89**
Energy indirect GHG emissions *(Scope 2)*	Tonnes CO_2 equivalent	**295.86**
Other indirect GHG emissions *(Scope 3)*	Tonnes CO_2 equivalent	**2.25**
Total GHG emissions	Tonnes CO_2 equivalent	**369.00**
GHG emissions intensity	Tonnes CO_2 equivalent/total annual production	**0.008**

Notes:

The GHG emissions (direct and indirect) and reduction can be divided into the following three independent scopes:

Scope 1: the GHG emissions directly generated from businesses owned or controlled by the major operating companies of the Group/MOX, which include: (i) GHG emissions generated from vehicles controlled by the major operating companies of the Group/MOX; and (ii) trees planted by the major operating companies of the Group/MOX in the Reporting Year that are used for GHG reduction;

Scope 2: indirect energy GHG emissions resulted from electricity consumed (purchased or acquired) by the major operating companies of the Group/MOX; and

Scope 3: other indirect GHG emissions occurred outside the major operating companies of the Group/MOX, mainly including emissions generated from paper disposal.

Waste management

Unqualified printed circuit boards and electronic components in production process are returned to suppliers for processing; tin scrap and waste packages are collected and delivered to qualified waste recycling units for processing. Active measures for recycling and integrated usage are also adopted to avoid secondary pollution. The Group promotes "Paperless" office and upholds the principles of 3R ("Reduce", "Reuse", "Recycle") in paper usage. The Group encourages staff to read documents through electronic equipment, print relevant documents after checking, select double-sided printing whenever possible, and use both sides of paper so as to reduce waste of paper. The Group's total non-hazardous wastes have been effectively reduced through waste recycling programme and "Paperless" office policy. The Group is devoted to promoting clean techniques and formula and using less polluting raw materials in product design. New techniques, new technology and new equipment are adopted to maximise utilisation of raw materials and resources with an aim to avoid formation of scraps in production process, so as to effectively reduce hazardous wastes.

During the Reporting Year, the total waste generated and its intensity were set forth as follows:

Total Waste and Intensity

Types of waste	Unit	Disposal
Total amount of non-hazardous waste	Tonne	**31.00**
Non-hazardous waste intensity	Kg/total annual production	**0.70**
Total amount of hazardous waste *(note)*	Tonne	**N/A**
Hazardous waste intensity	Kg/total annual production	**N/A**

Note:

The hazardous waste produced by the Group's business are delivered to qualified waste recycling units for processing. And as the Group generated only an insignificant amount of hazardous waste, which did not have any substantial impact to the environment, thus no data is disclosed.

In the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to the Group's air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact, such as "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and "Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)". In addition, there was no report of significant fines or non-monetary sanctions as the result of non-compliance with relevant laws and regulations in the Reporting Year.

Use of resources

The Group encourages staff to implement the concept of environmental protection, participate in environmental protection work and enhance the efficient use of resources.

Energy consumption

The Group keeps raising staff's consciousness of environmental protection through different communication channels. The Group has launched certain resource-saving measures in its production activities and daily office operation, including:

- Using zone switch for lighting and air-conditioning systems so as to conserve energy;
- Maintaining the temperature of air-conditioners at 25 degree Celsius in summer so as to conserve energy;
- Switching off air-conditioning systems and lighting equipment in workplace when they are idle so as to conserve energy;
- Reducing idle time for devices so as to conserve energy; and
- Optimising purchase process and improving purchase system to reduce inventory storage so as to conserve energy.

During the Reporting Year, the total energy consumption of the Group and its intensity were set forth as follows:

Total Energy Consumption and Intensity

Use of Resources	Unit	Consumption
Total energy consumption	KWh	**373,510.00**
Energy consumption intensity	KWh/total annual production	**8.48**

Water resource consumption

The Group has adopted water-saving measures and established internal guidance. Plans for water-saving targets are developed annually. Water-saving measures are implemented to enhance daily maintenance and management of equipment consuming water, with the aims of avoiding "running", "spraying", "dripping" and "leakage" of water and the occurrence of "prolonged water flow" and ensuring employees comply with principles of conservation and efficient use of water when using water resources. Once any malfunction is found in water-consuming equipment, professionals will be notified immediately for repairing. The Group promotes the use of circulating water to minimise the use of tap water. The Group also examines the situation of water usage regularly for the investigation of the reasons for overconsumption and the statistics and status of water consumption and conservation will be complied and announced.

During the Reporting Year, the total water consumption of the Group and its intensity were set forth as follows:

Total Water Consumption and Intensity

Use of Resources	Unit	Consumption
Total water consumption	m^3	**8,917.00**
Water consumption intensity	m^3/total annual production	**0.20**

Packaging material consumption
Large amount of packaging materials are used in the Group's products. To reduce waste generation, the Group strives to reuse all paper boxes and filling materials in packages.

During the Reporting Year, the total packaging materials used by the Group and intensity per production unit were set forth as follows:

Total Packaging Materials and Intensity Per Production Unit

Use of Resources	Unit	Consumption
Total packaging materials	Tonne	**10.00**
Intensity of packaging materials	Kg/total annual production	**0.23**

Environment and natural resources
The Group is committed to providing a comfortable, hygienic and clean workplace for its employees, ensuring that issues relating to the workplace are addressed in a timely manner, and taking appropriate measures to reduce potential risks and enhance work efficiency. In addition, the Group pays close attention to indoor air quality to ensure that employees can work in a good environment with peace of mind.

The Group has stringent control on production procedure to ensure compliance with local environmental laws and regulations. No material non-compliance with "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and other applicable laws and regulations was recorded during the Reporting Year. The Group will strive to reduce the impacts on the environment and natural resources from aspects including operation and management by continually perfecting environmental protection, energy conservation and emission reduction management system with emphasis on controlling the emission of pollutants during production process.

B. EMPLOYMENT AND LABOUR PRACTICES

Employment

Employees are the most valuable capital for achieving the target of the Group. The Group is committed to providing a fair and safe working environment for employees. The Group is always attentive and supportive to employees. The Group continuously provides diversified skill trainings and career development opportunities for employees so as to achieve harmony and mutual win between employees and the Group.

The Group strictly complies with laws and regulations related to employment in mainland China and Hong Kong, such as "Labour Law of the People's Republic of China (中華人民共和國勞動法)", "Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法)" and "Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法)" as well as Employment Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong, to ensure the provision of fair employment and promotion opportunities to employees. During the Reporting Year, there were no violations of laws and regulations relating to labour and employment by the Group. The Group upholds the performance-based employment concept that "capable person replaces incapable one". Employment and dismissal policy will not be affected by race, gender, age, religious belief, disabilities or family status of applicants or employees.

The Group has a qualified team comprising talents with doctoral degree, master degree, bachelor degree and college graduates. As at 31 March 2021, the Group had 133 full-time employees in total, who located in places like Hong Kong, Shenzhen, Beijing, Shanghai, Hangzhou and Changsha. Employees are classified by gender, age, and region as follows:

	Number of employees	Percentage of total employees
By gender		
Male	93	69.92%
Female	40	30.08%
By age group		
30 or below	36	27.07%
31 to 50	82	61.65%
51 or above	15	11.28%
By region		
PRC	127	95.49%
Hong Kong	6	4.51%

The Group treasures and respects talents, and adheres to the principles of openness, fairness and justice in recruiting, and establishes a complete recruitment management system that specifies recruitment applications and procedures to improve recruitment efficiency and quality to meet the Group's manpower needs and ensure the quality of talents. The Group has clear procedures for the management of promotion, transfer and demotion of personnel to protect the interests of both employees and the Group.

The Group endeavours to offer comprehensive and competitive remuneration package and benefits to attract, retain and motivate outstanding employees. The Group benchmarks employees' compensation according to its internal situation and the external labour market of related fields, sectors and professions, to ensure their compensation are reasonable and consistent with market level. Remuneration adjustments are based on the factors including the Group's operating results, the level of the staff's position, personal competency and performance and social development level. Discretionary performance bonus is offered to staff according to annual appraisal as recognition of their contribution and as motivation for achieving self-improvement. The Remuneration Committee is responsible for reviewing the management's proposal of the Group's remuneration adjustment and discretionary performance bonus and share options as incentives to senior management with outstanding performance.

The Group emphasises the wellbeing of its employees, caring for employees from various aspects. In addition to ordinary annual leaves and paid sick leaves, the Group also provides other leave arrangement such as marriage leave, maternity leave, paternity leave and compassionate leave to employees for their relaxation and refreshment. The trade union of MOX was established in 2013, which was organized by employees. The trade union was founded to care for employees' work and life, organize employees to participate in team building activities, sports activities, public welfare activities, etc., communicate with the Company from the perspective of employees, and handle employee complaints, suggestions and so on. The activities are categorized as follows:

- Providing welfare canteen and welfare supermarket for employees, in which food ingredients are sourced from large supermarkets so that employees could have healthy and safe meals;

- Providing commute transport and dormitory for non-local employees; and

- Organising birthday event each month for employees to celebrate birthday in the month and to share cakes, play games and receive birthday gifts.

The Group is in strict compliance with policies pertaining to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatment and benefits as set out in the "Employee Handbook". In the event that it is necessary to dismiss an employee, the Group will ensure that the dismissal procedures are in compliance with internal policies (such as the "Employee Handbook") and relevant laws and regulations. Termination of employment contracts will be based on reasonable and lawful grounds, and the Group will first give verbal warnings and then issue warning letters to employees whose work performance is unsatisfactory or who repeatedly make mistakes. For employees who do not improve their performance, the Group will consider dismissal in accordance with relevant laws and regulations, implement the necessary severance procedures and provide adequate severance compensation.

During the Reporting Year, there were a total of 34 employees left the Group. Set out below is a breakdown of the employee turnover rate by gender, age group and region:

	Number of employees	Turnover rate
By gender		
Male	21	22.58%
Female	13	32.50%
By age group		
30 or below	4	11.11%
31 to 50	30	36.59%
51 or above	–	–
By region		
PRC	33	25.98%
Hong Kong	1	16.67%

During the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to the Group's compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have significant impact. The Group strictly complied with local laws and regulations relating to employment, such as "Labour Law of the People's Republic of China (中國人民共和國勞動法)" and "Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法)". In addition, there was no report of significant fines or sanctions as the result of non-compliance with relevant laws and regulations during the Reporting Year.

Occupational health and safety

The Group pays high attention to occupational health of staff and targets zero accident in operation. The Group strictly complies with applicable laws and regulations such as "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法)"and Occupational Safety and Health Ordinance of Hong Kong. The Group is committed to providing a healthy and safe working environment to prevent its employees from suffering occupational hazards. During the Reporting Year, there was no non-compliance matter in relation to the occupational health and safety by the Group. To prevent occurrence of disasters and accidents, the Group enhances the promotion and trainings on labour protection and precautions and prevention and control of occupational diseases. First-aid and fire drill exercises are conducted regularly to persistently raise the occupational safety awareness of employees. The Group also reinforces checkings on important positions to promote the proper use of labour protection supplies and protect employees' health and safety.

To ensure employees' safety in production, the following mechanism has been established: Management System for Safe Production is established to specify the leaders of the Group as the first person in charge of safe production. A safety committee is established for the identification, prevention and recording of safety risks. Machines and equipment are maintained regularly and assigned to person-in-charge. Trainings on safe operation standards of positions are enhanced to ensure standardised operation.

The Group has also implemented various measures to create healthy indoor working environment for employees. For example, professional cleaners are required to clean the office an hour before working hour begins every day and to clean common facilities such as lavatories and conference rooms regularly as required. Air-conditioning system and air filters are cleaned regularly to maintain good indoor air quality. Professional cleaning companies are engaged to clean carpets and maintain the floor in the workplace. Professional drinking water system is installed with water quality checked and announced each quarter.

In addition to general social insurance like medical and pension insurance, the Group has also purchased critical illness insurance for employees of certain subsidiaries and traffic accident damage insurance for frequent travelling employees. Annual physical examination is arranged for all employees and occupational health check is arranged for employees at certain special positions. The Group monitors work-related injury rate continuously and considers relevant data as key indicators for the evaluation of safety performance. During the Reporting Year, the Group had no work-related fatal incident. Besides, loss of working days caused by work injuries was zero.

The Group actively promotes establishment of safe production and occupational health and safety system. For example, 悉雅特萬科思自動化(杭州)有限公司, being the Group's subsidiary, has obtained OHSAS18001 Occupational Health and Safety Management System Certification and Work Safety Standardization Certificate (Level 2) (安全生產標準化證書(二級)).

During the prevention and control of the COVID-19 pandemic, MOX has adopted 10 measures to ensure its employees would resume work in a safe environment in accordance with the requirements of Jiaxing Science and Technology City Management Committee, pursuant to which, (i) no new employees will be recruited from severely stricken Hubei Province during the pandemic period; (ii) all non-local employees who have returned to work will be quarantined 14 days by their own arrangement; (iii) all non-local employees who have not returned to work will be temporarily suspended; (iv) the employees who have recently passed or stayed in Hubei Province are not allowed to work; (v) the related knowledge of the COVID-19 is provided to all employees, and preventive measures are extensively promoted to ensure that all employees are in compliance with the pandemic prevention rules; (vi) body temperature measurements shall be taken at least twice each day, and the Group must provide protective materials such as masks, disinfectants and hand sanitizers; (vii) a reasonable number of separate quarantine and observation rooms shall be set up by the employer; (viii) central cold air-conditioning shall be shut down and ventilation shall be maintained at workshops; (ix) an emergency plan shall be well prepared. If any employee is found to have symptoms such as fever and respiratory tract infections, they must be quarantined as soon as possible, which shall be reported to the local economic development office and pandemic prevention department. In this regard, the local epidemic prevention personnel shall handle these cases; and (x) we will strictly implement the relevant requirements set by other levels of government bodies and prevention and control teams.

During the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to providing a safe working environment and protecting employees from the Group's occupational hazards that have a significant impact. The Group strictly complied with local laws and regulations relating to health and safety, such as the "Safe Production Law of the People's Republic of China (中華人民共和國安全生產法)" and the "Regulations on Work-Related Injury Insurance of the People's Republic of China (中華人民共和國工傷保險條例)". In addition, there was no report of significant fines or sanctions as the result of non-compliance with relevant laws and regulations during the Reporting Year.

Employee development and training

The Group believes that nurturing talents lays the foundation for corporate development. As such, the Group actively promotes talent strategy of "Respecting science, respecting knowledge, continuous learning, striving for performance, team work, respecting individuality" and regards talents as strategic and value-adding resources of first priority to conduct in-depth development and operation. The Group focuses on nurturing talents and management staff and assigns them work with flexibility. On-the-job training and career opportunities are emphasised. Through serialised talent training programs including "occupation development training camp", "induction programs", "manager research camp" and "senior management motivation camp", supplemented with the knowledge sharing platform of Synertone Online College, a training system covering four major aspects, namely online training, daily training, focused training and external training, was established. The system provides rich resources to support career development and personal values of employees, and integrates the core values of "seeking mutual development, abiding by ethics, pushing the limits, pursuing effectiveness, efficiency, excellence" with the Group's daily work.

During the Reporting Year, directors, management and staff responsible for finance, accounting, laws and regulatory affairs in Hong Kong and Shenzhen subsidiaries of the Group have participated in relevant professional training courses organised by various professional organizations. The total accumulated class hours reached 385 hours, with 100% of the total employees trained and an average of 5 hours of training for all employees.

Labour standards

The Group strictly complies with "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)", Employment of Children Regulations of Hong Kong and other laws and regulations related to labour standards. During the Reporting Year, there were no cases of violation of labour laws to recruit child labour and forced labour by the Group. The Group implements five-day work week encouraging employees to strike balance among health, work, social and family. To support self-development of employees, the Group provides flexible working hour arrangement for employees at certain positions.

During the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to prohibiting the Group from employing child and forced labour. The Group strictly complied with local laws and regulations relating to labour standards, such as the "Labour Law of the People's Republic of China (中華人民共和國勞動法)", "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)" and "Employment of Children Regulations (僱用兒童規例)". In addition, there was no significant fines or sanctions as the result of non-compliance with relevant laws and regulations during the Reporting Year.

Supply chain management

The Group insists on treating every detail in daily operation seriously in a responsible manner. From the areas of supply chain, product responsibility and anti-corruption, the Group keeps perfecting its operations management, persistently creating value for customers and benefits for the society.

"Creativity", "Safety", "Environmental Protection", "Sustainable Development" are the main factors considered by the Group when choosing suppliers, monitoring their performance and communicating with them. Prior to the procurement of materials from the suppliers and in the course of tendering and quotation, the Group complied with laws and regulations such as the "Bidding Law of the People's Republic of China (中華人民共和國招標投標法)" as well as the procurement guidance to carry out strict examination procedures on the qualification of the suppliers. Suppliers' competencies and performance in respect of costing, quality, use of technologies, environmental protection awareness, moral conduct and social responsibility are examined through business meetings, factory visit and review of labour and employment status, random checking and cost calculation, ensuring the best products were offered by the most suitable supplier. The Group's purchasing committee takes part in the selection processes of key suppliers, material procurement tendering projects and procurement projects with strategic risk, and the final decisions of procurement contracts for key projects. The Group maintains close relationship and collaborates with suppliers and contractors to ensure that their operations fully comply with local laws and regulations environmentally and socially. The Group also shares the sustainable development guideline with them in order to guarantee their business activities are in line with the principles of sustainable development.

The Group requires its cooperating suppliers to obtain international certificates such as ISO9001 Quality Management System Certificate and ISO14001 Environmental Management System Certificate. Suppliers are required to provide environmental-friendly and non-hazardous materials, so that chemical materials contained in the Group's products would fall below the limits stipulated by the relevant laws and regulations or the Group's customers. The Group encourages its suppliers to implement a systematic environmental protection and life-cycle management for their products, achieving green design, green production and control the usage of different restricted materials from their origins, hence building up a green supply chain.

To prohibit suppliers from providing gifts, certificates, loans, hospitality, services or assistance in an improper manner, the Group requires its suppliers to follow and enter into a code of conduct for ethical standard and commercial behavior prepared by the Group. Suppliers are also required to comply with the local laws and regulations in relation to bribery. Moreover, in respect of terms and conditions for procurement, suppliers are required to comply with the laws and regulations relating to the prohibition of using child-labour, forced labour and occupational discrimination as set out in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights. The Group also monitors regularly the compliance of suppliers with those laws and regulations and guiding principles through self-declaration and on-site examination. Furthermore, the Group continuously measures and assesses suppliers' commitments to fulfill the above requirements through a supplier performance grading system. During the Reporting Year, the Group had a total of 151 suppliers, of which 150 were located in Mainland China and 1 in Hong Kong, China.

Product quality control

The Group insists on delivering quality products to customers. Stringent review is carried out in the product development process. Procedures such as material inspection, semi-finished product inspection, finished product inspection, shipping inspection and process inspection etc. are strictly executed, ensuring the products are in good quality and fulfilled the safety and health requirement. Subsidiaries of the Group engaging in manufacturing have obtained ISO9001 Quality Management System Certificate. During the Reporting Year, the Group did not commit any material non-compliance or illegal events in relation to product safety.

Ensuring data safety of the Group's customers is another important mission. In the Group's daily operation, the protection of clients' information resources remains top priority. Users' information resources are protected from unauthorized access, usage and leakage through different safety technologies and procedures. Electronic information containing clients' details is kept in the Group's server. All the paper-based documents are kept in a file room. The Group also adopts customer management measures and designates personnel responsible for the maintenance of clients' data. Clients' information will only be used legally for the relevant purpose based on provisions on personal data privacy. The Group assures that the personal and commercial data of the Group's customers are properly kept and used only for authorized commercial purpose, and can only be accessed by staff that are considered necessary. Moreover, the Group's cooperating suppliers shall comply with the same requirements.

The Group puts great emphasis on the protection of intellectual property. All of the Group's staff shall follow the internal policy guidance and their awareness of respecting third parties' intellectual property rights is emphasised. The Group possesses or is in the process of applying various patents (including invention patents, practical new design patents and exterior design patents) in relation to its self-developed communication systems and technologies and building intelligence products design. The Group protects intellectual property rights according to laws and regulations such as the "Patent Law of the People's Republic of China (中華人民共和國專利法)" and "Copyright Law of the People's Republic of China (中華人民共和國著作權法)". During the Reporting Year, there was no non-compliance matter in relation to the intellectual property rights by the Group or disputes with third parties on the intellectual property rights.

For advertising and product labelling, the Group strictly complies with laws and regulations such as the "Advertising Law of the People's Republic of China (中華人民共和國廣告法)" and the "Trademark Law of the People's Republic of China (中華人民共和國商標法)". The Group is devoted to providing customers with true and accurate information as well as fast and convenient user experience. The Group promotes its products and marketing activities and collects feedback through the use of various platforms such as official website, mobile APP, 3D products module, and social media including WeChat. When receiving complaint on its products or services, the Group will initiate investigation and studies on the complaint and opinion lodged by customers. Details will be passed to the relevant management personnel within 24 hours and the Group guarantees to give reply within a week. Meanwhile, the relevant sales team is responsible for collecting and consolidating customers' comments on the quality of services and goods etc. so as to prevent the problem from occurring again and solve the problem in a timely and satisfactory manner. During the Reporting Year, all the complaints the Group received on the products and services and other matters were settled promptly. The Group was also widely praised by its clients for professional skills and localized service with fast reaction.

During the Reporting Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to health and safety, advertising, labeling and privacy matters relating to products provided by the Group and methods of redress that have a significant impact. The Group strictly complied with local laws and regulations relating to product responsibility, such as the "Advertising Law of the People's Republic of China (中華人民共和國廣告法)"and the "Trademark Law of the People's Republic of China (中華人民共和國商標法)". In addition, there was no report of significant fines during the Reporting Year.

Anti-corruption

The Group has formulated a code and guidance for business ethics, expressly stating the approach and requirements the Group adopted towards business ethics. The code for business ethics is included in the Staff Handbook. Any form of corruption, bribery, fraud and money laundering will not be tolerated. The relevant requirements will be explained to all new employees in their induction training. Relevant information is also available on the internal network of the Group for existing employees. The Group requires all its staff to adhere to a high standard of business ethics to protect the interest and business operation of the Group. During the Reporting Year, the Group provided 3 hours of anti-corruption training to three directors and all employees. During the Reporting Year, the Group was not aware of any non-compliance with relevant laws and regulations including the "Law of the People's Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法)" and the "Interim Provisions on the Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定)".

The Group has a whistle-blowing policy and system in place. Employees and stakeholders can report any inappropriate acts or dishonest behaviors (e.g. suspicion of corruption, fraud and other forms of criminal offence) directly to the chairman of the Audit Committee of the Board (an independent non-executive director of the Company), to ensure undergoing of individual investigation. During the Reporting Year, the Group did not receive any report of the above cases.

During the Reporting Year, none of the Group or its employees was involved in any legal proceedings relating to bribery, extortion, fraud or money laundering. The Group strictly complied with local laws and regulations relating to anti-corruption, such as "Law of the People's Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法)" and "Interim Provisions on the Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定)".

Community investment

The Group is committed to acting as a positive strength for the community in which it is operating and has been maintaining close communication and interaction with the community so as to contribute to the community from time to time.

Being a global responsible corporate citizen, the Group is dedicated to fostering a positive corporate image and enhancing the sense of responsibility through community investments. All employees of the Group are encouraged to lend a helping hand to and support the local community and their neighborhoods. On 1 February 2021, the Working Committee of the Communist Party of China of Jiaxing Science City and the Management Committee of Jiaxing Science City presented the Group with the 2020 Charity Action During the Pandemic Combat Award in recognition of the Group's participation in the production of pandemic materials.

To support the pandemic prevention and control in the community in the wake of the fierce COVID-19 pandemic outbreak in spring of 2020, the Group donated a total of RMB8,400 worth of forehead thermometers to business partners, streets and management committee of Nanhu District, Jiaxing City in April. In addition, the Group has been upholding the spirit of "those who can for those in need" by donating goods and materials to the underprivileged areas. In October 2020, the Group donated garments worth a total of RMB5,000 to Baoguping Township Primary School in Butuo County, Liangshan, Sichuan Province, to keep the students of the school from cold conditions.

ESG REPORTING GUIDE INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Aspects, General Disclosures and KPIs	Description	Section/statement	Page
Aspect A1: Emissions			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emission management	P. 45
KPI A1.1	The types of emissions and respective emissions data.	Emission management	P. 46
KPI A1.2	Total greenhouse gas emissions (in tonnes) and intensity.	Emission management	P. 46
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	N/A – explained	P. 47
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Waste management	P. 47
KPI A1.5	Description of how emission reduction is achieved and its related outcome.	Emission management, Waste management	P. 45, 47
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled and how reduction is achieved, and the related outcome.	Waste management	P. 47

Aspects, General Disclosures and KPIs	Description	Section/statement	Page
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources	P. 48
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of resources	P. 48
KPI A2.2	Water consumption in total and intensity.	Use of resources	P. 49
KPI A2.3	Description of energy use efficiency plans and the related outcome.	Use of resources	P. 48
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and the plan to enhance water efficiency and the related outcome.	Use of resources	P. 49
KPI A2.5	Total packaging materials used for finished products (in tonnes) and with reference to per unit produced.	Use of resources	P. 49
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and natural resources	P. 49
KPI A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	Environment and natural resources	P. 49

Aspects, General Disclosures and KPIs	Description	Section/statement	Page
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	P. 50
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment	P. 50
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment	P. 52
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational health and safety	P. 52
KPI B2.1	Number and rate of work-related fatalities.	Occupational health and safety	P. 53
KPI B2.2	Lost days due to work injury.	Occupational health and safety	P. 53
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational health and safety	P. 52, 53

Aspects, General Disclosures and KPIs	Description	Section/statement	Page
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee development and training	P. 54
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee development and training	P. 54
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee development and training	P. 54
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour standards	P. 54
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply chain management	P. 54
KPI B5.1	Number of suppliers by geographical region.	Supply chain management	P. 55
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply chain management	P. 55

Aspects, General Disclosures and KPIs	Description	Section/statement	Page
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product quality control	P. 55
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product quality control	P. 56
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product quality control	P. 56
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product quality control	P. 56
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product quality control	P. 56

Aspects, General Disclosures and KPIs	Description	Section/statement	Page
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	P. 57
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	P. 57
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	P. 57
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community investment	P. 57
KPI B8.1 ("Recommended disclosure")	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community investment	P. 57
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community investment	P. 57

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
SYNERTONE COMMUNICATION CORPORATION
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Synertone Communication Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 171, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the Key Audit Matter

Allowance for expected credit losses assessment of trade and other receivables

Refer to notes 22 and 31 to the consolidated financial statements.

The Group had gross trade receivables, loan receivables and other receivables of approximately HK$53,027,000, HK$21,040,000 and HK$25,997,000 respectively and reversal/(allowance) for expected credit losses of approximately HK$2,802,000, HK$1,951,000 and (HK$193,000) respectively.

In general, the trade receivable credit terms granted by the Group to the customers ranged between 30 to 180 days (2020: 30 to 180 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment.

Our procedures in relation to management's allowance expected credit losses assessment of the trade and other receivables as at 31 March 2021 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2021 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade and other receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found the management judgment and estimates used to assess the recoverability of the trade and other receivables and determine the impairment provision to be supportable by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the Key Audit Matter

Valuation of investment in associates

Refer to note 20 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

As at 31 March 2021, the carrying amount of the Group's investment in an associate amounted to approximately HK$55,500,000.

As disclosed in note 3 to the consolidated financial statements, investment in an associate is carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates, less impairment in the values of individual investments. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of investment in an associate may be impaired. For those associates in which such indication exists, the Group assessed its recoverable amount for impairment.

Our procedures in relation to management's determination of the recoverable amount of investment in an associate included:

- Assessing the appropriateness of the management's accounting for investment in an associate;
- Understanding the management's process for identifying the existence of impairment indicators in respect of the investment in an associate and evaluating the effectiveness of such process;
- Where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and obtaining an understanding from the management of their financial position and future prospects;
- Assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates as well as our knowledge of the industry and business and using auditors' valuation experts; and
- Performing sensitivity analysis on the key inputs to evaluate the magnitude of their impacts on the calculations of the recoverable amounts of those associates.

We found the key assumptions, methodology and management estimation used of management's assessment on recoverable amount of an associate were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the Key Audit Matter
Impairment assessment of Control System Business Refer to note 18 to the consolidated financial statements. The Group has goodwill of approximately HK$51,301,000 relating to the control system business as at 31 March 2021. Management performed impairment assessment of control system business and concluded that an impairment loss on goodwill of nil was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cashflows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to the management's impairment assessment on included: • Evaluating of the management's independent valuer's competence capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using auditors' valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the key assumptions, methodology and management estimation used were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 21 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	5	**90,281**	73,243
Cost of sales		**(67,262)**	(46,162)
Gross profit		**23,019**	27,081
Other income	6	**10,661**	6,123
Other gains and losses	6	**(6,694)**	(587)
Selling and distribution expenses		**(4,339)**	(4,495)
Administrative and other operating expenses		**(36,501)**	(41,589)
Research and development expenditure	7(c)	**(4,197)**	(17,850)
Reversal of expected credit loss, net	7(c)	**4,560**	2,384
Loss from operations		**(13,491)**	(28,933)
Finance costs	7(a)	**(3,837)**	(6,362)
Share of results of associates		**(876)**	(12)
Loss before tax	7	**(18,204)**	(35,307)
Income tax credit	8	**1,313**	2,113
Loss for the year from continuing operations		**(16,891)**	(33,194)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(5,296)
Loss for the year		**(16,891)**	(38,490)

	Notes	2021 HK$'000	2020 HK$'000
Loss for the year attributable to owners of the Company:			
– from continuing operations		**(15,133)**	(33,381)
– from discontinued operations		**–**	(5,296)
Loss for the year attributable to owners of the Company		**(15,133)**	(38,677)
(Loss)/profit for the year attributable to non-controlling interests:			
– from continuing operations		**(1,758)**	187
– from discontinued operations		**–**	–
(Loss)/profit for the year attributable to non-controlling interests		**(1,758)**	187
		(16,891)	(38,490)
		HK cents	HK cents
Loss per share			
For continuing and discontinued operations			
– Basic	13	**(1.47)**	(4.39)
– Diluted	13	**(1.47)**	(4.39)
For continuing operations			
– Basic	13	**(1.47)**	(3.79)
– Diluted	13	**(1.47)**	(3.79)

The notes on pages 79 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 **HK$'000**	2020 HK$'000
Loss for the year	**(16,891)**	(38,490)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**6,328**	865
Reclassification of cumulative translation reserve upon disposal of subsidiaries	**–**	(13,053)
Other comprehensive income/(expense) for the year, net of tax	**6,328**	(12,188)
Total comprehensive expense for the year	**(10,563)**	(50,678)
Total comprehensive expense attributable to:		
Owners of the Company	**(9,350)**	(50,399)
Non-controlling interests	**(1,213)**	(279)
	(10,563)	(50,678)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**37,401**	35,785
Right-of-use assets	*16*	**14,275**	10,081
Intangible assets	*17*	**32**	4,536
Goodwill	*18*	**51,301**	47,472
Interests in associates	*20*	**55,500**	–
Deposits and prepayments	*22*	**1,087**	139
		159,596	98,013
Current assets			
Inventories	*21*	**50,217**	45,811
Trade and other receivables	*22*	**95,716**	106,154
Cash and cash equivalents	*23*	**4,185**	46,310
		150,118	198,275
Current liabilities			
Trade and other payables	*24*	**41,729**	31,024
Contract liabilities	*25*	**29,625**	22,283
Amount due to an associate	*20*	**337**	–
Bank and other borrowings	*26*	**69,001**	66,139
Lease liabilities	*27*	**3,406**	1,724
		144,098	121,170
Net current assets		**6,020**	77,105
Total assets less current liabilities		**165,616**	175,118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	*27*	**2,974**	649
Deferred tax liabilities	*28(a)*	**–**	1,264
		2,974	1,913
Net assets		**162,642**	173,205
EQUITY			
Share capital	*29(b)*	**258,091**	258,091
Reserves		**(101,873)**	(92,523)
Equity attributable to owners of the Company		**156,218**	165,568
Non-controlling interests		**6,424**	7,637
Total equity		**162,642**	173,205

Approved and authorised for issue by the board of directors on 21 June 2021 and signed on its behalf by:

Han Weining
Director

Wang Chen
Director

The notes on pages 79 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

		Attributable to owners of the Company										
	Notes	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2019		215,091	801,082	6,600	(90)	30,121	(9,996)	4,793	(917,580)	130,021	7,916	137,937
Comprehensive income												
Profit/(loss) for the year		–	–	–	–	–	–	–	(38,677)	(38,677)	187	(38,490)
Other comprehensive (expense)/ income												
Exchange differences arising on translation of financial statements of foreign operations		–	–	–	–	–	–	1,331	–	1,331	(466)	865
Release of translation reserve upon disposal of subsidiaries		–	–	–	–	–	–	(13,053)	–	(13,053)	–	(13,053)
Total comprehensive expense for the year		–	–	–	–	–	–	(11,722)	(38,677)	(50,399)	(279)	(50,678)
Transactions with owners												
Lapse of warrants	*29(c)(vi)*	–	–	(6,600)	–	–	–	–	6,600	–	–	–
Issue of shares	*29(b)*	43,000	43,000	–	–	–	–	–	–	86,000	–	86,000
Share issuance costs		–	(54)	–	–	–	–	–	–	(54)	–	(54)
Disposal of subsidiaries	*33*	–	–	–	–	(30,121)	–	–	30,121	–	–	–
Total transactions with owners		43,000	42,946	(6,600)	–	(30,121)	–	–	36,721	85,946	–	85,946
At 31 March 2020		258,091	844,028	–	(90)	–	(9,996)	(6,929)	(919,536)	165,568	7,637	173,205

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2020	258,091	844,028	–	(90)	–	(9,996)	(6,929)	(919,536)	165,568	7,637	173,205
Comprehensive income											
Loss for the year	–	–	–	–	–	–	–	(15,133)	(15,133)	(1,758)	(16,891)
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	5,783	–	5,783	545	6,328
Total comprehensive income/ (expense) for the year	–	–	–	–	–	–	5,783	(15,133)	(9,350)	(1,213)	(10,563)
At 31 March 2021	258,091	844,028	–	(90)	–	(9,996)	(1,146)	(934,669)	156,218	6,424	162,642

The nature and purpose of reserves are disclosed in note 29(c).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Operating activities			
Loss before tax			
– Continuing operations		**(18,204)**	(35,307)
– Discontinued operations		**–**	(5,296)
		(18,204)	(40,603)
Adjustments for:			
Interest income		**(382)**	(2,347)
Finance costs		**3,837**	6,444
Amortisation of intangible assets		**4,681**	7,673
Depreciation of property, plant and equipment		**3,485**	5,109
Depreciation of right-of-use assets		**3,214**	2,940
Write off of inventories		**5,513**	–
Loss on disposal of subsidiaries		**–**	2,484
Net loss on disposal of property, plant and equipment		**–**	26
Share of results of associates		**876**	12
Reversal of expected credit loss, net		**(4,560)**	(2,384)
Loss on lapse of the acquisition		**1,250**	–
		(290)	(20,646)
Changes in working capital			
Increase in inventories		**(6,196)**	(9,756)
(Increase)/decrease in trade and other receivables		**(19,624)**	9,659
Increase/(decrease) in trade and other payables		**10,705**	(7,234)
Increase in contract liabilities		**7,342**	10,127
Increase in amount due to an associate		**337**	–
Cash used in operations		**(7,726)**	(17,850)
Income tax paid			
The People's Republic of China ("PRC")	*8(a)*	**–**	(19)
Net cash used in operating activities		**(7,726)**	(17,869)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2021

	Notes	**2021 HK$'000**	2020 HK$'000
Investing activities			
Payment for the purchase of property, plant and equipment		**(2,251)**	(1,938)
Proceeds from disposal of property, plant and equipment		**–**	518
Prepayment for acquisition of property, plant and equipment		**(1,087)**	(139)
Disposal of subsidiaries	*33*	**–**	7,529
Acquisition of a subsidiary	*34*	**–**	(440)
Payment of loans to independent third parties		**(20,953)**	(38,820)
Repayment of loans from independent third parties		**55,575**	40,000
Interest received		**382**	2,851
Acquisition of investment in associates		**(56,000)**	–
Deposit paid for acquisition of shares		**(1,250)**	–
Net cash (used in)/generated from investing activities		**(25,584)**	9,561
Financing activities			
Repayment of lease liabilities		**(3,098)**	(2,851)
Proceeds from bank and other borrowings		**73,613**	95,671
Repayment of bank and other borrowings		**(75,814)**	(128,031)
Proceeds from issue of new shares		**–**	86,000
Share issuance cost		**–**	(54)
Interest paid		**(3,837)**	(6,444)
Net cash (used in)/generated from financing activities		**(9,136)**	44,291
Net (decrease)/increase in cash and cash equivalents		**(42,446)**	35,983
Cash and cash equivalents at beginning of the year		**46,310**	10,599
Effect of foreign exchange rates changes		**321**	(272)
Cash and cash equivalents at end of the year	*23*	**4,185**	46,310
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	*23*	**4,185**	46,310

1. GENERAL

Synertone Communication Corporation (the "Company") was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

On 18 April 2012, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (the "Group") are principally engaged in (i) design, development and sales of automation control systems and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

During the year ended 31 March 2020, the Group discontinued the business of provision of design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies along with the disposal of subsidiaries (see note 9).

The principal operations of the Group are conducted in the People's Republic of China. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. The directors consider that presenting consolidated financial statements in HK$ is preferable when controlling and monitoring the performance and financial position of the Group. These financial statements are presented in HK$, rounded to the nearest thousand except for per share data.

According to the register of substantial shareholders maintained by the Company as at 31 March 2021, Excel Time Investments Limited is the substantial corporate shareholder of the Company. The ultimate controlling party of Excel Time Investments Limited is Mr. Han Weining.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate Benchmark Reform

Early adoption of amendments to HKFRSs

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current year, have been early adopted in current year:

HKFRS 16 (Amendments)	COVID-19 Related Rent Concession

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Early adoption of amendments to HKFRSs *(Continued)*

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform–Phase 2[5]
Amendments to HKFRS 10	Sale or Contribution of Assets between an Investor And its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current And related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Covid-19 – Related Rent Concession beyond 30 June 2021[6]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.
6 Effective for annual periods beginning on or after 1 April 2021.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

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

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

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

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

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

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

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

Basis of preparation of consolidated financial statements *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

Significant accounting policies

(a) Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Significant accounting policies *(Continued)*

(a) Basis of consolidation (Continued)

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

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

Significant accounting policies *(Continued)*

(b) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

Significant accounting policies *(Continued)*

(b) Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(c) (i) Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

– deferred tax assets or liabilities, and assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;

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

Significant accounting policies *(Continued)*

(c) (i) Business combinations (Continued)

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiaries, net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by transaction basis. Other types of non-controlling interests are measured at their fair value.

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

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

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

Significant accounting policies *(Continued)*

(c) (i) Business combinations (Continued)

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

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

(ii) Goodwill

Goodwill arising on an acquisition of business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

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

Significant accounting policies *(Continued)*

(c) (ii) Goodwill (Continued)

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

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

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

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

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

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

Significant accounting policies *(Continued)*

(c) (ii) Goodwill (Continued)

Investments in associates *(Continued)*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

Significant accounting policies *(Continued)*

(d) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in production or supply of goods or services, or for administrative purpose. Property, plant and equipment are stated at cost less any accumulated depreciation and impairment losses, if any (see note 3(h)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvements	5 years
– Plant and machinery	4–10 years
– Furniture, fixtures and equipment	3–5 years
– Motor vehicles	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

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

Significant accounting policies *(Continued)*

(e) Intangible assets (other than goodwill)

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

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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

Significant accounting policies *(Continued)*

(e) Intangible assets (other than goodwill) (Continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Technical know-how for digital trunking system	3–5 years
–	Administrative system costs	5 years
–	Safe communication technology software	10 years
–	Patents and software	5–10 years
–	Trademarks	5–10 years
–	Customer relationship	5 years

Both the period and method of amortisation are reviewed annually.

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

Significant accounting policies *(Continued)*

(f) Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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

Significant accounting policies *(Continued)*

(f) Leases (Continued)

The Group as a lessee *(Continued)*

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

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

Significant accounting policies *(Continued)*

(f) Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

The lease payments include:

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

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

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

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

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

Significant accounting policies *(Continued)*

(f) Leases (Continued)

The Group as a lessee *(Continued)*

Lease modifications *(Continued)*

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

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

Covid-19-related rent concessions

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

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

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

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

Significant accounting policies *(Continued)*

(g) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Significant accounting policies *(Continued)*

(g) Financial instruments (Continued)

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

Amortised cost and interest income

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bills receivables, loan receivables and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

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

Significant accounting policies *(Continued)*

(g) Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

Significant accounting policies *(Continued)*

(g) Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 3 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

Significant accounting policies *(Continued)*

(g) Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

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

Significant accounting policies *(Continued)*

(g) Financial instruments (Continued)

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instrument

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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

Significant accounting policies *(Continued)*

(g) Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank and other borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

Significant accounting policies *(Continued)*

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of inventories using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the estimated costs necessary to make the sale.

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

Significant accounting policies *(Continued)*

(k) Cash and cash equivalents

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

(l) Employee benefits

(i) Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

(ii) Termination benefits

A liability for a termination benefits are recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring cost.

(iii) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

Significant accounting policies *(Continued)*

(m) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Significant accounting policies *(Continued)*

(m) Taxation (Continued)

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

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

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

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

(n) Provisions

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

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

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

Significant accounting policies *(Continued)*

(o) Revenue recognition

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

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

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

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

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

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

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

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

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

Significant accounting policies *(Continued)*

(o) Revenue recognition (Continued)

Principal versus agent

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

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

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

(i) Sale of goods

Revenue from sale of goods for communication technology, building intelligence and control system businesses is recognised at a point in time when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Sale of services

Revenue is recognised at a point in time when the services are provided to customers.

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

Significant accounting policies *(Continued)*

(p) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal.

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

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

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

Significant accounting policies *(Continued)*

(p) Translation of foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(q) Borrowing costs

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

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

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

(r) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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

Significant accounting policies *(Continued)*

(s) Related parties

A party is considered to be related to the Group if:

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

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

Significant accounting policies *(Continued)*

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief executive officer, who has been identified as the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Key sources of estimation uncertainty

(i) Impairment of non-financial assets (other than goodwill)

Determining whether there is an impairment requires an estimation of recoverable amounts of the property, plant and equipment, right-of-use assets, intangible assets, prepayment for acquisition of property, plant and equipment or the respective cash generating unit in which property, plant and equipment, right-of-use assets, intangible assets, prepayment for acquisition of property, plant and equipment belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash generating unit to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets of cash generating units and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES ESTIMATION UNCERTAINTY *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's production plants. As at 31 March 2021, the carrying amount of goodwill is HK$51,301,000 (net of accumulated impairment losses of HK$188,312,000) (2020: carrying amount of HK$47,472,000, net of accumulated impairment losses of HK$176,535,000). Details of the recoverable amount calculation are disclosed in note 18.

(iii) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. The directors estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

(iv) Expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, and customer type and rating). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES ESTIMATION UNCERTAINTY *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(iv) Expected credit losses on trade and other receivables (Continued)

The Group assessed the credit exposures of financial assets included in other receivables, and there has not been a significant increase in credit risk since initial recognition and the Group performed expected credit loss assessment for credit losses that result from default events that are possible within the next 12 months. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 31 March 2021, the carrying amount of trade and other receivables is HK$96,803,000 (net of loss allowance of HK$15,257,000) (2020: carrying amount of HK$106,293,000, net of loss allowance of HK$18,808,000). Further information about the ECLs on the Group's trade, other receivables and loan receivables is disclosed in note 22 and note 31(a).

(v) Estimation of provision for warranty

The Group generally provides 0 to 3 years warranties to its customers on its products under which faulty products are repaired and replaced. Provision for warranty is made based on possible claims on the products by customers with reference to the percentage of warranty expenses incurred over total sales amounts during the year ended 31 March 2021 and 2020, and no provision for warranty has been made in the consolidated financial statements. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

(b) Critical accounting judgements in applying the group's accounting policies

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES ESTIMATION UNCERTAINTY *(Continued)*

(b) Critical accounting judgements in applying the group's accounting policies *(Continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see above), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Income tax

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

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charge in the periods in which such estimates are changed.

5. REVENUE

Disaggregation of the Group's revenue from contracts with customers by major products is as follows:

	2021 **HK$'000**	2020 HK$'000
Continuing operations		
Building intelligence	**50,761**	42,426
Control system	**39,520**	30,817
	90,281	73,243

Revenue from sales of products is from contracts with customers and recognised at a point in time when the customer obtains control of the goods.

Disaggregation of the Group's revenue from contracts with customers by geographic markets is disclosed in note 14.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Continuing operations		
Other income		
Interest income on bank deposits *(note a)*	**52**	10
Interest income on loan receivables *(note a)*	**330**	2,337
Government grants *(note b)*	**1,171**	319
Value-added taxes refund *(note c)*	**1,405**	1,924
Sundry income *(note d)*	**7,703**	1,533
	10,661	6,123
Other gains and losses		
Net exchange gain/(loss)	**69**	(561)
Net loss on disposal of property, plant and equipment	**–**	(26)
Loss on lapse of the acquisition *(note e)*	**(1,250)**	–
Write off of obsolete inventories	**(5,513)**	–
	(6,694)	(587)
	3,967	5,536

Notes:

(a) Interest income from bank deposits and loan receivables represented the total interest income on financial assets not at FVTPL.

(b) These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to "hi-tech enterprise".

(c) Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

(d) Sundry income mainly represents one-off respirator masks trading income of approximately HK$5,118,000 which is related to trading revenue of HK$19,618,000 deducted related expense of HK$14,500,000.

(e) The Group entered into a sale and purchase agreement in respect of acquisition of shares, which containing a non-refundable deposit of approximately HK$1,250,000 on 17 April 2020. As the Company and the vendor have not agreed on any further extension of the long stop date, therefore, acquisition have lapsed on 1 January 2021 pursuant to the terms of the sale and purchase agreement and the Company recognised the non-refundable deposit forfeited as loss on lapse of the acquisition in profit and loss during the year. Details of the acquisition of the target company announced on 17 April 2020.

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following:

(a) Finance costs

	2021 HK$'000	2020 HK$'000
Continuing operations		
Interest expense on bank and other borrowings	**3,520**	6,167
Finance charges on lease liabilities	**317**	195
	3,837	6,362

(b) Staff costs (including Directors' emoluments in Note 10)

	2021 HK$'000	2020 HK$'000
Continuing operations		
Salaries, wages and other benefits	**12,904**	19,181
Contributions to defined contribution retirement plans	**761**	2,725
	13,665	21,906

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of Group are required to contribute a state-sponsored retirement plan, which is a defined contribution pension schemes, for all of their employees at a certain percentage of the employee's basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

7. LOSS BEFORE TAX *(Continued)*

(b) Staff costs (including Directors' emoluments in Note 10) *(Continued)*

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

Save for the above, the Group has no other obligation for payment of retirement benefits beyond the contributions.

(c) Other items

	2021 **HK$'000**	2020 HK$'000
Continuing operations		
Auditor's remuneration	**700**	800
Cost of inventories recognised as expenses	**66,257**	44,585
Amortisation of intangible assets *(note 17)*	**4,681**	7,673
Depreciation of property, plant and equipment *(note 15)*	**3,485**	3,620
Depreciation of right-of-use assets *(note 16)*	**3,214**	2,353
Reversal of expected credit loss, net *(note 22)*	**(4,560)**	(2,384)
Expenses relating to short term lease	**75**	300
Research and development expenditure *(note (i))*	**4,197**	17,850

Note:

(i) Research and development expenditure for the year ended 31 March 2021 included HK$2,659,000 (2020: HK$2,596,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 7(b).

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss

	2021 **HK$'000**	2020 HK$'000
Continuing operations		
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (iv))*	**7**	19
Over-provision in respect of prior year		
PRC EIT	**(7)**	–
Deferred tax		
Reversal of temporary differences *(note 28(a))*	**(1,313)**	(2,132)
	(1,313)	(2,113)

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.

(iii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for taxation in Hong Kong has been made as the Group has no assessed profit on both years.

(iv) The PRC subsidiaries of the Group are subject to PRC EIT at a rate of 25% for both years under the Law of the PRC on EIT and Implementation Regulation of the EIT Law.

(v) Under the EIT Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

(vi) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(b) The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Loss before tax from continuing operations	**(18,204)**	(35,307)
Notional tax on loss before tax, calculated at the rates applicable in the countries concerned	**(4,038)**	(6,500)
Tax effect of non-deductible expenses	**2,092**	3,834
Tax effect of non-taxable income	**(771)**	(6)
Tax effect of unused tax losses not recognised	**1,972**	1,434
Tax effect of utilisation of tax losses not recognised in prior years	**(321)**	(238)
Effect of tax incentive on eligible expenditure *(note)*	**(226)**	(615)
Over-provision in prior years	**(7)**	–
Others	**(14)**	(22)
Actual tax credit	**(1,313)**	(2,113)

Note:

Certain PRC subsidiaries of the Group enjoyed an additional 50% to 75% (2020: 50% to 75%) tax deduction on research and development costs charged to profit or loss in the calculation of PRC EIT charge.

9. DISCONTINUED OPERATIONS

For the year ended 31 March 2020

On 23 August 2019, the Group disposed of its entire equity interests in Synertone Communication Technology Limited and Thrive United Holdings Limited to an independent third party for cash consideration of HK$7,700,000 and US$1 (equivalent to approximately HK$8) respectively, and thereafter the Group ceased the operation of its communication technology business.

Synertone Communication Technology Limited and Thrive United Holdings Limited carried out the Group's communication technology business, which was discontinued by the Group's along with the disposal.

9. DISCONTINUED OPERATIONS *(Continued)*

For the year ended 31 March 2020 *(Continued)*

The results of the communication technology business for the period from 1 April 2019 to 23 August 2019 have been presented as a discontinued operation in the Group's consolidated statement of profit or loss for the year ended 31 March 2020.

	Period from 1 April 2019 to 23 August 2019 HK$'000
Revenue	–
Cost of sales	–
Gross profit	–
Other income	1,094
Other gains and losses	(5)
Administrative and other operating expenses	(1,823)
Research and development expenditure	(1,996)
Loss from operations	(2,730)
Finance costs	(82)
Loss before taxation	(2,812)
Income tax expense	–
Loss for the period	(2,812)
Loss on disposal of subsidiaries *(note 33)*	(2,484)
Loss for the period from discontinued operation	(5,296)

9. DISCONTINUED OPERATIONS *(Continued)*

For the year ended 31 March 2020 *(Continued)*

Loss for the period from discontinued operation is arrived at after charging/(crediting):

	Period from 1 April 2019 to 23 August 2019 HK$'000
Government grants *(Note)*	(1,094)
Depreciation of property, plant and equipment	1,489
Depreciation of right-of-use assets	587
Net exchange loss	5

Note: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to "hi-tech enterprise".

Cash flows from discontinued operation for the year are as follows:

	Period from 1 April 2019 to 23 August 2019 HK$'000
Net cash from operating activities	630
Net cash used in investing activities	(1,416)
Net cash used in financing activities	(38)
Effect of foreign exchange rate changes	138

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 March 2021				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive director					
Han Weining *(Chief executive officer)*	360	1,440	–	18	1,818
Independent non-executive directors					
Lam Ying Hung Andy	100	–	–	–	100
Wang Chen	100	–	–	–	100
Li Mingqi	100	–	–	5	105
	660	1,440	–	23	2,123

	Year ended 31 March 2020				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Wong Chit On *(resigned with effect from 3 January 2020)*	76	2,729	–	15	2,820
Han Weining *(Chief executive officer)*	360	1,440	–	18	1,818
Independent non-executive directors					
Lam Ying Hung Andy	100	–	–	–	100
Wang Chen	100	–	–	–	100
Li Mingqi	100	–	–	5	105
	736	4,169	–	38	4,943

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

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

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

Certain executive directors of the Company are entitled to bonus payments which are determined based on the performance for the year ended 31 March 2021.

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any emoluments for the years ended 31 March 2021 and 2020.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one director (2020: two directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other emoluments	**2,176**	1,827
Contributions to retirement benefit schemes	**54**	54
	2,230	1,881

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

	2021	2020
HK$Nil to HK$1,000,000	**4**	3

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2021 and 2020.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during each of the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the each reporting period.

13. LOSS PER SHARE

For continuing and discontinued operations

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of HK$15,133,000 (2020: HK$38,677,000) and the weighted average number of 1,032,363,200 (2020: 880,101,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the following:

	2021 HK$'000	2020 HK$'000
Earnings		
Loss attributable to owners of the Company for the purpose of diluted loss per share	**(15,133)**	(38,677)

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,032,363**	880,101

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 March 2020 has been adjusted for the consolidation of shares on 24 March 2020.

13. LOSS PER SHARE *(Continued)*

For continuing operations

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

	2021	2020
	HK$'000	HK$'000
Earnings		
Loss for the year attributable to owners of the Company	**(15,133)**	(38,677)
Add: Loss for the year from discontinued operation	**–**	5,296
Loss for the purposes of basic and diluted loss per share from continuing operations	**(15,133)**	(33,381)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operation

For the year ended 31 March 2020, the basic and diluted loss per share for the discontinued operation is HK0.6 cent per share, based on the loss for the year from discontinued operation of HK$5,296,000 and the denominators detailed above for both basic and diluted loss per share.

14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines.

On adopting HKFRS 8 Operating Segments and in a manner consistent with the way in which information is reported internally to the chief executive officer of the Company, who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

Building Intelligence:	Provision of (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home automation systems for new and existing households.
Control System:	Provision of (i) automation hardware and software products, information systems platforms, as well as (ii) the industrial and monitoring and scheduling management system solutions for municipal utilities industry.

During the year ended 31 March 2020, the Group discontinued the operation of its Communication technology business. The segment information does not include any amounts for this discontinued operation.

14. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief executive officer monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables attributable to the activities of the individual segments, bank and other borrowings and lease liabilities managed directly by the segments with the exception of corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment results is adjusted earnings or loss before interest and taxes ("Adjusted EBIT"). To arrive at the Adjusted EBIT, the Group's earnings or loss are further adjusted for interest income, impairment loss of intangible assets, goodwill and interests in associates, share of results of associates and items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

In addition to receiving segment information concerning Adjusted EBIT, the Group's chief executive officer is provided with segment information concerning revenue (including inter-segment sales), interest income, finance costs, amortisation of intangible assets, depreciation of property, plant and equipment and right-of-use assets, reversal or allowance of expected credit loss, net, research and development expenditure, loss on lapse of the acquisition, write off of inventories and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

14. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2021 and 2020 is as follows:

Continuing operations

	2021			
	Building intelligence HK$'000	Control system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	50,761	39,520	–	90,281
Inter-segment revenue	2,697	1,618	–	4,315
Reportable segment revenue	53,458	41,138	–	94,596
Reportable segment income/(loss) (Adjusted EBIT)	(9,585)	1,586	–	(7,999)
Interest income	3	49	330	382
Finance costs	(3,518)	(35)	(284)	(3,837)
Amortisation of intangible assets	(4,397)	(284)	–	(4,681)
Depreciation of property, plant and equipment	(3,168)	(163)	(154)	(3,485)
Depreciation of right-of-use assets	(566)	(397)	(2,251)	(3,214)
Reversal of expected credit loss, net	1,262	1,701	1,597	4,560
Research and development expenditure	(1,205)	(2,992)	–	(4,197)
Loss on lapse of the acquisition	–	–	(1,250)	(1,250)
Write off of inventories	(5,513)	–	–	(5,513)
Share of results of associates	–	–	(876)	(876)
Reportable segment assets	118,414	87,943	–	206,357
Interests in associates	–	–	55,500	55,500
Addition to non-current segment assets				
– Property, plant and equipment	–	863	1,527	2,390
– Right-of-use assets	–	–	7,447	7,447
Reportable segment liabilities	113,440	18,103	–	131,543

14. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Continuing operations (Continued)

	2020			
	Building intelligence HK$'000	Control system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	42,426	30,817	–	73,243
Inter-segment revenue	8,123	4,509	–	12,632
Reportable segment revenue	50,549	35,326	–	85,875
Reportable segment loss (Adjusted EBIT)	(970)	(5,364)	–	(6,334)
Interest income	5	4	2,338	2,347
Finance costs	(6,195)	(58)	(109)	(6,362)
Amortisation of intangible assets	(6,544)	(1,129)	–	(7,673)
Depreciation of property, plant and equipment	(3,583)	(31)	(6)	(3,620)
Depreciation of right-of-use assets	(618)	(444)	(1,291)	(2,353)
Reversal/(allowance) of expected credit loss, net	3,941	703	(2,260)	2,384
Research and development expenditure	(3,281)	(2,009)	(12,560)	(17,850)
Reportable segment assets	121,659	76,107	–	197,766
Addition to non-current segment assets	162	110	–	272
Reportable segment liabilities	101,550	16,083	–	117,633

14. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2021 HK$'000	2020 HK$'000
Continuing operations		
Revenue		
Reportable segment revenue	**94,596**	85,875
Elimination of inter-segment revenue	**(4,315)**	(12,632)
Consolidated revenue	**90,281**	73,243
Loss		
Reportable segment loss	**(7,999)**	(6,334)
Reversal/(allowance) of expected credit loss, net	**1,597**	(2,260)
Interest income	**382**	2,347
Finance costs	**(3,837)**	(6,362)
Share of results of associates	**(876)**	(12)
Unallocated corporate expenses	**(7,471)**	(22,686)
Consolidated loss before tax	**(18,204)**	(35,307)
Assets		
Reportable segment assets	**206,357**	197,766
Unallocated corporate assets	**103,357**	98,522
Consolidated total assets	**309,714**	296,288

14. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities *(Continued)*

	2021 HK$'000	2020 HK$'000
Liabilities		
Reportable segment liabilities	**131,543**	117,633
Deferred tax liabilities	**–**	1,264
Unallocated corporate liabilities	**15,529**	4,186
Consolidated total liabilities	**147,072**	123,083

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, intangible assets, goodwill, interests in associates and deposits and prepayments. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of right-of-use assets and property, plant and equipment is based on the physical location of the asset under consideration. In the case of intangible assets, goodwill and deposits and prepayments, it is based on the location of the operation to which they are allocated. In the case of interests in associates, it is the location of operations of such associates.

	Revenue from external customers		Non-current assets	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Continuing operations				
Hong Kong (place of domicile)	**–**	–	**7,846**	1,059
PRC	**89,409**	72,757	**151,750**	96,954
Overseas	**872**	486	**–**	–
	90,281	73,243	**159,596**	98,013

14. SEGMENT REPORTING *(Continued)*

(d) Information about products and services

The Group's revenue from external customers for each principal type of products were set out in note 5.

(e) Information about major customers

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

	2021 **HK$'000**	2020 HK$'000
Building intelligence		
Customer A *(Note)*	–	9,299
Customer B *(Note)*	**28,412**	–

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	**Leasehold improvements** HK$'000	**Plant and machinery** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Cost						
At 1 April 2019	45,426	46,634	43,931	918	2,957	139,866
Additions	–	162	1,666	110	–	1,938
Disposals	(559)	–	–	–	–	(559)
Disposal of subsidiaries	–	(41,389)	(40,008)	(773)	(2,443)	(84,613)
Effect of foreign currency exchange differences	(2,763)	(2,388)	(2,339)	(154)	(104)	(7,748)
At 31 March and 1 April 2020	42,104	3,019	3,250	101	410	48,884
Additions	–	1,527	–	340	523	2,390
Effect of foreign currency exchange differences	3,820	287	463	478	361	5,409
At 31 March 2021	**45,924**	**4,833**	**3,713**	**919**	**1,294**	**56,683**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation and impairment						
At 1 April 2019	7,621	44,294	36,812	515	1,829	91,071
Charge for the year	2,209	397	2,341	96	66	5,109
Eliminated on disposals of assets	(15)	–	–	–	–	(15)
Eliminated on disposal of subsidiaries	–	(39,930)	(36,081)	(472)	(1,632)	(78,115)
Effect of foreign currency exchange differences	(534)	(2,271)	(1,971)	(129)	(46)	(4,951)
At 31 March and 1 April 2020	9,281	2,490	1,101	10	217	13,099
Charge for the year	2,199	261	723	131	171	3,485
Effect of foreign currency exchange differences	1,301	251	461	333	352	2,698
At 31 March 2021	**12,781**	**3,002**	**2,285**	**474**	**740**	**19,282**
Carrying amounts						
At 31 March 2021	**33,143**	**1,831**	**1,428**	**445**	**554**	**37,401**
At 31 March 2020	32,823	529	2,149	91	193	35,785

Note:

(a) At 31 March 2021, buildings with net book value of HK$33,143,000 (2020: HK$32,823,000) was pledged to banks as one of the secure bank borrowing collateral (note 26).

16. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Office premises HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 April 2019	9,168	7,700	2,368	19,236
Lease modification	–	(120)	–	(120)
Disposal of subsidiaries	–	(3,090)	(2,368)	(5,458)
Effect of foreign currency exchange difference	(561)	(311)	–	(872)
At 31 March and 1 April 2020	8,607	4,179	–	12,786
Addition	–	7,447	–	7,447
Remeasurement	–	(2,005)	–	(2,005)
Effect of foreign currency exchange differences	694	172	–	866
As at 31 March 2021	**9,301**	**9,793**	**–**	**19,094**
Accumulated depreciation:				
At 1 April 2019	670	–	1,579	2,249
Charge for the year	195	2,548	197	2,940
Lease modification	–	(48)	–	(48)
Disposal of subsidiaries	–	(572)	(1,776)	(2,348)
Effect of foreign currency exchange difference	(47)	(41)	–	(88)
At 31 March and 1 April 2020	818	1,887	–	2,705
Charge for the year	196	3,018	–	3,214
Remeasurement	–	(1,276)	–	(1,276)
Effect of foreign currency exchange differences	68	108	–	176
As at 31 March 2021	**1,082**	**3,737**	**–**	**4,819**
Carrying amounts				
As at 31 March 2021	**8,219**	**6,056**	**–**	**14,275**
As at 31 March 2020	7,789	2,292	–	10,081

Note:

At 31 March 2021, leasehold land with net book value of HK$8,219,000 (2020:HK$7,789,000) was pledged to banks as one of the collateral against the secure bank borrowing (note 26).

17. INTANGIBLE ASSETS

	Technical know-how for digital trunking system HK$'000	Administrative system costs HK$'000 *(note a)*	Safe communication technology software HK$'000	Patents and software HK$'000 *(note b)*	Trademark HK$'000 *(note b)*	Customer relationship HK$'000 *(note c)*	Total HK$'000
Cost							
At 1 April 2019	38,458	5,281	31,999	62,665	3,928	14,326	156,657
Disposal of subsidiaries	(38,076)	(5,011)	(30,387)	(34,300)	–	–	(107,774)
Effect of foreign currency exchange differences	(382)	(17)	(1,612)	(3,445)	(241)	(876)	(6,573)
At 31 March 2020	–	253	–	24,920	3,687	13,450	42,310
At 1 April 2020	–	253	–	24,920	3,687	13,450	42,310
Effect of foreign currency exchange differences	–	19	–	2,010	297	1,085	3,411
At 31 March 2021	**–**	**272**	**–**	**26,930**	**3,984**	**14,535**	**45,721**
Accumulated amortisation and impairment							
At 1 April 2019	38,458	5,231	31,999	55,537	2,879	9,798	143,902
Charge for the year	–	9	–	4,280	609	2,775	7,673
Eliminated upon disposal of subsidiaries	(38,076)	(5,011)	(30,387)	(34,300)	–	–	(107,774)
Effect of foreign currency exchange differences	(382)	(15)	(1,612)	(3,139)	(195)	(684)	(6,027)
At 31 March 2020	–	214	–	22,378	3,293	11,889	37,774
At 1 April 2020	–	214	–	22,378	3,293	11,889	37,774
Charge for the year	–	9	–	2,641	409	1,622	4,681
Effect of foreign currency exchange differences	–	17	–	1,911	282	1,024	3,234
At 31 March 2021	**–**	**240**	**–**	**26,930**	**3,984**	**14,535**	**45,689**
Carrying amounts							
At 31 March 2021	**–**	**32**	**–**	**–**	**–**	**–**	**32**
At 31 March 2020	–	39	–	2,542	394	1,561	4,536

17. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) Administrative system costs represent costs of Group's computer system software.

(b) Patents and software and trademarks represent those related to safe communication technologies, building intelligence products and control systems acquired by the Group through business combinations in prior years.

(c) It represents customer relationship under building intelligence business and control system business acquired by the Group through business combinations in prior years.

(d) The amortisation charge for the year is included in administrative expenses of approximately HK$4,681,000 (2020: HK$7,673,000) respectively in the consolidated statement of profit or loss.

(e) As at 31 March 2021, intangible assets with carrying amount of HK$32,000 were pledged to banks as one of the collateral against the secure bank borrowing (note 26).

18. GOODWILL

	2021 HK$'000	2020 HK$'000
Cost		
At beginning of the year	224,007	238,238
Effect of foreign currency exchange differences	15,606	(14,231)
At end of the year	239,613	224,007
Accumulated impairment losses		
At beginning of the year	176,535	187,672
Effect of foreign currency exchange differences	11,777	(11,137)
At end of the year	188,312	176,535
Carrying amount	51,301	47,472

18. GOODWILL *(Continued)*

Goodwill are allocated to the Group's cash generating units as follows:

	2021 HK$'000	2020 HK$'000
Building intelligence	–	–
Control system	51,301	47,472
	51,301	47,472

Impairment tests for cash-generating units containing goodwill

For the purpose of determining whether goodwill attributable to the control system cash generating unit is impaired, the recoverable amount of the control system cash generating unit is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating unit operates.

The key assumptions used in value-in-use calculations are as follows:

	Control system	
	2021 %	2020 %
– Long-term growth rate	2.00	3.00
– Pre-tax discount rate	18.67	19.63

The long term growth rates used was adopted based on the China long term projected inflation as sourced from the International Monetary Fund. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

Based on management's assessment and by reference to the calculations performed by an independent appraisal firm, ROMA Appraisals Limited, the Group recognised impairment loss of HK$Nil and HK$Nil under the control system cash generating unit for each of the years ended 31 March 2021 and 2020 respectively as the carrying amounts of those assets related to the cash generating unit exceeded their respective recoverable amounts at the end of each reporting period. As the carrying amount of the cash generating unit have been reduced to their recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

19. SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held		Principal activities/ place of operation
			Directly		Indirectly				
			2021	2020	2021	2020	2021	2020	
LakeWest Holdings Limited ("LakeWest") *(note (e))*	Hong Kong	10,000 ordinary shares	100%	100%	–	–	100%	100%	Inactive/Hong Kong
Radio World Holding Limited	BVI	1,000 ordinary shares of US$1 each	100%	100%	–	–	100%	100%	Investment holding/Hong Kong
MOX Products Pty Limited	BVI	50,000 ordinary shares of US$1 each	–	–	100%	100%	100%	100%	Investment holding/Hong Kong
悉雅特萬科思自動化(杭州)有限公司 *(note (a))*	PRC	Registered capital of US$1,000,000	–	–	100%	100%	100%	100%	Design, development and sales of automation control systems/PRC
萬科思自動化(上海)有限公司 *(note (b))*	PRC	Registered capital of RMB1,200,000	–	–	100%	100%	100%	100%	Design, development and sales of automation control systems/PRC
Sense Field Group Limited ("Sense Field")	BVI	100 ordinary shares of US$1 each	–	–	85%	85%	85%	85%	Investment holding/Hong Kong
MOX Group Limited	BVI	50,000 ordinary shares of US$1 each	–	–	85%	85%	85%	85%	Investment holding/Hong Kong
悉雅特樓宇自控(杭州)有限公司 *(note (a))*	PRC	Registered capital of US$1,000,000	–	–	85%	85%	85%	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
MOX Control IT (China) Limited *(note (a))*	PRC	Registered capital of US$12,000,000	–	–	85%	85%	85%	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
杭州奧邁智能科技有限公司 *(note (b))*	PRC	Registered capital of RMB5,000,000	–	–	85%	85%	85%	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
Brightect Limited *(note (c))*	Hong Kong	10,000 ordinary shares	–	–	100%	N/A	100%	N/A	Inactive/Hong Kong
澳萬樓宇智能設備(上海)有限公司 *(note (d))*	PRC	Registered capital of RMB1,825,000	–	–	85%	85%	85%	85%	Sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC

19. SUBSIDIARIES *(Continued)*

Notes:

(a) Registered under the laws of the PRC as a wholly-owned foreign enterprise.

(b) Registered under the laws of the PRC as a limited liability company.

(c) Brightect Limited was incorporated in Hong Kong on 14 April 2020.

(d) Registered under the laws of the PRC as a limited liability company on 30 March 2020.

(e) On 4 May 2021, the company name has changed to Ethereum Data Limited.

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Sense Field Group	
	2021	2020
	HK$'000	HK$'000
NCI percentage	**15%**	15%
Current assets	**112,443**	108,408
Non-current assets	**43,634**	48,248
Current liabilities	**(113,430)**	(104,520)
Non-current liabilities	**–**	(1,509)
Net assets	**42,647**	50,627
Carrying amount of NCI	**6,397**	7,594
Revenue	**53,458**	50,549
(Loss)/profit for the year	**(11,718)**	1,247
(Loss)/profit allocated to NCI	**(1,758)**	187
Other comprehensive income/(expense)	**3,620**	(994)
Total comprehensive (expense)/income	**(8,098)**	253
Cash flows from operating activities	**6,614**	38,114
Cash flows used in investing activities	**(159)**	(79)
Cash flows used in financing activities	**(5,943)**	(39,047)
Net cash generated from/(used in) cash and cash equivalent	**512**	(1,012)

20. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

	2021 HK$'000
Cost of investment in associates	56,000
Share of post-acquisition loss, net of dividends received	(876)
Exchange adjustments	376
	55,500

The amount due to an associate of HK$337,000 was unsecured, non-interest bearing and repayable within one year.

On 5 June 2020, the Company entered into the sale and purchase agreement, pursuant to which the Company agreed to purchase the sale shares, representing 20% of the issued share capital in Iogo Workshop Investment Limited ("Iogo", together with its subsidiaries as the "Iogo Group") at a consideration of HK$56,000,000. Upon completion on 19 June 2020, Iogo and its subsidiaries became associates of the Company.

During the year ended 31 March 2020, the Group further acquired through an indirect 85%-owned subsidiary of the Company an 51% equity interest in 杭州奧邁智能科技有限公司 ("Hangzhou Aomai") for a cash consideration of HK$450,000. The Group's effective equity interest in Hangzhou Aomai increased from 41.65% to 85%. Therefore, Hangzhou Aomai became an indirect non-wholly-owned subsidiary of the Group during the year ended 31 March 2020. Further details are disclosed in note 34 to the financial statements.

20. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

The following is a list of the particulars of the associates, which are unlisted corporate entities whose quoted market price is not available, as at 31 March 2021:

Name of entity	Place of incorporation and business	Proportion of ownership interest held by the Group 2021	Proportion of voting rights held by the Group 2021	Principal activity
Iogo Workshop Investment Limited	BVI	20% (Direct)	20%	Investment holding
Dolphin International Technology Co., Ltd.	Hong Kong	20% (Indirect)	20%	Investment holding
深圳海豚充電科技有限公司 *(note(a))*	PRC	20% (Indirect)	20%	Investment holding
深圳市海豚共享科技有限公司 *(note(b))*	PRC	20% (Indirect)	20%	Leasing and renting of charging stations for mobile devices and extended value added services

Notes:

(a) Registered under the laws of the PRC as a wholly-owned foreign enterprise.

(b) Registered under the laws of the PRC as a limited liability company.

(c) The above associates are accounted for using the equity method in the consolidated financial statements.

(d) The financial year end date for Iogo and its subsidiaries is 31 March.

20. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Summarised financial information of logo:

logo Group	2021 HK$'000
Current assets	38,192
Non-current assets	18,774
Current liabilities	(33,976)
Non-current liabilities	–
Net assets	22,990
Revenue	3,821
Loss for the year	(4,378)
Other comprehensive income for the year	1,878
Total comprehensive expense for the year	(2,500)
Dividends received from the associate during the year	–

Reconciliation of the above summarised financial information to the carrying amount of interests in associates recognised in the consolidated financial statements:

	2021 HK$'000
Net assets of the logo Group	22,990
Proportion of the Group's ownership interest in the logo Group	20%
The Group's share of net assets of logo Group	4,598
Goodwill	50,902
Carrying amount of the Group's interest in the logo Group	55,500

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**9,710**	9,367
Work in progress	**26,155**	21,632
Finished goods	**14,352**	14,812
	50,217	45,811

22. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables *(notes (a) and (b))*	**53,027**	52,127
Less: Loss allowance *(note (c))*	**(14,224)**	(16,027)
	38,803	36,100
Bill receivables	**1,941**	1,404
Loan receivables *(note (d))*	**21,040**	55,575
Other receivables *(note (e))*	**25,997**	8,537
Prepaid value-added and other taxes	**28**	120
Deposits and prepayments	**10,027**	7,338
Less: Loss allowance	**(1,033)**	(2,781)
	58,000	70,193
	96,803	106,293
Reconciliation to the consolidated statement of financial position:		
Non-current	**1,087**	139
Current	**95,716**	106,154
	96,803	106,293

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) For the year ended 31 March 2021, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2020: 30 to 180 days). A longer credit period of 181 to 365 days (2020: 181 to 365 days) may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers payment history, financial background, transaction volume and length of business relationship with the Group.

(b) The following is an aged analysis of trade receivables, presented based on invoice date:

	2021 HK$'000	2020 HK$'000
0–60 days	**2,030**	9,451
61–90 days	**2,220**	3,195
91–180 days	**7,586**	4,546
181–365 days	**2,322**	3,198
Over 365 days	**38,869**	31,737
	53,027	52,127
Less: Loss allowance (note 31(a))	**(14,224)**	(16,027)
	38,803	36,100

(c) Impairment of trade receivables

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the year	**16,027**	93,451
Reversal of expected credit loss, net	**(2,802)**	(5,165)
Disposal of subsidiaries	**–**	(63,669)
Effect of foreign currency exchange difference	**999**	(8,590)
At end of the year	**14,224**	16,027

Details of impairment assessment of trade receivables for the years ended 31 March 2021 and 2020 are set out in note 31(a).

(d) Loan receivables

Loan receivables represent amounts advanced to independent third parties and are unsecured, interest bearing ranging from 6% to 8% per annum (2020: 6% per annum) and recoverable within one year.

(e) Amount mainly represents the outstanding receivable balance of approximately HK$19,583,000 arising from one-off respirator masks trading to an independent third party set out in note 6(d) and recoverable within the agreed terms.

23. CASH AND CASH EQUIVALENTS

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 1.94% (2020: 0.001% to 0.35%) per annum.

24. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	8,176	12,469
Bill payables	–	4,487
Accrued salaries	1,087	1,185
Accrued expenses and other payables *(note)*	32,116	12,802
Financial liabilities measured at amortised cost	41,379	30,943
Other tax payables	350	81
	41,729	31,024

Note: Amount mainly represents (i) the outstanding payable balance of approximately HK$6,525,000 arising from one-off respirator masks trading transaction (set out in note 6(d)) and (ii) accrued operating expenses of approximately HK$21,053,000 (2020: HK$10,974,000).

The following aged analysis of trade payables presented based on invoice date:

	2021 HK$'000	2020 HK$'000
0–60 days	2,434	4,095
61–90 days	142	246
91–180 days	604	3,437
181–365 days	540	872
Over 365 days	4,456	3,819
	8,176	12,469

25. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract liabilities	**29,625**	22,283
Movements in contract liabilities:		
At beginning of the year	**22,283**	12,156
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(20,598)**	(11,612)
Increase in contract liabilities as a result of receiving forward sales deposits	**27,940**	21,739
At end of the year	**29,625**	22,283

The contract liabilities relating to sales of intelligent building system for buildings will be recognised as revenue when the Group fulfil the contract's obligation.

26. BANK AND OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank borrowings:		
– secured *(note (c))*	**58,474**	39,400
– unsecured *(note (d))*	**10,527**	26,639
Unsecured other borrowing *(note (e))*	**–**	100
	69,001	66,139

26. BANK AND OTHER BORROWINGS *(Continued)*

	2021 HK$'000	2020 HK$'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**69,001**	66,139
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**69,001**	66,039

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand clause. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 31(b). As at 31 March 2021, none of the covenants relating to drawn down facilities had been breached (2020: none).

All of the bank and other borrowings are carried at amortised cost.

Notes:

(a) All the Group's bank and other borrowings are denominated in RMB and HK$.

(b) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank and other borrowings are as follows:

	2021	2020
Effective interest rates:		
Fixed-rate borrowings		
Secured	**4.35%–6.50%**	5.22%–5.44%
Unsecured	**6.09%**	3.05%–6.31%

(c) At 31 March 2021 and 2020, the secured bank borrowings are secured by intangible assets, right-of-use assets and property, plant and equipment of the Group (see notes 17,16 and 15). The secured bank borrowings are also secured by the personal guarantee of a director of the Company and the director's property (see note 35(c)).

(d) The unsecured bank borrowings were guaranteed by a subsidiary of the Company.

(e) Unsecured other borrowing represented loan from an independent third party bearing interest fixed at 5% per annum and was repayable within 1 year as at 31 March 2020.

27. LEASE LIABILITIES

The following tables shows the remaining contractual maturities of the Group's lease liabilities as at 31 March 2021 and 2020:

	2021		2020	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**3,406**	**3,462**	1,724	1,762
After 1 year but within 2 years	**2,558**	**2,751**	649	705
After 2 years but within 3 years	**416**	**460**	–	–
	6,380	**6,673**	2,373	2,467
Less: total future interest expenses		**(293)**		(94)
Total lease liabilities		**6,380**		2,373
Less: non-current portion		**(2,974)**		(649)
Current portion		**3,406**		1,724

Note:

At 31 March 2021, the weighted average incremental borrowing rates applied to lease liabilities range from 5% to 6.175% (2020: 4.7% to 6.175%).

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Accelerated tax depreciation HK$'000	Fair value adjustment on property, plant and equipment HK$'000	Fair value adjustment on intangible assets HK$'000	Total HK$'000
At 1 April 2019	98	372	3,176	3,646
Credited to profit or loss	–	(216)	(1,916)	(2,132)
Disposal of subsidiaries *(note 33)*	(98)	–	–	(98)
Effect of foreign currency exchange differences	–	(16)	(136)	(152)
At 31 March 2020	–	140	1,124	1,264
At 1 April 2020	**–**	**140**	**1,124**	**1,264**
Credited to profit or loss	**–**	**(145)**	**(1,168)**	**(1,313)**
Effect of foreign currency exchange differences	**–**	**5**	**44**	**49**
At 31 March 2021	**–**	**–**	**–**	**–**

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3(m), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$33,149,000 (2020: HK$26,545,000) as at 31 March 2021 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for tax losses of RMB27,493,000 (2020: RMB21,520,000) in the PRC which is available for carry forward to offset future taxable profit for a period of five years.

29. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Movements in components of equity

		Attributable to owners of the Company						
	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve *(note 29(c)(iii))* HK$'000	Warrants reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2019		215,091	801,082	71,349	6,600	–	(957,538)	136,584
Comprehensive expense								
Loss for the year		–	–	–	–	–	(63,220)	(63,220)
Total comprehensive expense for the year		–	–	–	–	–	(63,220)	(63,220)
Lapse of warrants	*29(c)(vi)*	–	–	–	(6,600)	–	6,600	–
Issue of new shares	*29(b)*	43,000	43,000	–	–	–	–	86,000
Share issuance costs		–	(54)	–	–	–	–	(54)
At 31 March 2020		258,091	844,028	71,349	–	–	(1,014,158)	159,310
At 1 April 2020		**258,091**	**844,028**	**71,349**	**–**	**–**	**(1,014,158)**	**159,310**
Comprehensive expense								
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(38,171)**	**(38,171)**
Other comprehensive income								
Exchange differences arising on translation of financial statements of foreign operation		**–**	**–**	**–**	**–**	**376**	**–**	**376**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**376**	**(38,171)**	**(37,795)**
At 31 March 2021		**258,091**	**844,028**	**71,349**	**–**	**376**	**(1,052,329)**	**121,515**

29. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2021 Number of shares '000	2021 Amount HK$'000	2020 Number of shares '000	2020 Amount HK$'000
Authorised:				
At beginning of the year (ordinary shares of HK$0.25 each (2020: HK$0.05 each))	**1,600,000**	**400,000**	8,000,000	400,000
Share consolidation *(note 29(b)(ii))*	**–**	**–**	(6,400,000)	–
At end of the year (ordinary shares of HK$0.25 each (2020: HK$0.25 each))	**1,600,000**	**400,000**	1,600,000	400,000
Issued and fully paid:				
At beginning of the year (ordinary shares of HK$0.25 each (2020: HK$0.05 each))	**1,032,363**	**258,091**	4,301,816	215,091
Issue of new shares *(note 29(b)(i))*	**–**	**–**	860,000	43,000
Share consolidation *(note 29(b)(ii))*	**–**	**–**	(4,129,453)	–
At end of the year (ordinary shares of HK$0.25 each (2020: HK$0.25 each))	**1,032,363**	**258,091**	1,032,363	258,091

Notes:

(i) During the year ended 31 March 2020, the Company issued 860,000,000 new shares of HK$0.05 each under general mandate to an independent third party at the subscription price of HK$0.1 per share. The net proceeds amounting to HK$85,900,000 have been applied as general working capital purpose.

(ii) With effect from 24 March 2020, every five (5) shares of HK$0.05 each were consolidated into one (1) share of HK$0.25 each. As a result, the 5,161,816,000 issued shares of the Company of HK$0.05 each were consolidated into 1,032,363,200 issued shares of HK$0.25 each.

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

29. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve of the Group represents the differences between the nominal value of the Company's shares issued and the nominal value of shares of LakeWest acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(iii) Merger reserve

The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of LakeWest and its subsidiaries acquired through an exchange of shares in December 2006 pursuant to the reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange, which was not available for distribution.

(iv) Statutory reserve

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of the entity's registered capital.

The Company's certain subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations to the statutory reserves until the reserve balances reaches 50% of the registered capital. The transfer must be made before distribution of dividends to owners.

The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the respective subsidiary and is non-distributable other than in the event of liquidation.

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(p).

29. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(vi) Warrants reserve

On 28 August 2014, the Company and an independent third party, CITIC Capital Management Limited ("CITIC Management"), entered into a subscription agreement pursuant to which the Company has agreed to issue and CITIC Management has agreed to subscribe for 660,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe for one warrant share at the subscription price of HK$1.98 (subject to adjustment) at any time during the exercise period of five years commencing from the date of issue of the warrant. The subscription was completed on 22 September 2014 and an aggregate of 660,000,000 warrants have been issued (restated to 196,666,667 warrants following share consolidation on 24 March 2016 and the rights issue completed on 28 April 2016). Each warrant carries the right to subscribe for one warrant share at the subscription price of HK$1.98 (subject to adjustment). Such warrants can be exercised at any time during the exercise period of five (5) years commencing from the date of issue. During the year ended 31 March 2020, no warrants were exercised and all the outstanding warrants were lapsed during the prior financial year on 22 September 2019. No warrants were outstanding as at 31 March 2021 and 2020.

(vii) Other reserve

The other reserve represents the difference between the consideration paid for the further acquisition of 36% equity interest in Sense Field in March 2017 and the carrying value of non-controlling interest derecognised.

(d) Distributability of reserves

As at 31 March 2021, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2020: nil).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

29. CAPITAL AND RESERVES *(Continued)*

(e) Capital management *(Continued)*

The Group monitors its capital structure on the basis of the adjusted net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is defined as total debt (which includes bank and other borrowings, and lease liabilities) less cash and cash equivalents.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods was as follows:

	31 March 2021 HK$'000	31 March 2020 HK$'000
Bank and other borrowings *(note 26)*	**69,001**	66,139
Leases liabilities *(note 27)*	**6,380**	2,373
	75,381	68,512
Less: Cash and cash equivalents *(note 23)*	**(4,185)**	(46,310)
Net debt	**71,196**	22,202
Total equity	**162,642**	173,205
Adjusted gearing ratio	**44%**	13%

Note:

Total equity includes share capital and reserves at the end of each reporting period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS BY CATEGORIES

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**92,020**	98,955
Financial liabilities		
Financial liabilities at amortised costs	**117,097**	99,455

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include, cash and cash equivalent, trade receivables, bill receivables, loan receivables, other receivables, and deposits and prepayments less loss allowance, trade payables, accrued salaries, accrued expenses and other payables, bill payables, lease liabilities and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other receivables. The Group's credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies, for which the Group considers to have low credit risk.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2021, the Group has a certain concentration of credit risk as 42% (2020: 36%) of the trade receivables were due from the Group's five largest customers.

In order to minimise the credit risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each major customer periodically. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The Group do not require collateral from its debtors. Debts are usually due within 30 to 180 days from the date of billing.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The following table details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2021	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts HK$'000
Trade receivables	*22*	N/A	Note (i)	Lifetime ECL (provision matrix)	**53,027**
Bill, loan and other receivables	*22*	N/A	Note (ii)	12-month ECL	**48,978**
Deposits and prepayments	22	N/A	Note (ii)	12-month ECL	**1,087**
Cash and cash equivalents	*23*	N/A	Note (iii)	12-month ECL	**4,185**

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

2020	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts HK$'000
Trade receivables	*22*	N/A	Note (i)	Lifetime ECL (provision matrix)	52,127
Bill, loan and other receivables	*22*	N/A	Note (ii)	12-month ECL	65,516
Cash and cash equivalents	*23*	N/A	Note (iii)	12-month ECL	46,310

Notes:

(i) The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2021:

	Average loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Individual assessment	**100.00%**	**4,408**	**4,408**
Collective assessment			
0–60 days	**10.53%**	**9,611**	**1,012**
61–90 days	**15.20%**	**2,225**	**338**
91–180 days	**16.95%**	**1,385**	**235**
181–365 days	**20.21%**	**937**	**189**
Over 365 days	**23.34%**	**34,461**	**8,042**
		53,027	**14,224**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020:

	Average loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
0–60 days	15.63%	9,451	1,477
61–90 days	22.75%	3,195	727
91–180 days	28.02%	4,546	1,274
181–365 days	33.46%	3,198	1,070
Over 365 days	36.17%	31,737	11,479
		52,127	16,027

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Notes: (Continued)

(i) *(Continued)*

For long overdue trade receivables, the Group regularly reviews the specific circumstances of each major customer to determine if any follow-up action has to be taken. An extension of credit period may be granted by the Group to customers with long business relationship and established reputation; customers which are distributors that have difficulty in receiving payments from final customers; customers which are government-related entities that are subject to strictly regulated government annual budgeting process and payment approval procedures; and customers for which a repayment plan has been arranged.

For the purpose of assessment of ECLs, expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. Decrease in the lifetime ECL for trade receivable are mainly due to improvement in settlement of trade receivable adjusted with current conditions and group's view of economic conditions over the expected live of receivable. The Group writes off a trade receivable when there is information indicating that the debtor is in serve financial difficulty and there is no realistic prospect of recovery, eg. When the debtor has been placed under liquidation or has entered into bankruptcy proceedings, have significant financial difficulty, or when the trade receivables are over 3 years past due, whichever occurs earlier.

(ii) In determining the ECL of the Group's bill receivables, the management assessed the expected losses individually by estimation based on historical credit loss experience, general economic conditions of the relevant industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on the result of the foregoing, the management is of the opinion the risk of default by the counterparties of other receivables is not significant and thus no impairment loss allowance was recognised.

In determining the ECL of the Group's other receivables, the management assessed the expected losses individually by estimation based on historical credit loss experience, general economic conditions of the relevant industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on the result of the foregoing, the management is of the opinion the risk of default by the counterparties of other receivables is not significant and thus allowance for expected credit losses of approximately HK$717,000 (2020: HK$524,000) was recognised. The expected credit losses rate is 3.10% (2020: 5.96%).

In determining the ECL of the Group's loan receivables, the management assessed the expected losses individually by estimation based on general economic conditions of the relevant industry in which the debtors operate, value of any pledged assets, financial position of the debtors and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The allowance for expected credit losses of approximately HK$316,000 (2020: HK$2,257,000) was recognised. The expected credit losses rate is 1.50% (2020: 4.06%). Decrease in loss allowance for loan receivables are mainly due to improvement in settlement of loan receivables.

For deposits paid, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits based on historical settlement records and past experience. The management of the Company believes that there is no material credit risk inherent in the Group's outstanding balance of deposits.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Notes: (Continued)

(iii) In relation to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low.

The movements in the impairment loss on trade receivables during the year, including both specific and collective loss components, are as follows:

	Trade receivables Lifetime ECL not credit impaired HK$'000	Trade receivables Lifetime ECL credit impaired HK$'000	Bill, loan and other receivables 12m ECL HK$'000	Total HK$'000
As at 31 March 2019 and 1 April 2019	93,451	–	–	93,451
Reversal of trade receivables, net	(5,165)	–	–	(5,165)
Impairment of bill, loan and other receivables, net	–	–	2,781	2,781
Disposal of subsidiaries	(63,669)	–	–	(63,669)
Effect of foreign currency exchange difference	(8,590)	–	–	(8,590)
As at 31 March 2020 and 1 April 2020	16,027	–	2,781	18,808
Write-offs	–	4,408	–	4,408
Reversal of trade receivables, net	(7,210)	–	–	(7,210)
Reversal of bill, loan and other receivables, net	–	–	(1,758)	(1,758)
Effect of foreign currency exchange difference	999	–	10	1,009
As at 31 March 2021	**9,816**	**4,408**	**1,033**	**15,257**

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to parent company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Weighted average interest rate %	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
As at 31 March 2021							
Non-derivative financial liabilities							
Trade payables	–	8,176	–	–	–	8,176	8,176
Accrued salaries	–	1,087	–	–	–	1,087	1,087
Accrued expenses and other payables	–	32,116	–	–	–	32,116	32,116
Amount due to an associate	–	337	–	–	–	337	337
Bank and other borrowings	5.02	70,791	–	–	–	70,791	69,001
Lease Liabilities	5.14	3,462	2,751	460	–	6,673	6,380
		115,969	2,751	460	–	119,180	117,097

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	Weighted average interest rate %	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
As at 31 March 2020							
Non-derivative financial liabilities							
Trade payables	–	12,469	–	–	–	12,469	12,469
Accrued salaries	–	1,185	–	–	–	1,185	1,185
Accrued expenses and other payables	–	12,802	–	–	–	12,802	12,802
Bills payables	–	4,487	–	–	–	4,487	4,487
Bank and other borrowings	5.11	67,781	–	–	–	67,781	66,139
Lease Liabilities	5.71	1,762	705	–	–	2,467	2,373
		100,486	705	–	–	101,191	99,455

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, loan receivables, borrowings and lease liabilities.

The Group is exposed to cash flow interest rate risk in relation to the Group's bank deposits which is mainly concentrated on the fluctuation of market interest rate. The Group is also exposed to fair value interest rate risk in respect of its fixed-rate loan receivables, fixed-rate bank and other borrowings and lease liabilities.

The Group aims at keeping borrowings at fixed rates.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing assets and liabilities at the end of the reporting period:

	2021 Range of interest rates	**2021** HK$'000	2020 Range of interest rates	2020 HK$'000
Fixed-rate borrowings:				
Bank and other borrowings	**4.35%–6.5%**	**69,001**	3.05%–6.31%	66,139
Lease liabilities	**5%–6.18%**	**6,380**	4.70%–6.18%	2,373
		75,381		68,512
Fixed-rate loan receivables:				
Loan receivables	**6%–8%**	**21,040**	6%	53,318
Variable-rate bank deposits:				
Cash at bank	**0.001%–1.94%**	**4,185**	0.001%–0.35%	46,310

(ii) Sensitivity analysis

Borrowings of the Group which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

No sensitivity analysis for interest rate risk exposure to variable rate bank deposits is presented as the management considered that the amount involved is insignificant.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$ and RMB.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year-end date.

	Exposure to foreign currencies (expressed in HK$'000)			
	2021		2020	
	US$	**RMB**	US$	RMB
Trade and other receivables	**19,784**	**–**	752	–
Cash and cash equivalents	**–**	**–**	1	10
Trade and other payables	**(6,525)**	**–**	(1,231)	–
Net exposure arising from recognised assets and liabilities	**13,259**	**–**	(478)	10

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation and accumulated losses that would arise if exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and US$ would be materially unaffected by any changes in value of US$ against other currencies.

	Exposure to foreign currencies (expressed in HK$'000)					
	2021			2020		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after taxation**	**Effect on accumulated losses**	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation	Effect on accumulated losses
RMB	**5%**	**–**	**–**	5%	(1)	(1)
	(5%)	**–**	**–**	(5%)	1	1

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis (Continued)

Results of the analysis is presented in the above table represent an aggregate of the instantaneous effects on each of the group entities' profit/loss after taxation and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2021 and 2020.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the expose during the year.

(e) Fair value measurement

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2021 and 2020.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2019	104,221	9,749	113,970
Changes from cash flows:			
– Borrowings raised	95,671	–	95,671
– Repayment of borrowings	(128,031)	–	(128,031)
– Repayment of leases liabilities	–	(2,851)	(2,851)
– Interest paid	(6,167)	(277)	(6,444)
Non-cash changes			
– Finance costs recognised	6,167	277	6,444
– Disposal of subsidiaries (note 33)	–	(4,113)	(4,113)
– Lease modification	–	(74)	(74)
– Effect of foreign exchange rate changes	(5,722)	(338)	(6,060)
At 31 March 2020	66,139	2,373	68,512
At 1 April 2020	**66,139**	**2,373**	**68,512**
Changes from cash flows:			
– Borrowings raised	**73,613**	**–**	**73,613**
– Repayment of borrowings	**(75,814)**	**–**	**(75,814)**
– Repayment of leases liabilities	**–**	**(3,098)**	**(3,098)**
– Interest paid	**(3,520)**	**(317)**	**(3,837)**
Non-cash changes			
– New lease entered	**–**	**7,447**	**7,447**
– Finance costs recognised	**3,520**	**317**	**3,837**
– Remeasurement of lease liabilities	**–**	**(752)**	**(752)**
– Effect of foreign exchange rate changes	**5,063**	**410**	**5,473**
At 31 March 2021	**69,001**	**6,380**	**75,381**

33. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2020

The analysis of assets and liabilities of Synertone Communication Technology Limited and Thrive United Holdings Limited at the date of disposal as detailed in note 9 were as follows:

	HK$'000
Property, plant and equipment	6,498
Right-of-use assets	3,110
Inventories	3,049
Trade and other receivables	19,818
Cash and cash equivalents	171
Trade and other payables	(5,198)
Lease liabilities	(4,113)
Deferred tax liabilities	(98)
	23,237
Release of translation reserve	(13,053)
Loss on disposal of subsidiaries	(2,484)
Total consideration	7,700

Net cash inflow arising on disposal:

	HK$'000
Cash consideration received	7,700
Less: Bank balances and cash disposed of	(171)
	7,529

The impact of Synertone Communication Technology Limited and Thrive United Holdings Limited on the Group's results and cash flows in the prior year is disclosed in note 9.

34. ACQUISITION OF A SUBSIDIARY

For the year ended 31 March 2020

The Group further acquired through an indirect 85%-owned subsidiary of the Company an 51% equity interest in Hangzhou Aomai for a cash consideration of HK$450,000 (the "Further Acquisition"). Hangzhou Aomai is engaged in the sales of building intelligence products in the PRC. Upon completion of the Further Acquisition, the Group's effective equity interest in Hangzhou Aomai increased from 41.65% to 85% and thereafter Hangzhou Aomai becomes an indirect non-wholly owned subsidiary of the Company. No goodwill arose from the acquisition.

The analysis of assets and liabilities acquired by the Group arising from the Further Acquisition of equity interest in Hangzhou Aomai were as follows:

	HK$'000
Trade and other receivables	2,151
Cash and cash equivalents	10
Trade and other payables	(1,279)
Fair value of net identifiable assets and liabilities acquired	882
Carrying amount of interests in an associate previously held	(432)
Total consideration	450

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	450
Less: Bank balances and cash acquired	(10)
	440

35. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

(a) Transactions with related parties

	2021 HK$'000
Sale under Building Intelligence segment – logo Group	**515**

(b) Transactions with key management personnel

Emoluments for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11 are as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**3,229**	6,268
Post-employment benefit	**41**	93
	3,270	6,361

Total emoluments is included in "Staff Costs" (see note 7(b)).

(c) Guarantee

At 31 March 2021, a personal guarantee was given by Mr. Han Weining, the chief executive officer and executive director of the Company with the carrying value of bank borrowing as follows:

	2021 HK$'000
Bank borrowing guaranteed and secured by a director	**15,305**

36. EVENT AFTER THE REPORTING PERIOD

(a) All the conditions of the placing agreement dated 19 March 2021 (the "Placing Agreement") have been fulfilled and completion of the placing took place on 14 April 2021. An aggregate of 162,000,000 placing shares were allotted and issued to not less than six placees at the placing price of HK$0.25 per placing share pursuant to the terms and conditions of the Placing Agreement, representing approximately 13.56% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing. The net proceeds from the placing were approximately HK$39.9 million. The Company intended to apply the net proceeds from the placing as general working capital and/or further investments of the Group as and when the opportunities arise.

(b) On 19 April 2021, the Company entered into a share subscription agreement (the "Subscription Agreement") with New Paramount Limited (the "Target Company"), an independent third party to the Company. Pursuant to the Subscription Agreement, the Company or its nominee shall subscribe for the new shares of the Target Company, representing approximately 3.33% of the issued share capital of the Target Company as enlarged by the allotment and issue of the new shares immediately upon completion of the transaction, at a total consideration of HK$10,000,000. The Target Company is principally engaged in the open smart blockchain platform and disk storage banking technology business in relation to blockchain and decentralized cloud computing systems.

37. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investments in subsidiaries		–	–
Investments in associates		55,500	–
		55,500	–
Current assets			
Other receivables		–	53,814
Prepayments		–	384
Amounts due from subsidiaries		68,504	76,412
Cash and cash equivalents		5	31,895
		68,509	162,505
Current liabilities			
Other payables		2,157	3,095
Other borrowing		–	100
Amount due to an associate		337	–
		2,494	3,195
Net current assets		66,015	159,310
Net assets		121,515	159,310
EQUITY	*29*		
Share capital		258,091	258,091
Reserves		(136,576)	(98,781)
Total equity		121,515	159,310

Approved and authorised for issue by the board of directors on 21 June 2021.

Han Weining
Director

Wang Chen
Director

FIVE YEARS SUMMARY

	For the year ended 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For continuing and discontinued operations					
Revenue	**90,281**	73,243	81,005	93,763	144,677
Cost of sales	**(67,262)**	(46,162)	(54,224)	(78,743)	(116,594)
Gross profit	**23,019**	27,081	26,781	15,020	28,083
(Loss)/profit before tax	**(18,204)**	(40,603)	203,198	(570,739)	(209,350)
Income tax credit	**1,313**	2,113	2,986	21,287	7,934
(Loss)/profit for the year	**(16,891)**	(38,490)	206,184	(549,452)	(201,416)
Attributable to:					
Owners of the Company	**(15,133)**	(38,677)	208,667	(545,125)	(196,693)
Non-controlling interests	**(1,758)**	187	(2,483)	(4,327)	(4,723)
(Loss)/profit for the year	**(16,891)**	(38,490)	206,184	(549,452)	(201,416)

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	**150,118**	198,275	183,833	341,349	336,501
Non-current assets	**159,596**	98,013	121,669	217,741	621,307
Total assets	**309,714**	296,288	305,502	559,090	957,808
Current liabilities	**144,098**	121,170	162,421	464,339	381,449
Non-current liabilities	**2,974**	1,913	3,770	249,120	295,483
Total liabilities	**147,072**	123,083	166,191	713,459	676,932
Net assets/(liabilities)	**162,642**	173,205	139,311	(154,369)	280,876
Share capital	**258,091**	258,091	215,091	167,440	167,440
Reserves	**(101,873)**	(92,523)	(83,696)	(333,530)	98,876
Equity attributable to owners of the Company	**156,218**	165,568	131,395	(166,090)	266,316
Non-controlling interests	**6,424**	7,637	7,916	11,721	14,560
Total equity	**162,642**	173,205	139,311	(154,369)	280,876