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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chan Chung Yee, Hubert
(Chairman & Chief Executive Officer)

Chan Chung Yin, Roy
Chan Ming Him, Denny
Wu Kwok Lam CPA, FCCA
Ip Man Hon
Lam Man Hau

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chu Chor Lup
Chiu Ngar Wing FCCA, CPA (Practising)
Law Ka Hung

COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F., Block B, Vita Tower
29 Wong Chuk Hang Road
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITOR

SHINEWING (HK) CPA Limited

HONG KONG BRANCH REGISTRAR

Pilare Limited
17th Floor, Leighton Centre
77 Leighton Road, Causeway Bay,
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia)

The Hongkong and Shanghai Banking
Corporation Limited

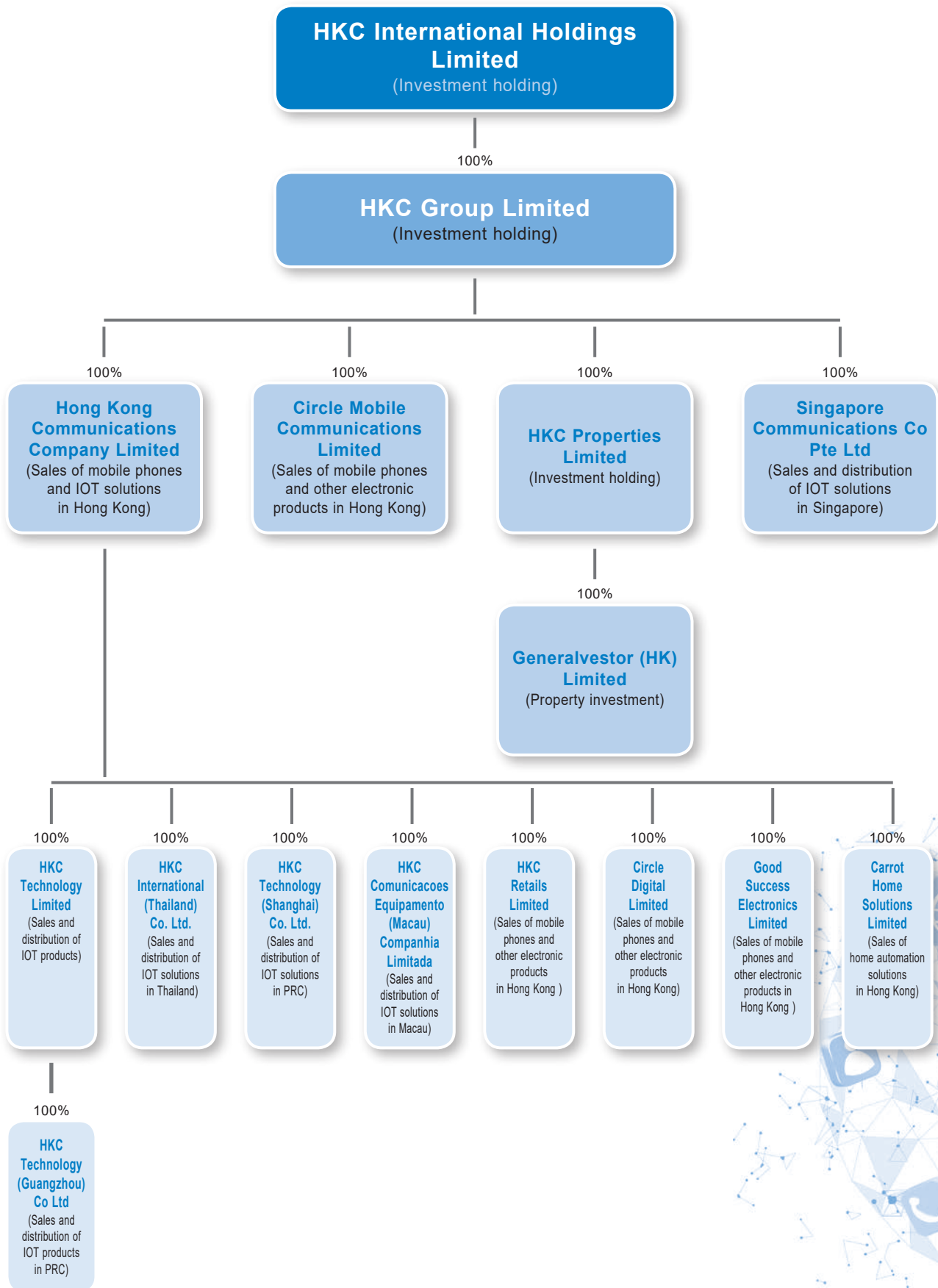
STOCK CODE

248

WEBSITE ADDRESS

<http://www.hkc.com.hk>

GROUP STRUCTURE





MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2023, the Group's turnover decreased by 15% to HK\$170 million (2022: HK\$199 million) and loss attributable to equity holders of the Company was HK\$20 million as compared with the loss of HK\$2 million for the year ended 31 March 2022. The increase in loss was mainly attributable to (i) the decrease in revenue and gross profit and (ii) the fair value loss in investment properties amounting to approximately HK\$10 million while there was fair value gain amounting to approximately HK\$2 million for the year ended 31 March 2022.

SALES OF MOBILE PHONES

The turnover decreased from HK\$134 million to HK\$75 million during the year under review and the division recorded loss of HK\$3 million (2022: profit of HK\$3 million).

SALES OF IOT SOLUTIONS

During the year under review, the turnover increased from HK\$62 million to HK\$93 million due to launch of new projects during the year under review and the loss was HK\$7 million (2022: HK\$5 million).

PROPERTY INVESTMENT

During the year under review, the rental income decreased from HK\$2.5 million to HK\$1.9 million and the division recorded loss of HK\$0.1 million (2022: HK\$0.9 million).

PROSPECTS

Regarding the mobile phone business, we are the authorised distributors of both Nokia and vivo brands. We expect that the sales for the coming year will be weak due to the decrease in overall demand of the mobile phones.

For IOT solutions segment, we will develop new and innovative products to meet market demand. Due to the implementation of new projects, we expect that the sales will increase.

Regarding the property investment segment, the weak demand of the leasing market still affects the occupancy rate. The rental income for the coming year will depend upon the success to lease our vacant properties.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the Group's cash and bank balances amounted to approximately HK\$38 million (2022: HK\$28 million) while the bank borrowings were HK\$140 million (2022: HK\$85 million). Additional bank loans were obtained to finance the new projects which will be implemented in the coming two years. The Board believes that the Group has sufficient cash balances and banking facilities to satisfy its commitments and working capital requirements.

GEARING RATIO

The gearing ratio was 53% (2022: 30%) which is expressed as a percentage of total borrowings to shareholders' equity.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the year ended 31 March 2023.

CAPITAL EXPENDITURE

During the year, the Group spent HK\$0.6 million on property, plant and equipment.

EMPLOYEES

As at 31 March 2023, the total number of employees of the Group was 99 (2022: 92) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$17 million (2022: HK\$20 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 31 March 2023, the Group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings with total carrying value of HK\$48,846,000 (2022: HK\$49,909,000), (2) first legal charge on certain investment properties with total fair value of HK\$182,400,000 (2022: HK\$192,000,000), (3) bank deposits of HK\$2,667,000 (2022: HK\$2,620,000) and (4) financial assets at FVTPL with total fair value of HK\$9,145,000 (2022: HK\$1,947,000).

FOREIGN EXCHANGE FLUCTUATIONS

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, Chinese Renminbi and Singapore Dollars. Income and expenses derived from operations in PRC and Singapore are mainly denominated in Chinese Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuations of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. The Group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

CONTINGENT LIABILITIES

As at 31 March 2023, the Company had provided corporate guarantees of HK\$118 million (2022: HK\$71 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

No dividend was proposed by the directors of the Company for the years ended 31 March 2023 and 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 August 2023 to Friday, 25 August 2023 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Pilare Limited, at 17th Floor, Leighton Center, 77 Leighton Road, Causeway Bay, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22 August 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year.

APPRECIATION

The Board would like to extend its sincere gratitude to the Company's shareholders, business counterparts and all management and staff members of the Group for their contribution and continued support during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Chung Yee, Hubert, aged 63, joined the Group in 1987. He is the chairman and chief executive officer of the Company and is responsible for the formulation of corporate strategies and business development of the Group and effective running of the Board. He has over 30 years of experience in the information and communications technology industry. Mr. Chan obtained a Bachelor's Degree in Industrial Engineering from the University of Hong Kong, an Executive Master of Business Administration from the Hong Kong University of Science and Technology and a DBA from the Hong Kong Polytechnic University. Mr. Chan is also very active in promoting the telecommunications industry in Hong Kong. He is the former Chairman of the Communications Association of Hong Kong from 2006 to 2012. He is the elder brother of Mr. Chan Chung Yin, Roy.

Mr. CHAN Chung Yin, Roy, aged 61, joined the Group in 2005. He graduated from the University of Toronto, Canada with a Bachelor's Degree in Computer Science and has over 20 years of experience in the information and communications technology. He is the younger brother of Mr. Chan Chung Yee, Hubert.

Mr. WU Kwok Lam, aged 61, joined the Group in 1989 and is the general manager and chief financial officer of the Group. He earned his MBA degree from Murdoch University, Australia and has over 30 years of extensive experience in the accounting and finance field. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wu is also the company secretary of the Company.

Mr. CHAN Ming Him, Denny, aged 64, joined the Group in 1999 with over 20 years of experience in the telecommunications industry in China. He graduated from McMaster University, Canada with a Master's Degree in Engineering.

Mr. IP Man Hon, aged 56, is the chief technical officer. He joined the Group in 1991 with over 25 years of experience in product development and management. He obtained a Master Degree of Science in Engineering (Communication Engineering) from the University of Hong Kong and a MBA degree (Information Technology Management) from the Hong Kong Polytechnic University.

Mr. LAM Man Hau, aged 52, joined the Group in 2015 with over 20 years of experience in intelligent system control, system integration, home and building automation. He is the general manager of Carrot Home Solutions Limited and is responsible for sales management, product marketing and business development. He earned his Bachelor Degree of Science from University of California, Berkeley in the United States and Master Degree of Science from the University of Hong Kong.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 69, joined the Group in 2002. He is a practising accountant. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He is a director of T.C. Ng & Co. CPA Ltd. and has been practicing in the firm for more than 40 years.

Dr. CHU Chor Lup, aged 70, joined the Group in 2001. He is a practising doctor. He is a fellow of Hong Kong College of Physician and Hong Kong Academy of Medicine and Royal College of Physician (Glasgow). He has been the member of the Hospital Governing Committee from 1997 to 2022.

Dr. LAW Ka Hung, aged 68, joined the Group in 2012. He was awarded a Master of Science degree from Warwick University in July 1988 and a Doctor of Business Administration degree from the Hong Kong Polytechnic University in November 2001. He has been admitted as a full member of the Hong Kong Computer Society since January 1989. He has been the independent non-executive director of Baguio Green Group Ltd (stock code: 1397) from 22 May 2014 to 31 May 2023.

SENIOR MANAGEMENT

Ms. WAN Man Lai Polly, aged 47, joined the Group in 1995. She is responsible for initiatives to support the company's operations, staffing and recruitment, talent development and employee engagement. Ms. Wan obtained a Master degree in Management (Human Resource Management) from the Hong Kong Polytechnic University.

CORPORATE GOVERNANCE REPORT

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders, customers, employees and other stakeholders of the Group. The Company had complied throughout the year ended 31 March 2023 with the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except the following provisions:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Mr. Chiu Ngar Wing and Dr. Chu Chor Lup did not attend the annual general meeting of the Company held on 26 August 2022 due to their other commitments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Security Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, each of the directors confirmed that he had complied with the required standard as set out in Model Code throughout the year ended 31 March 2023.

BOARD OF DIRECTORS

The Board comprises six executive directors namely Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Ming Him, Denny, Mr. Wu Kwok Lam, Mr. Ip Man Hon and Mr. Lam Man Hau and three independent non-executive directors, namely Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung. Mr. Chiu Ngar Wing possesses appropriate professional accounting qualifications and financial management expertise. Mr. Chan Chung Yee, Hubert, is the elder brother of Mr. Chan Chung Yin, Roy. Save as disclosed, there is no relationship among the members of the Board.

The Company has received from each of its independent non-executive directors a written confirmation of his independence and the Company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

Newly appointed directors will receive orientation including key legal requirements and the Company's policies and guidelines. The Company provides funding to directors for attending appropriate training to develop and refresh their knowledge and skills and keeps training records for each director.

CORPORATE GOVERNANCE REPORT

The company secretary is responsible for supporting the Board by ensuring good information flow within the Board. All directors have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed. The company secretary has arranged appropriate directors and officers liability insurance coverage for the directors and continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and maintain good corporate governance practice.

The Board held ten meetings during the year and the attendance records of individual director are as follows:

Executive directors:	Number of meetings attended
Chan Chung Yee, Hubert	10/10
Chan Chung Yin, Roy	8/10
Chan Ming Him, Denny	10/10
Wu Kwok Lam	10/10
Ip Man Hon	0/10
Lam Man Hau	10/10
Independent non-executive directors:	
Chiu Ngar Wing	6/10
Chu Chor Lup	0/10
Law Ka Hung	0/10

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

TERMS OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors has entered into a letter of appointment with the Company for a term of one year. All the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the articles of association of the Company, at least one-third of the directors shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement by rotation at least once every three years. A retiring director shall be eligible for re-election. Any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

REMUNERATION COMMITTEE

The members of the remuneration committee comprise Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Wu Kwok Lam and Mr. Chiu Ngar Wing is the chairman of the remuneration committee. Dr. Chu Chor Lup and Mr. Chiu Ngar Wing are independent non-executive directors.

The remuneration committee is mainly responsible for making recommendations to the Board on the remuneration packages of individual executive directors and senior management and determining the policy for the remuneration of executive directors, assessing the performance of executive directors and approving the terms of executive directors' service contracts. One meeting of the remuneration committee had been held in the year under review. The individual attendance of members are as follows:

Name of members	Number of meeting attended
Chiu Ngar Wing	1/1
Chu Chor Lup	1/1
Wu Kwok Lam	1/1

A share option scheme was adopted by the shareholders pursuant to a resolution passed on 26 August 2022. The terms of the share option scheme are complied with the provisions of Chapter 17 of the Listing Rules. The purpose of the share option scheme is to enable the Company to grant options to the eligible participants as incentives or rewards for their contribution or potential contribution to the development and growth of the Group, in particular:

- a. to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group, and
- b. to attract and retain the eligible participants whose contribution are or will be beneficial to the long-term growth of the Group.

Eligible participants are any full-time or part-time employees (including any directors, whether executive or non-executive and whether independent or not) of the Group.

By offering the eligible participants an opportunity to obtain an equity interest in the Company, the interests of the eligible participants and the Company become aligning and thereby providing them with incentive to work better for the interests of the Group,

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung and Dr. Chu Chor Lup is the chairman of the nomination committee.

The major duty of the committee is to review the structure, size and composition of the Board and identify and nominate qualified individuals for appointment as additional directors or to fill vacancies as and when they arise.

One meeting of the nomination committee had been held in the year under review. The individual attendance of members are as follows:

Name of members	Number of meeting attended
Chiu Ngar Wing	1/1
Chu Chor Lup	1/1
Law Ka Hung	1/1

AUDIT COMMITTEE

The Company's audit committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung and Mr. Chiu Ngar Wing is the chairman of the audit committee.

During the year, the audit committee reviewed the unaudited condensed interim financial statements for the six months ended 30 September 2022 and the audited consolidated financial statements for the year ended 31 March 2023 and discussed with the management and the external auditors the audit plans, the internal control and financial reporting matters which may affect the Group. A total of two meetings were held in the year under review and the individual attendance of members are as follows:

Name of members	Number of meetings attended
Chiu Ngar Wing	2/2
Chu Chor Lup	2/2
Law Ka Hung	2/2

INTERNAL CONTROL

The Board is of the opinion that a sound internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations and will assist the Board in the management of any failure to achieve business objective.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the executive directors of the Company. Plans and budgets are reviewed on a monthly basis to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Different guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

CORPORATE GOVERNANCE REPORT

The executive directors of the Company review monthly management reports on the financial results and key operating statistics of each business unit and hold periodical meetings with the senior management of each business unit and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The Board is responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for management use and for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

For the year under review, the Board has reviewed the effectiveness of the Group's internal control system and performed evaluation of the principles and controls of the Group's control environment, risk assessment, control activities, information and communication and monitoring so as to ensure that key business and operational risks are identified and managed. Significant findings on internal controls are reported to the audit committee every year.

RESPONSIBILITY AND ACCOUNTABILITY OF THE BOARD

The Board is responsible for formulating business strategies and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the members of the senior management of the Group, most of the corporate decision of the Company are made by the Board.

The Board also acknowledges the responsibility for preparing all information and representation contained in the consolidated financial statements of the Company for the year under review. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and the financial statements complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. As at 31 March 2023, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the Company to continue as a going concern basis. The statement of the external auditors of the Company about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 32 of the annual report of the Company for the year ended 31 March 2023.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

An analysis of the remuneration of the Company's auditor, SHINEWING (HK) CPA Limited and other auditors for the year ended 31 March 2023 is set out below:

	HK\$'000
Audit services	703
Non-audit services	44
	<u>747</u>

SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

In accordance with article 64 of the Company's article of association, one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, can request to convene an extraordinary general meeting. Such requisition shall be made in writing to the directors or the secretary for the purpose of requiring an extraordinary general meeting to be called by the directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the directors shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board recognized the importance of good communication with the shareholders of the Company. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of channels, which include publication of interim reports, annual reports, announcements and circulars. The developments of each line of the Group's business are presented under "Management discussion and analysis" section of the interim reports and annual reports to enable the shareholders to have a better understanding of the Group's business activities.

The Company welcomes shareholders to attend the annual general meetings and express their view. The chairman of the Board as well as other Board members together with the external auditors are available to answer shareholders' questions.

CONSTITUTIONAL DOCUMENTS

The Company has amended its constitutional documents during the year ended 31 March 2023. Details of the amendments are set out in the circular of the Company dated 22 July 2022. An up-to-date version of the memorandum and articles of association of the Company is available on the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report introduces the Group's policies and measures regarding environmental, social and governance issues and is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

A. ENVIRONMENTAL

A1: Emissions

The Group is a non-production Company and the business activities do not involve air and greenhouse gas emissions (except from electricity consumption and staff travelling), discharges into water and land, and generation of hazardous waste.

A2: Use of Resources

We are committed to foster the sustainable use of the earth's resources and minimize as far as commercially practicable any adverse impact on the environment. We encourage our employees to reduce wastage and adopt of 4R policies to reduce, reuse, recycle and replace. Established procedures include:

- Using products with energy saving label
- Using recycled or recyclable literature and packaging materials
- Recycling of electronic components and electronic products which are harmful to the environment
- Collection of recyclable products and rechargeable batteries and sending to the collection points or stations
- Donation of computer devices and accessories to charitable organisations
- Reducing business travel by using audio/video-conferencing equipment

We have been awarded the following certificates by Environmental Campaign Committee:

1. Certificate of Merit, Hong Kong Awards for Environment Excellence,
2. Excellence Level, Wastewi\$e Certificate, Hong Kong Green Organisation Certification, and
3. Good Level, Engergywi\$e Certificate, Hong Kong Green Organisation Certification.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The water and electricity consumption during the reporting period is as follows:

	Electricity Consumption		Water Consumption	
	2023 KwH	2022 KwH	2023 M ³	2022 M ³
Hong Kong	153,256	163,289	51	72
Mainland China	33,460	10,890	189	147
Singapore (Note)	20,717	18,405	–	–
	207,433	192,584	240	219

Note: The water was provided by the building management. Since there was no separate charge, no figure is available.

There were no significant amounts of packaging material used for finished products during the reporting period.

A3: The Environment and Natural Resources

Save as disclosed in section A2 above, the Group's operating activities have no significant impact on the environment and natural resources.

A4: Climate Change

The Group acknowledged that the extreme weather caused by climate change could affect business operations in various ways, such as physical damage to facilities and supply chain disruption.

The Group is dedicated to reduce energy consumption and wastage from daily operations. We are not aware of any current specific regulatory requirements that may impose significant risks to the Group's operations. We will identify and review risks regularly to mitigate and manage any emergent and significant risks.

The Group has established a standard policy to provides guidelines on the arrangements for work under typhoons and rainstorms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1: Employment

We regard honesty, integrity and fair play as our core values that must be upheld by all directors and staff (including full-time, part-time and temporary staff) of the Group at all times.

Our workforce by age Group and geographical regions is as follows:

Age Group	Mainland			Total
	Hong Kong	China	Singapore	
Below 30	6	2	0	8
30 to 39	11	9	2	22
40 to 49	24	4	3	31
50 to 59	26	2	2	30
60 or Above	6	1	1	8
	<u>73</u>	<u>18</u>	<u>8</u>	<u>99</u>

All staff is permanent and full time. The labour turnover rate is 3% (2022: 5%).

B2: Health and Safety

To ensure our employees' health and safety, we observed all the requirements under the Occupational Safety and Health Ordinance. There was no fatality or work injury during the reporting period.

B3: Development and Training

We provided an average of 5 training hours to each employee. To encourage the staff for continuing education, all staff is eligible for tuition fee refund program for attending job-related courses including short courses, workshops, degree programmes up to the master's level.

B4: Labour Standards

Our human resources policies comply strictly with relevant guidelines, legislation and codes of conducts and practice, including prohibiting child labour or forced labour for any position. The Group maintained good relationship with the employees. There was no legal case brought against the Company or our employees for violation of laws or regulations during the reporting period.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5: Supply Chain Management

The fundamental goal for supply chain management is to obtain the right products and services for the stated purpose; at the right time, place and cost; in a manner that balances the overall requirements for economy, transparency and accountability and the needs of line management for flexibility and responsiveness to their particular operational circumstances. This activity is accomplished with the highest level of ethical standards for fair and equitable treatment of suppliers providing goods and services to the Group.

We maintain a list of qualified suppliers. They are subject to our periodical review for product quality, safety, business reputation and other criteria.

B6: Product Responsibility

We strictly abide to all applicable laws and regulations for our products and services. Periodically, our quality control staff will visit the suppliers' factories for inspection of production processes and testing the product samples before delivery.

To ensure the quality of our products and services, we conduct customer satisfaction survey to monitor our performance and ensure that our products and services meet the customers' expectation and needs. There was no products or services recalls for safety and health reasons during the reporting period.

B7: Anti-corruption

Our staff handbook includes the codes of conduct setting out the basic standard of conduct expected of all directors and staff, and the Company's policy on personal data protection, acceptance of advantage and handling of conflict of interest when dealing with the Company's business. These codes and practice are adapted from the Sample Code of Conduct issued by the Independent Commission Against Corruption and Codes of Practice issued by the Office of the Privacy Commission for Personal Data. We will introduce to all new staff by our Human Resources Department during orientation session.

Any employee can report alleged irregularities and concerns of a general, operational or finance nature in accordance with Group's whistleblower policy.

There was no legal case regarding corrupt practices brought against the Company or our employees during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8: Community Investment

We provide financial assistance through financial contributions and equipment donations, collaborate with charities and encourage our employees to participate in volunteer activities.

We have been awarded “15 Years Plus Caring Company” logo by The Hong Kong Council of Social Service to recognise our efforts to promote corporate social responsibility.

We have been a corporate sponsor of 30-Hour Famine organized by World Vision Hong Kong since 2010.





REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding Company. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of comprehensive income on page 35.

The directors do not recommend the payment of a dividend in respect of the years ended 31 March 2023 and 2022.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$632,000 (2022: HK\$1,137,000) on property, plant and equipment. The Group has not written off its property, plant and equipment.

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

Particulars of the leasehold land and buildings of the Group as at 31 March 2023 are set out on page 125.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 18 on the consolidated financial statements.

Particulars of the investment properties of the Group as at 31 March 2023 are set out on pages 125 and 126.

DISTRIBUTION RESERVES

Distributable reserves of the Company as at 31 March 2023, calculated under the Companies Laws of the Cayman Islands amounted to HK\$146,196,000 (2022: HK\$147,312,000).

BORROWINGS

Particulars of the borrowings of the Group at the end of the reporting period are set out in note 30 on the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 32 on the consolidated financial statements.

DONATIONS

No donation has been made by the Group during the year ended 31 March 2023.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements, future business growth as well as rewarding the shareholders of the Company.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's memorandum and articles of association.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Chan Chung Yee, Hubert – chairman and chief executive officer

Chan Chung Yin, Roy

Chan Ming Him, Denny

Wu Kwok Lam

Ip Man Hon

Lam Man Hau

Independent non-executive directors:

Chiu Ngar Wing

Chu Chor Lup

Law Ka Hung





REPORT OF THE DIRECTORS

In accordance with article 108 of the articles of association or the code on corporate governance practices under the Listing Rules, Mr. Chan Chung Yee Hubert, Mr. Chan Chung Yin Roy, Mr. Lam Man Hau, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung will retire by rotation and being eligible for re-election at the forthcoming annual general meeting. All of them have offered themselves for re-election. The nomination committee has recommended to the Board of directors that they are all eligible for re-election.

None of the directors of the Company has entered into a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed in note 36 on the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its current independent non-executive directors an annual confirmation of his independence and the Company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

REPORT OF THE DIRECTORS

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

(a) As at 31 March 2023, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he was 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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/associated Corporation	Capacity	Number and class of securities (long position) ^(Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Beneficial owner	659,740,159 Shares (L) (Note 2)	52.97%
	The Company	Interest of controlled corporation	22,012,087 Shares (L) (Note 3)	1.77%
	Light Emotion Limited	Beneficial owner	1 Share of HK\$1.00	50.00%
Chan Chung Yin, Roy	The Company	Beneficial owner	93,795,191 Shares (L) (Note 4)	7.53%
Chan Ming Him, Denny	The Company	Beneficial owner	2,616,991 Shares (L) (Note 5)	0.21%
Ip Man Hon	The Company	Beneficial owner	1,537,598 Shares (L) (Note 6)	0.12%
Lam Man Hau	The Company	Beneficial owner	625,000 Shares (L) (Note 7)	0.05%
Wu Kwok Lam	The Company	Beneficial owner	3,000 Shares (L) (Note 8)	0.00%



REPORT OF THE DIRECTORS

Notes:

- (1) The Letter "L" represents the director's or chief executive's interests in the shares and underlying shares of the Company or its associated corporations.
- (2) These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.
- (3) These Shares were held by Light Emotion Limited, a Company owned by Mr. Chan Chung Yee, Hubert and his wife, Josephine Liu.
- (4) These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
- (5) These Shares are registered in the name of Mr. Chan Ming Him, Denny.
- (6) These Shares are registered in the name of Mr. Ip Man Hon.
- (7) These Shares are registered in the name of Mr. Lam Man Hau.
- (8) These Shares are registered in the name of Mr. Wu Kwok Lam.

- (9) Same as disclosed above, as at the end of the reporting period, none of the directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was 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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2023, the interests and short positions of the substantial shareholders of the Company (other than the directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of Shares (long position) (Note 1)	Capacity/ nature of interest	Approximate percentage of interest
Josephine Liu (Note 2)	681,752,246(L)	Interests of spouse	54.74%
Chan Low Wai Han, Edwina (Note 3)	93,795,191(L)	Interests of spouse	7.53%

Notes:

- (1) The Letter "L" represents the person's interests in Shares.
- (2) Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yee, Hubert is interested.
- (3) Mrs. Chan Low Wai Han, Edwina is the wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the section heading "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, at no time during the year under review or up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debenture of the Company or any other body corporate.

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 existed during the year.



REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March, 2023, the aggregate revenue attributable to the Group's five largest customers accounted for approximately 33% by value of the Group's total revenue and the revenue attributable to the Group's largest customer was approximately 28% of the total revenue. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 45% by value of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 27% by value of the total purchases.

None of the directors of the Company, any of their associates or any shareholders (which to the best knowledge of the directors owns more than 5% of the Company's share capital) has any beneficial interest in any of the Group's five largest customers or five largest suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float as prescribed under the Listing Rules.

AUDITOR

SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Chan Chung Yee, Hubert

Chairman

Hong Kong, 28 June 2023

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF HKC INTERNATIONAL HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HKC International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 35 to 123, which comprise the consolidated statement of financial position as at 31 March 2023, and consolidated statement of 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Valuation of investment properties

Refer to note 18 to the consolidated financial statements and the accounting policies on page 50.

The key audit matter

The aggregate fair values of the Group's investment properties as at 31 March 2023 amounted to approximately HK\$193,000,000. The net decrease in fair values recorded in the consolidated statement of comprehensive income for the year ended 31 March 2023 amounted to approximately HK\$9,621,000. The Group's investment properties, which are located in Hong Kong and Singapore, comprise office premises, commercial premises and residential premises. The fair values of the Group's investment properties were assessed by the management based on independent valuations prepared by an external property valuer. We identified valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's consolidated financial statements and because the determination of the fair values involves significant judgment and estimation, including selecting the appropriate valuation methodology and market data.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- evaluating the competence, capabilities, objectivity and independence of the external property valuer;
- evaluating the valuation methodology used by the external property valuer based on our knowledge for similar types of properties;
- discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to estimated market price, by comparing them with recent market transacted price, taking into consideration of comparability and other local market factors;
- engaging an independent auditor's expert to assist us to review the management's expert's work to ascertain the reasonableness of valuation performed by management's expert; and
- testing, on a sample basis, the arithmetical accuracy of the calculations.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Impairment of contract assets and trade receivables

Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies on pages 53 to 56 and 62.

The key audit matter

As at 31 March 2023, the Group recorded contract assets of approximately HK\$78,344,000 and trade receivables of approximately HK\$19,275,000, net of loss allowance of approximately HK\$739,000 and approximately HK\$2,921,000 respectively.

The Group has adopted ECL model to estimate the loss allowance of contract assets and trade receivables. Management performed periodic assessment on the sufficiency of loss allowance individually and collectively based on provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL.

The measurement of ECL requires the application of significant judgement and assumptions, such as probability of default and forward looking information.

We have identified the estimate of ECL of contract assets and trade receivables as a key audit matter because of its significance to the consolidated financial statements and the corresponding uncertainty inherent in such estimates.

How the matter was addressed in our audit

Our procedures in relation to impairment of contract assets and trade receivables included the following:

- obtaining the ECL calculation and discussing with management to understand the ECL model adopted;
- evaluating techniques and methodology in the ECL model against the requirements of HKFRS 9;
- assessing, on a sample basis, whether items in the ageing report and past due information were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant invoices and credit period;
- reviewing and assessing the application of the Group's policy for calculating the ECL;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance; and
- engaging an independent auditor's expert to assist us to review the appropriateness and reasonableness of the ECL calculation prepared by the management of the Group.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Revenue recognition from smart systems construction service

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 60 to 62.

The key audit matter

One of the Group's significant revenue streams is derived from smart systems construction service. During the year ended 31 March 2023, the Group recognised smart systems construction service revenue amounted to approximately HK\$66,196,000.

Smart systems construction service income is recognised over time with reference to the progress towards completed satisfaction of a performance obligation.

When revenue is recognised over time, significant management judgement is involved in measurement of progress using input method based on the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of the reporting period as a percentage of budgeted contract costs for each contract.

We have identified revenue recognition from smart systems construction service as a key audit matter because it is quantitatively significant to the consolidated financial statements as a whole, combined with significant management's judgement involved in estimating the total expected costs from the above type of revenues.

How the matter was addressed in our audit

Our audit procedures on the revenue recognition from smart systems construction service using input method included the following:

- evaluating the key internal controls over revenue recognition;
- assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers;
- selecting a sample of incomplete contracts as at year end and assessed the reasonableness of budgeted contract costs;
- selecting a sample of completed contracts during the year and checked the historical reliability of the budgeted contract costs;
- obtaining a detailed breakdown of the actual cost incurred up to the reporting date for all contracts in progress during the year and checking on sample basis the supporting documents related to the cost incurred; and
- re-performing, on a sample basis, the calculation of revenue recognised during the year based on the input method.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Financial assets at fair value through other comprehensive income

Refer to note 20 to the consolidated financial statements and the accounting policies on page 52.

The key audit matter

The Group has investment in unlisted equity investment of approximately HK\$9,854,000 classified as financial assets at fair value through other comprehensive income ("FVTOCI"). There is no open market for fair value reference and the evaluation involved significant judgment which would have material impact on the carrying amounts of these investments. Due to its significance to the financial statements, the change in fair value of the investments may have a significant impact on the consolidated financial statements of the Group.

The fair value of the investments is assessed by the management based on their best estimates. We identified valuation of these investments as a key audit matter because of the significance of the investments to the Group's consolidated financial statements and the determination of the fair values involves significant judgment and estimation, including selecting the appropriate valuation methodology and market data.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of these investments included the following:

- obtaining the fair value calculation and discussing with management to understand the assumptions and methodology;
- evaluating the valuation appropriateness in methodology used and reasonableness of assumptions adopted in measurement of the investments;
- challenging the cash flow forecast for reasonableness in projected growth, with reference to historical and industrial data and discount rate employed in the calculation of the cash flow forecast by reviewing its basis of calculation and testing the arithmetical accuracy of the calculations; and
- engaging an independent auditor's expert to assist us to review the appropriateness and reasonableness of the fair value calculation prepared by the management of the Group.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- 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 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 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 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wing Kit.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong

28 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	7	169,524	199,096
Cost of sales		(140,883)	(156,280)
Gross profit		28,641	42,816
Other income, gains and losses	9	3,423	381
Fair value (loss) gain on investment properties		(9,621)	1,952
Fair value gain (loss) on financial assets at fair value through profit and loss ("FVTPL")		154	(354)
Impairment loss on trade receivables and contract assets, net of reversal		(451)	(785)
Selling and distribution expenses		(6,918)	(7,078)
Administrative and other operating expenses		(29,932)	(36,194)
Finance costs	10	(4,864)	(2,681)
Loss before taxation	11	(19,568)	(1,943)
Taxation	14	—	—
Loss for the year attributable to equity holders of the Company		(19,568)	(1,943)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		(355)	164
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of financial assets at FVTOCI		1,619	1,435
Other comprehensive income for the year		1,264	1,599
Total comprehensive expense attributable to equity holders of the Company		(18,304)	(344)
LOSS PER SHARE – (HK CENTS)			
— basic and diluted	15	(1.57)	(0.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	50,426	51,995
Investment properties	18	193,000	202,420
Financial assets at FVTPL	19	9,145	1,947
Financial assets at FVTOCI	20	9,854	8,235
		262,425	264,597
CURRENT ASSETS			
Inventories	21	15,906	15,874
Contract assets	22	78,344	44,466
Financial assets at FVTPL	19	596	442
Trade receivables	23	19,275	13,165
Prepayments, deposits and other receivables	24	12,644	13,548
Tax recoverable		176	210
Pledged bank deposits	25	2,667	2,620
Cash and bank balances	25	35,463	25,746
		165,071	116,071
CURRENT LIABILITIES			
Trade payables	26	4,164	3,366
Accruals and other payables	26	7,237	9,071
Contract liabilities	27	2,137	1,410
Amounts due to directors	28	10,000	–
Lease liabilities	29	72	376
Bank borrowings	30	140,478	85,161
Tax payable		30	357
		164,118	99,741
NET CURRENT ASSETS		953	16,330
TOTAL ASSETS LESS CURRENT LIABILITIES		263,378	280,927

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities	29	–	75
Deferred tax liabilities	31	50	50
		50	125
NET ASSETS			
		263,328	280,802
CAPITAL AND RESERVES			
Share capital	32	12,453	12,453
Reserves	33	250,875	268,349
TOTAL EQUITY			
		263,328	280,802

The consolidated financial statements on pages 35 to 123 were approved and authorised for issue by the board of directors on 28 June 2023 and are signed on its behalf by:

Chan Chung Yee, Hubert

Director

Wu Kwok Lam

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Properties revaluation reserve	Translation reserve	Investment revaluation reserve	Share-based payment reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021	12,453	39,621	28,325	74,640	843	2,900	-	122,364	281,146
Loss for the year	-	-	-	-	-	-	-	(1,943)	(1,943)
Other comprehensive income for the year	-	-	-	-	164	1,435	-	-	1,599
Total comprehensive income (expense) for the year	-	-	-	-	164	1,435	-	(1,943)	(344)
At 31 March 2022	12,453	39,621	28,325	74,640	1,007	4,335	-	120,421	280,802
Loss for the year	-	-	-	-	-	-	-	(19,568)	(19,568)
Other comprehensive (expense) income for the year	-	-	-	-	(355)	1,619	-	-	1,264
Total comprehensive (expense) income for the year	-	-	-	-	(355)	1,619	-	(19,568)	(18,304)
Recognition of share-based payments	-	-	-	-	-	-	830	-	830
At 31 March 2023	12,453	39,621	28,325	74,640	652	5,954	830	100,853	263,328

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(19,568)	(1,943)
Adjustments for:		
Depreciation of property, plant and equipment	1,764	1,767
Depreciation of right-of-use assets	365	365
Gain on disposal of property, plant and equipment	–	(13)
Fair value loss (gain) on investment properties	9,621	(1,952)
Fair value (gain) loss on financial assets at FVTPL	(154)	354
Government grant	(1,756)	(137)
Dividend income	(1,378)	(2)
Write-off of inventories	297	299
Impairment losses recognised on trade receivables	68	713
Impairment losses recognised on contract assets	383	72
Interest income	(270)	(1)
Interest expenses	4,664	2,401
Equity-settled share-based payments	830	–
Operating cash (outflows) inflows before movements in working capital	(5,134)	1,923
(Increase) decrease in inventories	(370)	10,848
Increase in contract assets	(34,257)	(12,382)
(Increase) decrease in trade receivables, prepayments, deposits and other receivables	(5,063)	5,671
Increase (decrease) in contract liabilities	727	(111)
Decrease in trade payables, accruals and other payables	(1,741)	(7,659)
Net cash used in operations	(45,838)	(1,710)
Interest received	270	1
Tax paid	(293)	(136)
NET CASH USED IN OPERATING ACTIVITIES	(45,861)	(1,845)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(632)	(573)
Dividends received from listed equity securities	2	2
Dividends received from financial assets at FVTOCI	1,376	–
Proceeds from disposal of an investment property	–	12,300
Proceeds from disposal of property, plant and equipment	75	79
Purchase of financial assets at FVTPL	(7,198)	–
Withdrawal of pledged bank deposits	51,711	10,146
Placement of pledged bank deposits	(51,758)	(9,624)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(6,424)	12,330
FINANCING ACTIVITIES		
New bank loans obtained	92,400	55,876
Repayment of bank loans	(43,365)	(70,858)
Interest paid on bank borrowings	(4,651)	(2,378)
Advance from directors	10,000	–
Government grant obtained	1,756	137
Repayment of leases liabilities	(384)	(384)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	55,756	(17,607)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,471	(7,122)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,991	18,096
Effect of foreign exchange rates changes	(36)	17
CASH AND CASH EQUIVALENTS AT END OF YEAR	14,426	10,991
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,463	25,746
Bank overdraft	(21,037)	(14,755)
	14,426	10,991

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

I. GENERAL INFORMATION

HKC International Holdings Limited (the “Company”) is a public company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The parent company of the Company is Matrix World Group Limited and the ultimate control party is Mr. Chan Chung Yee, Hubert.

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “corporate information” to this annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 39.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(S)”)

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 April 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

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



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(S)”) (Cont’d)

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and Insurance Contracts¹

February 2022 amendments to HKFRS

17)

Amendments to HKFRS 16

Lease Liability in a Sale and Leaseback²

Amendments to HKFRS 10 and HKAS 28

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³

Amendments to HKAS 1

Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause²

Amendments to HKAS 1

Non-current Liabilities with Covenants²

Amendments to HKAS 1 and HKFRS

Definition of Accounting Policies¹

Practice Statement 2

Amendments to HKAS 8

Definition of Accounting Estimates¹

Amendments to HKAS 12

Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments that are measured at fair values, at the end of each reporting period.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

Lease liabilities (Cont'd)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment. The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents, if any, that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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 standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

Lease modification

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 lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term except for investment properties under fair value model.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in subsidiaries

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

Property, plant and equipment

Property, plant and equipment (including right-of-use assets) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Right-of-use assets for buildings and motor vehicle are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. The property revaluation reserve in respect of that item will be transferred directly to retained profits when it is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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 marketplace.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at amortised cost (debt instruments) (Cont'd)

Amortised cost and effective interest method (Cont'd)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Interest income is recognised in profit or loss and is included in the "other income, gains and losses" line item (note 9).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Other income, gains and losses' line item (note 9).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in consolidated statement of comprehensive income. Fair value is determined in the manner described in note 5.

Impairment of financial assets and contract assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated individually and collectively by using a provision matrix 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 as well as the forward-looking information at the reporting date, including time value of money where appropriate.

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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 since initial recognition:

- internal credit rating;
- 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;
- significant increases in credit risk on other financial instruments of the same 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing' under the Group's current credit risk grading framework.

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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 analysis, 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Measurement and recognition of expected credit losses (Cont'd)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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 party.

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 instruments

Classification as debt or equity

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

Equity instruments

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



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value. Costs comprise direct materials and the related purchase costs. Net realisable value is based on estimated selling prices less the estimated costs of completion and costs necessary to make the sale.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

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

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised 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 customers.

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 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 asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (Cont'd)

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major sources:

- Smart systems construction service
- Maintenance service income
- Instalment service income
- Repairs service income
- Sales of goods
- Properties leasing (please refer to accounting policy "leasing")

Revenue from smart systems construction service representing the design, construction and integration of home automation systems or radio frequency identification systems for customers and recognised over time using input method.

Revenue from service income arising from maintenance service is recognised over time using output method.

Revenue from installation and repairs service is recognised at a point in time when the services are provided.

Revenue from sales of goods is recognised at a point in time when the customer takes possession of and accepts the products. The general payment terms is 30 days.

The Group recognised revenue over time by measuring the progress towards complete satisfaction of a performance obligation in accordance with output or input method.

Output method is applied to recognise revenue on the basis of direct measurements of the value of goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services. Maintenance income is recognised under output method.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (Cont'd)

Input method is applied to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. In some circumstances when the outcome of a performance obligation could not be reasonably measured, the Group shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. Revenue from smart systems construction service is recognised under input method.

Contract assets and contract liabilities

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 from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits

Pension schemes and other retirement benefits

The Group joins defined contribution retirement benefits schemes in Hong Kong and overseas for those employees who are eligible and have elected to participate in the schemes. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a specific amount for the employees in Mainland China, pursuant to the local municipal government regulations. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group's subsidiaries which operate in Singapore are required to contribute to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to CPF are charged to profit or loss in the period to which the contribution relates.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity share-based payment reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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 accounting profit because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable and 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, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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 liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment properties over time, rather than through sale. Therefore, the directors of the Company have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax is charged or credited to profit or loss, except when it relates to items 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currency

Foreign currency transactions are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. All exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results and financial position of all the Group's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for consolidated statement of financial position presented are translated at the closing rate at the end of each reporting period;
- ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii) all of the resulting exchange differences are recognised in other comprehensive income.

Related parties

- 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 of a parent of the Group.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related parties (Cont'd)

- 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).
 - 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 parent of the Group.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and new share issues.

The Group is not subject to either internally or externally imposed capital requirements.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

The categories of financial assets and financial liabilities included in the consolidated statement of financial position and the headings in which they are included are as follows:

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	19,275	13,165
Deposits and other receivables	1,754	2,954
Pledged bank deposits	2,667	2,620
Cash and bank balances	35,463	25,746
	59,159	44,485
Financial assets at FVTOCI	9,854	8,235
Financial assets at FVTPL	9,741	2,389
	78,754	55,109

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(a) Categories of financial instruments (Cont'd)

	2023 HK\$'000	2022 HK\$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	4,164	3,366
– Accruals and other payables	7,237	9,071
– Amounts due to directors	10,000	–
– Bank borrowings	140,478	85,161
	161,879	97,598

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, pledged bank deposits, cash and bank balances, financial assets at FVTPL, financial assets at FVTOCI, trade payables, accruals and other payables, amounts due to directors and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's capital expenditure and operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group.

The Group's credit risk is primarily attributable to cash at banks, bank deposits and trade and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Cash at banks and bank deposits are placed with licensed financial institutions with high credit ratings. The Group monitors the exposure to each single financial institution.

In response to the ongoing COVID-19 pandemic, the Group monitors closely the economic environment and where appropriate, takes actions to limit its exposure to customers that are severely impacted.

Credit checks are part of the normal operating process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amounts of trade and other debtors at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade debtors is set out in note 23.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group assessed impairment based on 12-months ECL.



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

In order to minimise credit risk, the Group has maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is drawn from the Group's own trading records to rate its customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL - not credit impaired (trade receivables) 12-month ECL (other financial assets)
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL - not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	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

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity level to ensure that it maintains sufficient reserves of cash and bank balances and readily realisable marketable securities for its daily operation and investment purposes.

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Prudent liquidity risk management implies maintaining sufficient bank balances.

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	2023		
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
Trade payables	4,164	4,164	4,164
Accruals and other payables	7,237	7,237	7,237
Amounts due to directors	10,000	10,000	10,000
Bank borrowings	140,478	141,028	141,028
	161,879	162,429	162,429
Lease liabilities	72	73	73

	2022			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
Trade payables	3,366	3,366	3,366	—
Accruals and other payables	9,071	9,071	9,071	—
Bank borrowings	85,161	85,220	85,220	—
	97,598	97,657	97,657	—
Lease liabilities	451	464	388	76

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Bank loans with a repayment on demand clause are included in the “within one year or on demand” time band in the above maturity analysis. As at 31 March 2023, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK\$27,041,000 (2022: HK\$33,546,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$29,040,000 (2022: HK\$36,703,000). As at 31 March 2023, the principal and interest cash outflows due within one year is approximately HK\$7,520,000 (2022: HK\$6,303,000), due more than one year but not exceeding five years is approximately HK\$19,213,000 (2022: HK\$20,881,000) and due more than five years is approximately HK\$2,307,000 (2022: HK\$9,519,000).

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group’s short-term bank deposits, bank balances and bank borrowings with variable interest rates. Management does not anticipate significant impact on bank deposits and bank balances resulted from the changes in interest rates because the interest rates at bank deposits and bank balances are not expected to change significantly.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 125 basis point (2022: 125 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 125 basis points (2022: 125 basis points) higher/lower and all other variables were held constant, the Group’s post-tax loss for the year ended 31 March 2023 would increase/decrease by HK\$1,756,000 (2022: post-tax loss for the year would increase/decrease by HK\$1,065,000). This is mainly attributable to the Group’s exposure to interest rates on its variable-rate bank borrowings.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Foreign currency risk

None of the Group's sales and cost of services are denominated in currencies other than the functional currency of the group entity making the sales and acquiring the services for the years ended 31 March 2023 and 2022. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
RMB	<u>244</u>	<u>580</u>	<u>-</u>	<u>-</u>

The Group's exposure to the currency risk of RMB is insignificant.

Price risk

The Group is exposed to price changes arising from listed equity securities classified as financial assets at FVTPL (see note 19). These investments are measured at fair value at the end of each reporting period with reference to the quoted price. Management monitors this exposure and takes appropriate actions when it is required.

If price in respect of listed equity securities had been 15% (2022: 15%) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2023 would decrease/increase by HK\$89,000 (2022: post-tax loss for the year would decrease/increase by HK\$66,000). This is mainly attributable to the Group's exposure to quoted price on its listed equity securities.

The sensitivity analysis has been determined assuming that the reasonably possible changes in price had occurred as at the end of the reporting period and had been applied to the exposure to price risk for the financial instruments in existence at that date and that all other variables remain constant.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(c) Fair value measurements recognised in the consolidated statement of financial position

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement.

Assets measured at fair value

	Fair value at 31 March 2023	Fair value measurement as at 31 March 2023 categorised into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Assets:				
Financial assets at FVTOCI				
Unlisted equity securities	9,854	–	–	9,854
Financial assets at FVTPL				
Listed equity securities	596	596	–	–
Investment in life insurance policy	9,145	–	–	9,145
	19,595	596	–	18,999

	Fair value at 31 March 2022	Fair value measurement as at 31 March 2022 categorised into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Assets:				
Financial assets at FVTOCI				
Unlisted equity securities	8,235	–	–	8,235
Financial assets at FVTPL				
Listed equity securities	442	442	–	–
Investment in life insurance policy	1,947	–	–	1,947
	10,624	442	–	10,182

Recurring fair value measurement

Assets:

Financial assets at FVTOCI

 Unlisted equity securities 8,235 – – 8,235

Financial assets at FVTPL

 Listed equity securities 442 442 – –

 Investment in life insurance policy 1,947 – – 1,947

10,624 442 – 10,182

During the years ended 31 March 2023 and 31 March 2022, there were no transfers between Level 1 and Level 2.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(c) Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

Estimation of fair values

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial Instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		31/3/2023 HK\$'000	31/3/2022 HK\$'000				
Unlisted equity securities	Level 3	9,854	8,235	By reference to the present value of the expected future cash flow derived from the ownership of this investee, based on an appropriate discount rate	1. Weighted average cost of capital ("WACC") 2. Discount for lack of marketability 3. Growth rate assumed in the expected cash flows	1. 11% (2022: 11%) 2. 30% (2022: 30%) 3. 10% (2022: 5%)	The lower the WACC the higher the fair value The lower the discount for lack of marketability the higher the fair value The higher the growth rate the higher the fair value
Listed equity securities	Level 1	596	442	Quoted bid prices in an active market	N/A	N/A	N/A
Investment in insurance policy	Level 3	9,145	1,947	By cash surrender value guaranteed by issuer	N/A	N/A	N/A

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(c) Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

Estimation of fair values (Cont'd)

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted equity securities	Investment in insurance policy
	HK\$'000	HK\$'000
At 1 April 2021	6,800	1,947
Total gain in other comprehensive income	<u>1,435</u>	<u>–</u>
31 March 2022	8,235	1,947
Total gain in other comprehensive income	1,619	–
Addition	<u>–</u>	<u>7,198</u>
At 31 March 2023	<u><u>9,854</u></u>	<u><u>9,145</u></u>

For the years ended 31 March 2023 and 2022, the above total gain is relating to unlisted equity investment designated at FVTOCI held at the end of the year.

Fair values of financial instruments that are not measured at fair value on a recurring basis

The carrying amounts of the Group's other financial instruments carried at amortised cost are not materially different from their fair values as at 31 March 2023 and 2022.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimates and judgements that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation and judgements at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Useful lives of property, plant and equipment

The Group depreciates the plant and equipment on a straight-line basis between the rates of 10% to 33.3% per annum, commencing from the date the plant and equipment are available for use. The Group depreciates the property over the shorter term of the lease. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of property, plant and equipment (including right-of-use assets) as at 31 March 2023 is approximately HK\$50,426,000 (2022: HK\$51,995,000).

Allowances for inventories

The management of the Group makes allowance for obsolete and slow-moving inventories that are identified as no longer salable. The management estimates the net realisable value of its inventories based primarily on the latest invoice prices and current market conditions. The Group carries out review of inventories on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items. The carrying amount of inventories is approximately HK\$15,906,000 (2022: HK\$15,874,000).

Contract assets and trade receivables

The loss allowance for contract assets and trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. The management also considers forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of comprehensive income. At 31 March 2023, the carrying amounts of contract assets and trade receivables are approximately HK\$78,344,000 and HK\$19,275,000 (2022: HK\$44,466,000 and HK\$13,165,000), net of loss allowances of contract assets and trade receivables are approximately HK\$739,000 and HK\$2,921,000 (2022: HK\$356,000 and HK\$2,853,000) respectively.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Fair value of financial assets measured at FVTOCI and at FVTPL

As described in note 5(c), the directors of the Company use their judgements in selecting appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates while the estimation of fair value of investment in insurance policy rely on quotation from the sole counterparty in the market (i.e. the issuer). As at 31 March 2023, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately HK\$9,854,000 (2022: HK\$8,235,000) and investment in insurance policy classified as FVTPL was approximately HK\$9,145,000 (2022: HK\$1,947,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount. Management determined the recoverable amounts of the CGU to which these assets belong based on the higher of their estimate of the value-in-use and the fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to generate from the CGU and an appropriate discount rate in order to calculate the present value of the future cash flows. In addition, the Group engaged an independent valuer to perform the valuation on the ownership interest in leasehold land and buildings. Based on the estimation of the recoverable amount of the CGU, the management determined that no impairment of these property, plant and equipment is required. Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 March 2023, the carrying amount of property, plant and equipment was approximately HK\$50,426,000 (2022: HK\$51,995,000) respectively.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Estimated fair value of investment properties

Investment properties are revalued at the end of the reporting period on an open market basis by independent professional valuer. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, information about current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used. At 31 March 2023, the carrying amount of investment properties measured at fair value was approximately HK\$193,000,000 (2022: HK\$202,420,000) and fair value loss was approximately HK\$9,621,000 (2022: fair value gain HK\$1,952,000). The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in note 18.

Revenue from contracts with customers

For smart systems construction services, the Group creates or enhances an asset that the customer controls. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time.

The Group recognises revenue from smart systems construction contracts over time using the input method, based on the actual direct costs incurred to satisfy the performance obligation relative to the total expected costs incurred to satisfy the performance obligations of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on understanding of the performance of the contract and quotations from suppliers and subcontractors, and the Group's historical experience. Due to the nature of the activity undertaken in the smart systems construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. As a result, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a provision for onerous contract may arise.



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. REVENUE

Revenue represents sales of mobile phones and internet of things (“IOT”) solutions, maintenance, installation, repairs services and smart systems construction services, and gross rental income.

	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Sales of goods	93,261	153,604
Maintenance service income	7,526	7,932
Installation service income	664	742
Repairs service income	11	103
Revenue from smart systems construction service	66,196	34,260
	167,658	196,641
Revenue from other sources		
Rental income from investment properties	1,866	2,455
	169,524	199,096

Disaggregation of revenue from contracts with customers by timing of recognition

	2023	2022
	HK\$'000	HK\$'000
Timing of revenue recognition		
At a point in time	93,936	154,449
Over time	73,722	42,192
	167,658	196,641

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. REVENUE (Cont'd)

Transaction price allocated to the remaining performance obligations

As at 31 March 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately HK\$147,901,000 (2022: HK\$202,339,000). The amount represents revenue expected to be recognised in the future from smart systems construction contracts.

The Group will recognise this revenue as the service is provided, which is expected to occur over the next 24 months (2022: next 36 months).

The maintenance, installation and repairs service contracts are with an original expected duration of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

8. SEGMENTAL INFORMATION

Information reported to the executive directors, as chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

1. Sales of mobile phones in Hong Kong
2. Sales of IOT solutions in Hong Kong
3. Sales of IOT solutions in Mainland China and other countries in South East Asia
4. Property investment

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

- all assets are allocated to reportable segments other than financial asset at FVTOCI and financial assets at FVTPL.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. SEGMENTAL INFORMATION (Cont'd)

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

Segment revenues and results

For the year ended 31 March 2023

	Sales of mobile phones in Hong Kong HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000	Sales of IOT solutions in Mainland China and other countries in South East Asia HK\$'000	Property Investment HK\$'000	Total HK\$'000
REVENUES					
Reportable segment revenue-external	74,962	82,617	10,079	1,866	169,524
Reportable segment (loss) profit	(3,325)	2,193	(8,930)	(39)	(10,101)
Segment assets and liabilities:					
Reportable segment assets	80,595	116,940	9,581	200,785	407,901
Reportable segment liabilities	65,020	79,924	3,404	15,770	164,118
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets					
Interest income from bank deposits	270	-	-	-	270
Finance costs	2,182	2,089	13	580	4,864
Depreciation	1,374	253	420	82	2,129
Write-off of inventories	297	-	-	-	297
Impairment (reversal) of trade receivables	(147)	199	16	-	68
Impairment loss on contract assets	-	376	7	-	383
Additions to non-current assets	438	141	51	2	632

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. SEGMENTAL INFORMATION (Cont'd)

Segment revenues and results (Cont'd)

For the year ended 31 March 2022

	Sale of mobile phones in Hong Kong HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000	Sales of IOT solutions in Mainland China and other countries in South East Asia HK\$'000	Property Investment HK\$'000	Total HK\$'000
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REVENUES

Reportable segment revenue-external	134,366	53,778	8,497	2,455	199,096
Reportable segment profit (loss)	2,551	316	(5,538)	(870)	(3,541)

Segment assets and liabilities:

Reportable segment assets	94,399	53,128	12,198	210,319	370,044
Reportable segment liabilities	69,388	4,477	5,280	20,671	99,816

Other segment information:

Amounts included in the measure of segment profit or loss or segment assets

Interest income from bank deposits	1	-	-	-	1
Gain on disposal of property, plant and equipment	-	-	13	-	13
Finance costs	2,034	6	60	581	2,681
Depreciation	1,404	175	469	84	2,132
Write-off of inventories	-	-	299	-	299
Impairment loss of trade receivables	45	448	220	-	713
Impairment loss on contract assets	-	67	5	-	72
Additions to non-current assets	442	37	569	89	1,137

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit earned by each segment without allocation of fair value change in financial assets at FVTPL and fair value gain on investment properties. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. SEGMENTAL INFORMATION (Cont'd)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the Group's operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenues from external customers		Non-current assets*	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong (place of domicile)	159,007	190,258	231,196	242,111
Mainland China	6,463	3,593	257	349
Singapore	4,054	4,856	11,973	11,955
Other countries in South East Asia	–	389	–	–
	10,517	8,838	12,230	12,304
	169,524	199,096	243,426	254,415

* Non-current assets exclude financial assets at FVTPL and FVTOCI.

Reconciliations of reportable segment profit or loss before taxation

	2023 HK\$'000	2022 HK\$'000
PROFIT OR LOSS		
Total reportable segment loss	(10,101)	(3,541)
Fair value (loss) gain on investment properties	(9,621)	1,952
Fair value gain (loss) on financial assets at FVTPL	154	(354)
Consolidated loss before taxation	(19,568)	(1,943)

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. SEGMENTAL INFORMATION (Cont'd)

Reconciliations of reportable segment assets and liabilities

	2023	2022
	HK\$'000	HK\$'000
ASSETS		
Total reportable segment assets	407,901	370,044
Unallocated corporate assets	19,595	10,624
Consolidated total assets	427,496	380,668
LIABILITIES		
Total reportable segment liabilities	164,118	99,816
Deferred tax liabilities	50	50
Consolidated total liabilities	164,168	99,866

Information about major customers

Revenue from customer of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	HK\$'000	HK\$'000
Customer A [#]	47,524	N/A*

[#] Revenue from sale of IOT solutions in Hong Kong segment.

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

9. OTHER INCOME, GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Bank interest income	270	1
Dividend income	1,378	2
Gain on disposal of property, plant and equipment	–	13
Exchange loss	(22)	(2)
Government grant ¹	1,756	137
Others	41	230
	3,423	381

Note:

¹ During the year ended 31 March 2023, the Group recognised government grants of HK\$1,756,000, of which an amount of HK\$1,743,000 (2022: nil) is related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining HK\$13,000 (2022: HK\$137,000) is related to subsidy from the Singapore government. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidiaries.

10. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	4,651	2,378
Interest on lease liabilities	13	23
Total interest expenses	4,664	2,401
Bank charges	200	280
	4,864	2,681

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

II. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	2023	2022
	HK\$'000	HK\$'000
Auditor's remuneration	703	707
Depreciation on:		
– Property, plant and equipment	1,764	1,767
– Right-of-use assets	365	365
	2,129	2,132
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	19,004	23,512
– Retirement benefit scheme contributions (Note (i))	1,572	1,878
– Share-based payment	830	–
Total staff costs	21,406	25,390
Impairment loss on trade receivables	68	713
Impairment loss on contract assets	383	72
Write-off of inventories (included in cost of sales) (Note (ii))	297	299
Donations	–	150
Gross rental income from investment properties under operating leases less outgoings of HK\$466,000 (2022: HK\$622,000)	(1,400)	(1,833)

Notes:

- (i) Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.
- (ii) During the year ended 31 March 2023, the Group wrote off certain inventories of HK\$297,000 (2022: HK\$299,000) as they are no longer suitable for use.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS

Details of directors' emoluments of the Group are as follows:

Executive directors:

Chan Chung Yee, Hubert
 Chan Chung Yin, Roy
 Chan Ming Him, Denny
 Wu Kwok Lam
 Ip Man Hon
 Lam Man Hau

Independent non-executive directors:

Chiu Ngar Wing
 Chu Chor Lup
 Law Ka Hung

2023							
Fees	Salaries, allowances and benefits	Commission	Discretionary bonuses	Retirement benefit scheme contributions	Share-based payment	Total	
HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
-	1,007	-	-	36	111	1,154	
-	195	-	-	18	23	236	
-	187	-	-	19	24	230	
-	1,157	-	-	36	90	1,283	
-	-	-	-	-	-	-	
-	923	-	-	36	79	1,038	
-	3,469	-	-	145	327	3,941	
85	-	-	-	-	11	96	
40	-	-	-	-	11	51	
30	-	-	-	-	11	41	
155	-	-	-	-	33	188	

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS (Cont'd)

Details of directors' emoluments of the Group are as follows:

	2022						
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Commission HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Share- based payment HK\$'000	Total HK\$'000
Executive directors:							
Chan Chung Yee, Hubert	-	1,007	-	-	36	-	1,043
Chan Chung Yin, Roy	-	378	-	15	23	-	416
Chan Ming Him, Denny	-	187	-	-	18	-	205
Wu Kwok Lam	-	1,070	50	245	36	-	1,401
Ip Man Hon	-	816	-	-	24	-	840
Lam Man Hau	-	978	20	65	36	-	1,099
	-	4,436	70	325	173	-	5,004
Independent non-executive directors:							
Chiu Ngar Wing	85	-	-	-	-	-	85
Chu Chor Lup	40	-	-	-	-	-	40
Law Ka Hung	30	-	-	-	-	-	30
	155	-	-	-	-	-	155

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS (Cont'd)

Fees represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings.

Salaries, allowances and benefit in kind, commission and discretionary bonuses represent emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings.

The discretionary bonus is determined by the remuneration committee having regard to the individual merits and performance, the Group's performance and profitability as well as the prevailing market condition.

Mr. Chan Chung Yee, Hubert is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

Except for the waiver of emoluments by Mr. Ip Man Hon as disclosed below, no other directors waived or agreed to waive any remuneration and no incentive paid on joining nor compensation for loss of office of any director during the years ended 31 March 2023 and 2022.

During the year ended 31 March 2023, Mr. Ip Man Hon, the executive director, agreed to waive the emoluments of HK\$840,000.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individual in the Company include three (2022: four) executive directors for the year ended 31 March 2023, details of whose emoluments have been disclosed in note 12 above.

The details of the emoluments for remaining two highest paid individuals (2022: one) for the year ended 31 March 2023 who is neither director nor chief executive of the Company are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	1,236	532
Retirement benefit scheme contribution	72	36
	1,308	568

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

13. EMPLOYEES' EMOLUMENTS (Cont'd)

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

	Number of individuals	
	2023	2022
HK\$ nil to HK\$1,000,000	2	1

14. TAXATION

- a) The Group's subsidiaries operating in Hong Kong are subject to Hong Kong Profits Tax. 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 Hong Kong Profits Tax was made for the years ended 31 March 2023 and 2022 as there were no assessable profits generated during both years.

Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In general, the Group's subsidiaries operating in the PRC are subject to the Enterprise Income Tax rate of 25% and those operating in Singapore are subject to Singapore Corporate Tax rate of 17%.

No provision for Enterprise Income Tax of the PRC and Singapore Corporate Tax has been made as the Group did not have any assessable profits subject to tax in the PRC and Singapore respectively for the years ended 31 March 2023 and 2022.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

14. TAXATION (Cont'd)

- b) The taxation for the years can be reconciled to the loss before taxation per consolidated statement of comprehensive income is as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	(19,568)	(1,943)
Tax at applicable Hong Kong Profit tax rates	(3,229)	(321)
Tax effect of income not taxable	(340)	(372)
Tax effect of expenses that are not deductible in determining taxable income	1,732	361
Tax effect of unrecognised tax losses	2,191	1,342
Tax effect of utilisation of tax losses previously unrecognised	(428)	(1,140)
Tax effect of unrecognised deductible temporary difference	74	130
Taxation for the year	-	-

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. LOSS PER SHARE

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

	2023	2022
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	<u>(19,568)</u>	<u>(1,943)</u>
	Number	Number
	of shares	of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,245,331,256</u>	<u>1,245,331,256</u>

As a result of the Group's net loss for the year ended 31 March 2023, share options outstanding were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive.

For the year ended 31 March 2022, the number of shares for the purpose of basic and diluted loss per share is the same as the Company has no potential ordinary shares in issue during the year.

16. DIVIDEND

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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in leasehold land and buildings HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Office equipment, leasehold improvements and furniture and fixtures HK\$'000	Moulds HK\$'000	Plant and machinery HK\$'000	Leased properties HK\$'000	Total HK\$'000
Cost								
At 1 April 2022	60,366	1,693	10,517	21,061	4,377	1,270	1,110	100,394
Currency realignment	-	38	11	(56)	-	-	-	(7)
Additions	-	436	141	55	-	-	-	632
Disposal	-	-	(29)	(190)	-	-	-	(219)
At 31 March 2023	60,366	2,167	10,640	20,870	4,377	1,270	1,110	100,800
Accumulated depreciation								
At 1 April 2022	(10,457)	(1,528)	(10,186)	(19,986)	(4,221)	(1,270)	(751)	(48,399)
Currency realignment	-	(25)	(11)	46	-	-	-	10
Charge for the year	(1,063)	(122)	(147)	(438)	(79)	-	(280)	(2,129)
Disposal	-	-	29	115	-	-	-	144
At 31 March 2023	(11,520)	(1,675)	(10,315)	(20,263)	(4,300)	(1,270)	(1,031)	(50,374)
Net book value								
At 31 March 2023	48,846	492	325	607	77	-	79	50,426
Cost								
At 1 April 2021	60,366	1,918	10,202	20,857	4,377	1,270	545	99,535
Currency realignment	-	15	2	17	-	-	1	35
Additions	-	-	371	202	-	-	564	1,137
Disposal	-	(240)	(58)	(15)	-	-	-	(313)
At 31 March 2022	60,366	1,693	10,517	21,061	4,377	1,270	1,110	100,394
Accumulated depreciation								
At 1 April 2021	(9,394)	(1,596)	(10,117)	(19,516)	(4,142)	(1,270)	(471)	(46,506)
Currency realignment	-	(4)	-	(4)	-	-	-	(8)
Charge for the year	(1,063)	(124)	(120)	(466)	(79)	-	(280)	(2,132)
Disposal	-	196	51	-	-	-	-	247
At 31 March 2022	(10,457)	(1,528)	(10,186)	(19,986)	(4,221)	(1,270)	(751)	(48,399)
Net book value								
At 31 March 2022	49,909	165	331	1,075	156	-	359	51,995

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Notes:

- i) The Group's leasehold land and buildings comprise:

	2023	2022
	HK\$'000	HK\$'000
Land and buildings in Hong Kong	48,846	49,909

- ii) The Group has pledged its leasehold land and buildings with aggregate net book value of approximately HK\$48,846,000 (2022: HK\$49,909,000) to secure the Group's general banking facilities.

- iii) Depreciation on property, plant and equipment is calculated on the straight-line basis to allocate cost to their residual value over their estimated useful lives as follows:

Ownership interest in leasehold land and buildings	Over the unexpired term of lease
Motor vehicles	20% p.a.
Computer equipment	33 $\frac{1}{3}$ % p.a.
Office equipment	10% - 20% p.a.
Leasehold improvements	20% - 33 $\frac{1}{3}$ % p.a.
Furniture and fixtures	10% - 20% p.a.
Moulds	20% p.a.
Plant and machinery	20% p.a.
Leased properties	Over term of the lease

- iv) At 31 March 2022, the Group's title to the leased motor vehicle of approximately HK\$123,000 has been pledged to secure the lease arrangement with lease liability of approximately HK\$90,000.

The carrying amount of right-of-use assets included in property, plant and equipment comprise:

	2023	2022
	HK\$'000	HK\$'000
Properties	79	359
Motor vehicle	38	123
	117	482

The Group has lease arrangements for properties and motor vehicle. The lease terms for properties (office and carpark) and motor vehicles generally ranged from two to three years and five years respectively at fixed rates.

- v) Addition to the right-of-use assets for the year ended 31 March 2022 amounted to approximately HK\$564,000 due to new leases of properties (2023: nil).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Notes: (Cont'd)

- vi) During the years ended 31 March 2023 and 2022, as the result of the unexpected poor performance of certain segments, the Group carried out a review of the recoverable amount of related property, plant and equipment. No impairment loss was recognised for the years ended 31 March 2023 and 2022.

18. INVESTMENT PROPERTIES

	2023 HK\$'000	2022 HK\$'000
At fair value:		
At the beginning of the year	202,420	212,720
Fair value (loss) gain	(9,621)	1,952
Disposal	–	(12,300)
Currency realignment	201	48
At the end of the year	193,000	202,420
The carrying amounts of investment properties situated in Hong Kong and outside Hong Kong shown above comprises:		
Land and buildings in Hong Kong	182,400	192,000
Land and buildings outside Hong Kong	10,600	10,420
	193,000	202,420

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. INVESTMENT PROPERTIES (Cont'd)

i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	Fair value measurements as at 31 March, 2023 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement			
Investment properties:			
Residential – Hong Kong	–	–	14,300
Commercial – Hong Kong	–	–	168,100
– Singapore	–	–	10,600
	<u>–</u>	<u>–</u>	<u>182,400</u>

	Fair value measurements as at 31 March, 2022 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement			
Investment properties:			
Residential – Hong Kong	–	–	15,300
Commercial – Hong Kong	–	–	176,700
– Singapore	–	–	10,420
	<u>–</u>	<u>–</u>	<u>192,420</u>

Recurring fair value measurement

Investment properties:

Residential – Hong Kong	–	–	15,300
Commercial – Hong Kong	–	–	176,700
– Singapore	–	–	10,420
	<u>–</u>	<u>–</u>	<u>192,420</u>

During the years ended 31 March 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

All of the Group's investment properties were revalued as at 31 March 2023 and 2022. The valuations were carried out by an independent firm of professional qualified surveyors, LCH (Asia-Pacific) Surveyors Limited, with recent experience in the location and category of property being valued. The Group's chief financial officer has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. INVESTMENT PROPERTIES (Cont'd)

ii) Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range
Investment properties with recurring fair value measurement:			
Residential			
– Hong Kong	Market approach	Estimated market price per sq ft	HK\$14,843 – HK\$16,682 (2022: HK\$14,542 – HK\$20,433)
		Adjustment for floor, time and size	–0.2% to 19.1% (2022: -6.0% to 18.9%)
Commercial			
– Hong Kong	Market approach	Estimated market price per sq ft	HK\$12,566 - HK\$120,648 (2022: HK\$11,404 - HK\$132,588)
		Adjustment for floor, time, age, view, environment, facilities, pedestrian flow and size	–19% to 8% (2022: -13.6% to 17.4%)
– Singapore	Market approach	Estimated market price per sq m	HK\$2,467 (2022: HK\$2,421)
		Adjustment for nature, floor, time, size and building condition	–19% to 2% (2022: -3% to -1%)

A significant decrease in the comparable market price would result in a significant decrease in the fair value of the investment properties, vice versa. Generally, a change in the assumption made for the market value is accompanied by a directionally similar change in building condition, floor, time, size, nature, facilities, pedestrian flow, view, environment and age.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. INVESTMENT PROPERTIES (Cont'd)

iii) Information about Level 3 fair value measurements

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2023	2022
	HK\$'000	HK\$'000
Investment properties:		
At the beginning of the year	202,420	212,720
Fair value (loss) gain recognised in profit or loss	(9,621)	1,952
Disposal	–	(12,300)
Currency realignment	201	48
At the end of the year	193,000	202,420

Fair value adjustment of investment properties is recognised in the line item “fair value (loss) gain on investment properties” on the consolidated statement of comprehensive income.

Of the total fair value loss recognised in profit or loss for the year, approximately HK\$9,621,000 (2022: fair value gain of HK\$2,252,000) loss relates to the properties held at the end of the reporting period.

iv) Pledged of investment properties

The Group has pledged certain investment properties with a total of carrying value of approximately HK\$182,400,000 (2022: HK\$192,000,000) to secure the Group's general banking facilities.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. FINANCIAL ASSETS AT FVTPL

	2023 HK\$'000	2022 HK\$'000
Financial assets stated at fair value		
Investment in life insurance policy (Notes (i), (ii) and (iii))	9,145	1,947
Equity securities listed in Hong Kong (Note (iv))	596	442
	9,741	2,389
Analysis as:	HK\$'000	HK\$'000
Non-current assets	9,145	1,947
Current assets	596	442
	9,741	2,389

Notes:

- i. A subsidiary of the Group entered into a contract with an insurance company to insure against the death of a director of the Company, with an premium paid of USD248,695 (equivalent to approximately HK\$1,947,000). In this contract, both the beneficiary and policy holder are the subsidiary of the Group. The Group will receive cash refund based on the cash surrender value of the insurance policy at the date of withdrawal. During the effective period of the insurance policy, interest at a rate not less than the guaranteed minimum crediting interest rate will be credited to the policy value. The guaranteed minimum crediting interest rate is 2.3%, the actual interest credited to the policy value will be subjected to change and there is no explicit maturity date of the policy. The change in cash surrender value is determined by the policy issuer, subject to the change in effective interest crediting to the policy value and adjusted for monthly premium charge, administration charge and cost of insurance incurred. In the opinion of the directors of the Company, the cash flow from the insurance policy is not solely payments of principal and interest on the premium paid.
- ii. During the year ended 31 March 2023, a subsidiary of the Group entered into a contract with an insurance company to insure against the death of a director of the Company, with an premium paid of USD920,175 (equivalent to approximately HK\$7,198,000). In this contract, both the beneficiary and policy holder are the subsidiary of the Group. The Group will receive cash refund based on the cash surrender value of the insurance policy at the date of withdrawal. During the effective period of the insurance policy, interest at a rate not less than the guaranteed minimum crediting interest rate will be credited to the policy value. The guaranteed minimum crediting interest rate is 2.3%, the actual interest credited to the policy value will be subjected to change and there is no explicit maturity date of the policy. The change in cash surrender value is determined by the policy issuer, subject to the change in effective interest crediting to the policy value and adjusted for monthly premium charge, administration charge and cost of insurance incurred. In the opinion of the directors of the Company, the cash flow from the insurance policy is not solely payments of principal and interest on the premium paid.
- iii. The Group has pledged its financial assets at FVTPL with aggregate fair value of approximately HK\$9,145,000 (2022: HK\$1,947,000) to secure the Group's general banking facilities.
- iv. During the years ended 31 March 2023 and 31 March 2022, the Group did not dispose of any listed equity securities.

Details of the fair value of these investments are disclosed in note 5(c).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

20. FINANCIAL ASSETS AT FVTOCI

	2023 HK\$'000	2022 HK\$'000
Financial assets at FVTOCI		
Unlisted equity securities (Note (i))	9,854	8,235

Note:

- i The above unlisted equity investments represent 4.59% in equity interest in a private entity incorporated in Hong Kong, which mainly engaged in provision of telecenter hotline service, paging center operation service and other telecommunication service. This investment is not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising their performance potential in the long run.

Details of the fair value of these investments are disclosed in note 5(c).

21. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	279	491
Telecommunication devices and other electronic products and accessories	15,627	15,383
	15,906	15,874

The cost of inventories recognised in profit or loss during the year amounted to approximately HK\$140,120,000 (2022: HK\$155,359,000).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. CONTRACT ASSETS

	2023	2022
	HK\$'000	HK\$'000
Smart systems construction service	79,083	44,822
Less: Loss allowance	(739)	(356)
	78,344	44,466

As at 1 April 2021, contract assets amounted to HK\$32,128,000.

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of services provided. The contract assets are transferred to trade receivables when the rights become unconditional upon completion of services and acceptance by the customer. The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL under the simplified approach.

The Group typically agrees to eighteen months retention period for 5-15% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. Included in contract assets of approximately HK\$11,075,000 (2022: HK\$6,086,000) was expected to be recovered after more than one year.

The Group measures loss allowance for contract assets at an amount equal to lifetime ECL, which is calculated at expected default rate of 0.93% (2022: 0.80%).

The increase in contract assets in 2023 is primarily due to new project progressing but not yet bill. Subsequent to the end of the reporting period, contract assets of approximately HK\$18,059,000 were billed and transferred to trade receivables.

The movements in loss allowance of contract assets are as follows:

	2023	2022
	HK\$'000	HK\$'000
At the beginning of year	356	284
Impairment losses recognised	383	72
At the end of year	739	356

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. TRADE RECEIVABLES

	2023	2022
	HK\$'000	HK\$'000
Trade debtors	22,196	16,018
Less: Loss allowance	(2,921)	(2,853)
	19,275	13,165

The Group does not hold any collateral over these receivables.

At as 31 March 2023, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK\$22,196,000 (2022: HK\$16,018,000).

Ageing analysis

The Group allows average credit period ranging from seven days to one month to its customers. The following is an aged analysis of trade receivables presented based on the invoice date, at the end of the reporting period. In addition, for certain customers with long-established relationship and have good credit worthiness, a longer credit period may be granted.

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	11,497	6,790
31 to 60 days	4,857	1,778
61 to 90 days	435	501
91 to 180 days	1,024	2,499
181 to 365 days	525	1,537
Over 365 days	3,858	2,913
	22,196	16,018

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. TRADE RECEIVABLES (Cont'd)

Ageing analysis (Cont'd)

Expected default rates are based on actual loss experienced by the Group and forward-looking information. These rates are adjusted to reflect difference between economic conditions during the period over which historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group measures loss allowances for trade receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivable as follows:

As at 31 March 2023

	Expected default rate	Gross Carrying Amount HK\$'000	Loss allowance HK\$'000	Net Carrying Amount HK\$'000
Individually	100%	2,663	2,663	–
Collectively				
Current (not past due)	0.93%	2,893	27	2,866
1-120 days past due	0.93%	13,979	131	13,848
121-365 days past due	2.93%	1,914	56	1,858
1-2 years past due	5.92%	747	44	703
Trade receivables		22,196	2,921	19,275

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. TRADE RECEIVABLES (Cont'd)

Ageing analysis (Cont'd)

As at 31 March 2022

	Expected default rate	Gross Carrying Amount HK\$'000	Loss Allowance HK\$'000	Net Carrying Amount HK\$'000
Individually	100%	2,696	2,696	–
Collectively				
Current (not past due)	0.7%	1,412	10	1,402
1-120 days past due	0.7%	9,071	66	9,005
121-365 days past due	2.7%	2,705	74	2,631
1-2 years past due	5.7%	134	7	127
Trade receivables		<u>16,018</u>	<u>2,853</u>	<u>13,165</u>

The movement in the loss allowance of trade receivables during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 April	2,853	2,140
Impairment loss recognised	<u>68</u>	<u>713</u>
At 31 March	<u>2,921</u>	<u>2,853</u>

At 31 March 2023, the Group's trade debtors amounted to approximately HK\$2,663,000 (2022: HK\$2,696,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that such trade receivables cannot be fully recovered. The Group does not hold any collateral over these balances.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	HK\$'000	HK\$'000
Deposits and other receivables	1,754	2,954
Prepayments	10,890	10,594
	12,644	13,548

The directors of the Company considered that the deposits and other receivables to be categorised as "Performing" under the Group's credit risk grading framework and the 12-months ECL is insignificant due to past repayment patterns thus no loss allowance is recognised in both years.

The Group does not hold any collateral over these balances.

25. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

	2023	2022
	HK\$'000	HK\$'000
Pledged time deposits	2,667	2,620
Cash and bank balances	35,463	25,746
	38,130	28,366

The effective interest rate on all of the pledged time deposits with banks was 0.11% (2022: 0.09%) per annum at 31 March 2023. The pledged time deposits are placed to secure the general banking facilities.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in the cash and bank balances of approximately HK\$35,463,000 (2022: HK\$25,746,000) are the following amounts denominated in a currency other than the functional currency of the group entities to which they relate:

	2023	2022
	HK\$'000	HK\$'000
RMB	244	580

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

26. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2023	2022
	HK\$'000	HK\$'000
Trade payables	4,164	3,366
Accruals and deposit received	7,237	9,071
	11,401	12,437

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	2023	2022
	HK\$'000	HK\$'000
0 – 30 days	3,360	2,145
31 – 60 days	3	327
61 – 90 days	32	44
Over 90 days	769	850
	4,164	3,366

The trade payables were due according to the terms stated in the relevant contracts. The average credit period on purchase of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

27. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Receipt in advance	<u>2,137</u>	<u>1,410</u>

As at 1 April 2021, contract liabilities amounted to HK\$1,521,000.

Contract liabilities include advances received to render maintenance services.

The advance payment schemes result in contract liabilities being recognised throughout the maintenance service period until the maintenance service is performed. The changes in contract liabilities in 2023 were mainly due to the addition of maintenance service contracts during the year.

Revenue recognised during the year ended 31 March 2023 that was included in the contract liabilities at the beginning of the year is approximately HK\$1,410,000 (2022: HK\$1,521,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

28. AMOUNTS DUE TO DIRECTORS

	2023 HK\$'000	2022 HK\$'000
Repayable on demand, unsecured and non-interest bearing	<u>10,000</u>	<u>—</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

29. LEASE LIABILITIES

(i) Lease liabilities

	2023	2022
	HK\$'000	HK\$'000
Non-current	–	75
Current	72	376
	72	451
Within one year	72	376
In the second year	–	75
	72	451

During the year ended 31 March 2022, the Group entered into a new lease agreement in respect of renting office premises and recognised lease liability of approximately HK\$564,000 (2023: nil).

(ii) Amounts recognised in profit or loss

	2023	2022
	HK\$'000	HK\$'000
Expense relating to short-term leases	570	497
Depreciation on:		
– Motor vehicle	85	85
– Leased properties	280	280
Total depreciation on right-of-use assets	365	365
Interest expenses	13	23

(iii) Others

At 31 March 2023 and 2022, the Group did not commit lease agreement that has not yet commenced.

During the year ended 31 March 2023, the total cash outflows for leases amounted to approximately HK\$954,000 (2022: HK\$881,000).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

30. BANK BORROWINGS

Bank borrowings comprise:

- Bank loans
- Bank overdraft

	2023 HK\$'000	2022 HK\$'000
Bank loans	119,441	70,406
Bank overdraft	21,037	14,755
	140,478	85,161

The bank borrowings carry floating rates. The effective interest rates of bank borrowings were 2.69% to 5.52% (2022: 2.5% to 4.25%) per annum at 31 March 2023.

Certain of the bank loans are linked to HIBOR and the Group has confirmed with the relevant counterparty that HIBOR will continue to apply till maturity.

The directors of the Company consider that the carrying amounts of bank borrowings approximate to their fair values.

All of the term loans of approximately HK\$27,041,000 (2022: HK\$33,546,000) from banks contain a repayment on demand clause.

The maturity of bank loans as stipulated in the respective loan agreements is as follows:

	2023 HK\$'000	2022 HK\$'000
On demand or within one year	99,220	42,266
In the second year	4,681	4,724
In the third to fifth years, inclusive	13,263	14,150
Over fifth years	2,277	9,266
	119,441	70,406

All the bank borrowings are secured by the Group's property, plant and equipment, investment properties, certain financial assets at FVTPL and pledged bank deposits. Please refer to respective notes for details of pledged of assets.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

31. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2021, 31 March 2022 and 31 March 2023	1,394	(1,344)	50

At the end of the reporting period, the Group has unused tax losses of approximately HK\$195,397,000 (2022: HK\$184,715,000) available to offset against future profits. Deferred tax assets have been recognised in respect of approximately HK\$8,145,000 (2022: HK\$8,145,000). No deferred tax asset has been recognised in respect of the remaining HK\$187,252,000 (2022: HK\$176,570,000) tax losses due to the unpredictability of future profit streams.

The tax losses can be carried forward to offset against the taxable profits of subsequent years. There is no restriction on their expiry except for the unused tax losses of PRC subsidiaries of approximately HK\$32,886,000 (2022: HK\$31,448,000) which can only be carried forward for five years from the year of the incurrence.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$3,660,000 (2022: HK\$3,209,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. SHARE CAPITAL

	Number of shares		Amount	
	2023	2022	2023	2022
	HK\$'000		HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning and end of the year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning and end of the year	1,245,331,256	1,245,331,256	12,453	12,453

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38.

Capital reserve

The capital reserve represents primarily the effects from change in shareholders' equity arising on group re-organisation and change in the Group's ownership interest in subsidiaries without losing control.

Properties revaluation reserve

The properties revaluation reserve represents cumulative gains and losses arising on the revaluation of the corresponding properties upon transfer from owner-occupied properties to investment properties that have been recognised in other comprehensive income. Such items will not be reclassified to profit or loss in subsequent periods.

The Company

	Share premium	Share-based payment reserve	Special reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021	39,621	–	163,453	(54,849)	148,225
Loss and total comprehensive expense for the year	–	–	–	(913)	(913)
At 31 March 2022 and 1 April 2022	39,621	–	163,453	(55,762)	147,312
Recognition of share-based payments	–	830	–	–	830
Loss and total comprehensive expense for the year	–	–	–	(1,946)	(1,946)
At 31 March 2023	<u>39,621</u>	<u>830</u>	<u>163,453</u>	<u>(57,708)</u>	<u>146,196</u>

The share-based payment reserve of the Company represents the reserve for the share option granted to directors and employees.

The special reserve of the Company represents the difference between the aggregate net assets of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued for the acquisition prior to the listing of the Company's shares in 2001.

The Company's reserves available for distribution represent the share premium, special reserve and retained profits, if any. Under the Companies Laws of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of memorandum and articles of association of the Company and provided that immediately following the distribution or dividend the Company is able to pay its debt as they fall due in the ordinary course of business.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Non-cash transactions

During the year ended 31 March 2022, the Group entered into new arrangements in respect of properties. Right-of-use assets and lease liabilities of approximately HK\$564,000 were recognised at the commencement of the leases.

b) Reconciliation of liabilities arising from financing activities

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

	Bank loans	Lease liabilities	Amounts due to directors	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021	85,388	247	–	85,635
Non-cash changes from financing cash flows:				
Recognition of right-of-use assets	–	564	–	564
Interest expenses	2,378	23	–	2,401
Exchange realignment	–	1	–	1
Financing cash flows	<u>(17,360)</u>	<u>(384)</u>	<u>–</u>	<u>(17,744)</u>
At 31 March 2022	70,406	451	–	70,857
Non-cash changes from financing cash flows:				
Interest expenses	4,651	13	–	4,664
Exchange realignment	–	(8)	–	(8)
Financing cash flows	<u>44,384</u>	<u>(384)</u>	<u>10,000</u>	<u>54,000</u>
At 31 March 2023	<u><u>119,441</u></u>	<u><u>72</u></u>	<u><u>10,000</u></u>	<u><u>129,513</u></u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. OPERATING LEASE COMMITMENT

The Group as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years (2022: 1 to 3 years). None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	660	1,702
In the second year	329	631
In the third year	–	333
	989	2,666

36. RELATED PARTY TRANSACTIONS

(i) Balance with related parties

Details of the balance with related parties are set out in the consolidated statement of financial position and note 28.

(ii) Key management personnel compensation

The remuneration of directors of the Company (who are also the key management) during the year were as follows:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	3,984	4,986
Post-employment benefits	145	173
	4,129	5,159

The remuneration of directors of the Company is determined by the remuneration committee having regard to the individual remits and performance, the Group's performance and profitability as well as the prevailing market condition.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 26 August 2022 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 26 August 2032. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 March 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 88,280,000 (31 March 2022: nil), representing 7% (31 March 2022: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price
2023	18 October 2022	18 October 2022 to 31 October 2023	1 November 2023 to 31 December 2025	HK\$0.055



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

The following table discloses movements of the Company's share options held by employees and directors during the year:

Grantee	Outstanding	Granted	Exercised	Forfeited	Expired	Outstanding
	at					at
	1 April	during	during	during	during	31 March
	2022	the year	the year	the year	the year	2023
Chan Chung Yee						
Hubert	–	12,000,000	–	–	–	12,000,000
Wu Kwok Lam	–	9,772,000	–	–	–	9,772,000
Lam Man Hau	–	8,488,000	–	–	–	8,488,000
Chan Ming Him	–	2,620,000	–	–	–	2,620,000
Chan Chung Yin Roy	–	2,520,000	–	–	–	2,520,000
Chiu Ngar Wing	–	1,200,000	–	–	–	1,200,000
Chu Chor Lup	–	1,200,000	–	–	–	1,200,000
Law Ka Hung	–	1,200,000	–	–	–	1,200,000
Employees	–	49,280,000	–	–	–	49,280,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	–	<u>88,280,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>88,280,000</u>
Exercisable at the end of the year						<u> </u>

During the year ended 31 March 2023, options were granted on 18 October 2022. The estimated fair value of the options granted on the date is HK\$1,887,000.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

	2023
Exercise price	HK\$0.055
Volatility	61.745%
Attrition rate	5%
Risk-free rate	4.32%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$830,000 for the year ended 31 March 2023 (2022: nil) in relation to share options granted by the Company.



NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSET			
Interests in subsidiaries	(a)	<u>210,504</u>	<u>210,504</u>
CURRENT ASSET			
Cash and bank balances		<u>59</u>	<u>59</u>
CURRENT LIABILITIES			
Amounts due to subsidiaries		<u>51,763</u>	<u>50,647</u>
Accruals and other payables		<u>151</u>	<u>151</u>
		<u>51,914</u>	<u>50,798</u>
NET CURRENT LIABILITIES		<u>(51,855)</u>	<u>(50,739)</u>
NET ASSETS		<u><u>158,649</u></u>	<u><u>159,765</u></u>
CAPITAL AND RESERVES			
Share capital		<u>12,453</u>	<u>12,453</u>
Reserves	33	<u>146,196</u>	<u>147,312</u>
TOTAL EQUITY		<u><u>158,649</u></u>	<u><u>159,765</u></u>

Note (a):

The interests in subsidiaries included an amount due from a subsidiary which is unsecured, interest-free and repayable on demand. The directors of the Company do not expect repayments from the subsidiary within next twelve months from the end of the reporting period.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2023 and 2022 are as follows:

Name	Legal form	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital / registered capital	Percentage of effective interest attributable to the Group		Principal activities
					2023	2022	
HKC Group Limited	Limited liability company	British Virgin Islands	Hong Kong	Ordinary shares US\$100,000	100%	100%	Investment holding
HKC Properties Limited	Limited liability company	British Virgin Islands	Hong Kong	Ordinary shares US\$30	100%	100%	Investment holding
Superior Charm Limited	Limited liability company	British Virgin Islands	Hong Kong	Ordinary shares US\$1,200	100%	100%	Investment holding
Hong Kong Communications Company Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$157,935,083	100%	100%	Sales of mobile phones and business solutions
Circle Mobile Communications Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100%	100%	Sales of mobile phones and other electronic products
Generalvestor (H.K.) Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,000	100%	100%	Property investment
HKC Technology Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,202	100%	100%	Sales and distribution of IOT products
HKC International (Thailand) Co. Ltd.	Limited liability company	Thailand	Thailand	Preference shares THB9,999,990 Ordinary shares THB10,000,010	100%	100%	Sales and distribution of IOT solutions

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. SUBSIDIARIES (Cont'd)

Name	Legal form	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital / registered capital	Percentage of effective interest attributable to the Group		Principal activities
					2023	2022	
Singapore Communications Co. Pte. Ltd.	Limited liability company	Singapore	Singapore	Ordinary shares S\$6,500,000	100%	100%	Sales and distribution of IOT solutions and property investment
HKC Technology (Shanghai) Co. Ltd.	Limited liability company	PRC	PRC	Contributed capital US\$4,350,000	100%	100%	Sales and distribution of IOT solutions
ASCT Technology Co. Ltd.	Limited liability company	PRC	PRC	Contributed capital US\$610,000	80%	80%	Inactive
HKC Technology (Guangzhou) Co. Ltd	Limited liability company	PRC	PRC	Contributed capital RMB800,000	100%	100%	Inactive
HKC Comunicacoes Equipamento (Macau) Companhia Limitada	Limited liability company	Macau	Macau	Contributed Capital MOP 100,000	100%	100%	Inactive
HKC Mobile Technology Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$20,000,000	100%	100%	Inactive
Hong Kong Communications Services Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$1	100%	100%	Inactive
HKC Retails Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$1	100%	100%	Sales of mobile phones and other electronic products

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. SUBSIDIARIES (Cont'd)

Name	Legal form	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital / registered capital	Percentage of effective interest attributable to the Group		Principal activities
					2023	2022	
Circle Digital Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$1	100%	100%	Inactive
Good Success Electronics Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$10,000	100%	100%	Sales of mobile phones and other electronic products
Carrot Home Solutions Limited	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$100	100%	100%	Sales of home automation solutions
ROMI Technology Limited [#]	Limited liability company	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100%	–	Inactive

[#] Incorporated during the year ended 31 March 2023.

The Company directly holds the interest in HKC Group Limited. All other interests shown above are indirectly held by the Company.

None of the subsidiaries had any debt securities subsisting at 31 March 2023 and 2022 or at any time during the year.

40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2023, the Group disposed of one of the investment properties with carrying amount as at 31 March 2023 of HK\$10,600,000 for a consideration of SGD1,700,000, (equivalent to approximately HK\$9,979,000) and financial assets at FVTOCI with carrying amount as at 31 March 2023 of HK\$9,854,000 for a consideration of US\$1,320,000 (equivalent to approximately HK\$10,362,000). Details refer to the Company's announcements dated 4 May 2023 and 5 May 2023.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 March				2023 HK\$'000
	2019 HK\$'000 (restated)	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
RESULTS					
Revenue	<u>283,113</u>	<u>232,235</u>	<u>217,122</u>	<u>199,096</u>	<u>169,524</u>
Profit (loss) before taxation	1,128	(22,793)	4,515	(1,943)	(19,568)
Tax (expense) credit	<u>(87)</u>	<u>(241)</u>	<u>232</u>	<u>-</u>	<u>-</u>
Profit (loss) attributable to equity holders of the Company	<u>1,041</u>	<u>(23,034)</u>	<u>4,747</u>	<u>(1,943)</u>	<u>(19,568)</u>
ASSETS (LIABILITIES)					
Total assets	388,383	357,688	391,729	380,668	427,496
Total liabilities	<u>(92,406)</u>	<u>(83,112)</u>	<u>(110,583)</u>	<u>(99,866)</u>	<u>(164,168)</u>
	<u>295,977</u>	<u>274,576</u>	<u>281,146</u>	<u>280,802</u>	<u>263,328</u>

PARTICULARS OF PROPERTIES

(1) PROPERTIES HELD FOR OWNER OCCUPATION

	Use	Lease term	Group's interest
Location in Hong Kong			
Block B, 14th Floor, Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long lease	100%
Workshop B7 on 8th Floor Block B Hong Kong Industrial Centre Nos. 489-491 Castle Peak Road Kowloon Hong Kong	Commercial	Medium-term lease	100%

(2) INVESTMENT PROPERTIES

	Use	Lease term	Group's interest
Location in Hong Kong			
Shop No. 8, 9 and 23B on Ground Floor National Court Nos. 240-252 Nathan Road Nos. 16A-16F Jordan Road Nos. 19-24 Tak Hing Street Mongkok, Kowloon, Hong Kong	Commercial	Medium-term lease	100%
Flat G on 45th Floor of Tower 10 Phase II (known as Le Point) of Metro Town No. 8 King Ling Road Tseung Kwan O New Territories, Hong Kong	Residential	Medium-term lease	100%
Unit 1 on 9th Floor Yue Xiu Building Nos. 160-174 Lockhart Road Hong Kong	Commercial	Long lease	100%

PARTICULARS OF PROPERTIES

(2) INVESTMENT PROPERTIES (Cont'd)

	Use	Lease term	Group's interest
Block A, 14th Floor, Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long lease	100%
Location in Singapore			
The whole of the strata Unit#02-09 Kewalram House No. 8, Jalan Kilang Timor Singapore	Commercial	Long lease	100%