



**偉俊集團控股有限公司\***  
**Wai Chun Group Holdings Limited**

(Incorporated in Bermuda with limited liability)  
Stock Code: 1013

**2023**  
ANNUAL REPORT

\* for identification purpose only

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# Corporate Information

## EXECUTIVE DIRECTOR

Lam Ching Kui  
*(Chairman and Chief Executive Officer)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Wai Dune  
Wang Wei  
Chan Cheuk Ho *(resigned on 18 July 2022)*  
Hung Hoi Ming Raymond  
*(resigned on 22 August 2022)*  
Wan Bo *(appointed on 21 November 2022)*

## AUTHORISED REPRESENTATIVES

Lam Ching Kui  
Fenn David *(appointed on 4 February 2022)*

## COMPANY SECRETARY

Fenn David *(appointed on 4 February 2022)*

## AUDIT COMMITTEE

Chan Wai Dune *(Chairman)*  
Wang Wei  
Chan Cheuk Ho *(resigned on 18 July 2022)*  
Hung Hoi Ming Raymond  
*(resigned on 22 August 2022)*  
Wan Bo *(appointed on 21 November 2022)*

## REMUNERATION COMMITTEE

Wang Wei *(Chairman)*  
Chan Wai Dune  
Lam Ching Kui  
Chan Cheuk Ho *(resigned on 18 July 2022)*  
Hung Hoi Ming Raymond  
*(resigned on 22 August 2022)*  
Wan Bo *(appointed on 21 November 2022)*

## NOMINATION COMMITTEE

Lam Ching Kui *(Chairman)*  
Chan Wai Dune  
Wang Wei  
Chan Cheuk Ho *(resigned on 18 July 2022)*  
Hung Hoi Ming Raymond  
*(resigned on 22 August 2022)*  
Wan Bo *(appointed on 21 November 2022)*

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 4001-02, 40/F., China Resources Building  
26 Harbour Road, Wanchai  
Hong Kong

## AUDITOR

CCTH CPA Limited  
Certified Public Accountants  
15/F, Tower 2, Kowloon Commerce Centre  
51 Kwai Cheong Road  
Kwai Chung  
New Territories, Hong Kong

**SHARE REGISTRAR IN BERMUDA**

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

**REGISTRAR IN HONG KONG**

Union Registrars Limited  
Suites 3301-04  
33/F., Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

**PRINCIPAL BANKER**

Hang Seng Bank Limited

**STOCK CODE**

1013

**COMPANY WEBSITE**

[www.1013.hk](http://www.1013.hk)

# Chairman's Statement

## FINANCIAL REVIEW

### FINANCIAL PERFORMANCE

For the year ended 31 March 2023, the Group recorded overall revenue of approximately HK\$176,803,000 (2022: approximately HK\$233,926,000) representing a decrease of approximately HK\$57,123,000 or 24.42% when compared to 2022. This is largely because the sales and integration services dropped by approximately HK\$65,809,000 during the year (2022: sales and integration services of approximately HK\$72,193,000). The decrease was mainly because of the lockdown in Shanghai in the first quarter in current year and the customers in the segment of sales and integration services were located in Shanghai, the customers needed time and resources to resume the operation gradually after the lockdown. After the unblock in Shanghai, the local government continued to implement the Zero-COVID policy till December 2022 which severely impacted the economic activities in Shanghai. At as 31 March 2023, the Group has signed sales and integration services contract amounting to RMB55,000,000 (equivalent to HK\$62,856,000). Up to 30 June 2023, the Group has recorded revenue from the segment of sales and integration services of approximately HK\$12,767,000.

The gross profit of the Group for the year ended 31 March 2023 amounting to approximately HK\$567,000 (2022: approximately HK\$1,097,000). The gross profit margin for the year ended 31 March 2023 was approximately 0.32% as compared to 0.47% for the year of 2022. The decrease in gross profit margin was because the gross profit margin in the segment of sales and integration services is higher than the segment of general trading, and the revenue from sales and integration services decreased in current year. The low gross profit margin in the segment of general trading was because the Group sell the products with lower profits for bulk purchase under the economic depression. With the loosen Covid-19 prevention measures since December 2022, the economic in the mainland China started to recover in three to six months. The Group has been negotiating with current customers for higher gross profit margin and finding other opportunities with potential customers.

Administrative expenses during the year under review decreased by 40.14% to approximately HK\$18,856,000 (2022: approximately HK\$31,499,000). Such decrease was mainly because the Group continued to implement tight cost control measures in current year and there was consultancy fee incurred in last year for identifying potential investment projects which did not incur in the year under review. During the year ended 31 March 2023, the finance costs decreased by 23.67% to approximately HK\$26,156,000 (2022: approximately HK\$34,267,000). The decrease in finance costs was mainly contributed by the decrease in the imputed interest expenses for the convertible bonds incurred during the year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$50,721,000 for the year (2022: approximately HK\$127,083,000).

### FINANCIAL RESOURCES AND POSITION

Total debts of the Group amounting to approximately HK\$229,128,000 (2022: approximately HK\$187,309,000), comprising convertible bonds of approximately HK\$202,130,000 (2022: HK\$182,303,000), loans from ultimate holding company of approximately HK\$12,900,000 (2022: approximately HK\$1,313,000), amount due to a director of approximately HK\$10,735,000 (2022: approximately HK\$1,029,000), lease liabilities of approximately HK\$3,363,000 (2022: HK\$2,664,000). All the above mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. All of these debts are interest bearing or carried in an interest rate implicit in the lease liabilities.

## **FINANCIAL REVIEW** (continued)

### **FINANCIAL RESOURCES AND POSITION** (continued)

The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 270.1% (2022: approximately 125.0%), the increase of net debts to total assets ratio was mainly due to the fair value of liability components of convertible bonds increased during the year and the decrease in trade receivables as at 31 March 2023 as compared to 31 March 2022. Cash and cash equivalents amounting to approximately HK\$9,456,000 (2022: approximately HK\$14,190,000) as at 31 March 2023 which are mostly denominated in Hong Kong Dollars and Renminbi.

The Group is not exposed to significant currency risk as most of its monetary assets and monetary liabilities are denominated in the functional currency of the individual group entity.

The Group had pledged bank deposits of approximately HK\$300,000 as at 31 March 2023 (2022: approximately HK\$300,000). As at 31 March 2023, the current ratio of the Group is approximately 0.32 times (2022: approximately 1.01 times). On the basis of the undrawn loan facilities of approximately HK\$187,100,000 granted by its ultimate holding company, Wai Chun IF and the financial support from the ultimate controlling shareholder, Mr. Lam, the Directors believe that the Group has sufficient financial resources for its operations. The directors will remain cautious in the Group's liquidity management.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2023 (2022: nil).

## **BUSINESS REVIEW AND FUTURE PROSPECT**

The Group is principally engaged in (i) general trading of chemicals and agricultural products; (ii) sales and integration services of computer and communication systems, design, consultation and production of information system software and management training service; and (iii) investment holdings.

During the year under review, the management continued to devote its effort to enhance the operational efficiency of the sale and integration services segment and the services income segment through stringent project selection and tighter cost control measures.

Looking forward, to turn the Group back to a profitable position, the Company (i) will continue to enhance operational efficiency by removing duplication and bottlenecks through standardisation of work procedures and simplification of operation process and; (ii) will further tighten its budgetary control by vigorously implementing measures for cost and expense control, optimising cost analysis and appraisal mechanism, and constantly strengthening cost management. In addition, the Group is monitoring closely the latest trends and the development of the global economy and to take advantage of all business opportunities.

The Company has been actively identifying projects with growth potential for acquisition or investment and has been in discussions with various parties for such acquisition or investment. Meanwhile, the Company intends to enrich and improve its financial resources by conducting fund raising exercises such as share placement or loan capitalisation, when necessary.

# Biographical Details of Directors

## EXECUTIVE DIRECTOR

**Mr. Lam Ching Kui (“Mr. Lam”)**, aged 64, has over 30 years of experience in project investments and securities investments. Mr. Lam has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong. He has made investments in listed securities and renewable energy. Mr. Lam is an indirect substantial shareholder of the Company and has been the Chairman and an executive Director of the Company since August 2008. Mr. Lam is responsible for the overall strategic planning of the Group. Mr. Lam was the chairman and executive director of Wai Chun Bio-Technology Limited since December 2007 and resigned on 18 July 2022, which is a public listed company in Hong Kong. Other than disclosed above, Mr. Lam did not hold any other directorships in any listed public companies in the past three years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Wai Dune (“Mr. Chan”)**, aged 70, has been appointed as the Independent Non-executive Director of the Company since 11 November 2020. Mr. Chan is currently the chairman and chief executive officer of Crowe (HK) CPA Limited. He has over 39 years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. Chan is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Taxation Institute of Hong Kong. He is also an associate chartered accountant of The Institute of Chartered Accountants in England and Wales, The Chartered Accountants Australia and New Zealand. Mr. Chan is currently serving various public positions such as the executive vice chairman of the Hong Kong Federation of Guangzhou Associations and a member and a standing committee member of CPPCC of the Guangzhou Municipal Committee. Mr. Chan was a member of the Selection Committee for the establishment of the First and Sixth Government of the Hong Kong Special Administrative Region.

Mr. Chan joined Tianjin Tianbao Energy Co., Ltd., a listed company in the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1671) on 17 January 2020 as an Independent Non-Executive Director and the Chairman of Audit Committee. Mr. Chan joined Hifood Group Holdings Co., Limited, a listed company in the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 442) on 8 November 2021 as a Non-Executive Director. Other than disclosed above, Mr. Chan did not hold any other directorships in any listed public companies in the past three years.

### INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

**Dr. Wang Wei (“Dr. Wang”)**, aged 61, has been appointed as the Independent Non-executive Director of the Company since 3 November 2020. Dr. Wang has worked in Bank of China International, Hong Kong since 2008 and is currently the Managing Director of the Debt Capital Market Origination Department of Bank of China International, Hong Kong. He also currently serves as the Executive Vice President of the Hong Kong Institution for International Finance. Dr. Wang also served as the executive director of the Credit Research Strategy Department of Citigroup (Hong Kong) and the Vice President of the Corporate Bond Strategy Research Department of Salomon Smith Barney (New York). Dr. Wang also served as a postdoctoral research scientist of at the Lamont-Doherty Earth Research Center of Columbia University, USA from 1995 to 1997.

Dr. Wang holds a doctorate in physical oceanography from the University of North Carolina at Chapel Hill, USA; a master degree of physical oceanography from the Second National Institute of Oceanography of China, and a bachelor degree of Mechanical Engineering (high-speed aerodynamics) from the University of Science and Technology of China.

In addition, Dr. Wang is an adjunct professor/lecturer at the Chinese University of Hong Kong (Shenzhen), and an adjunct senior researcher and lecturer at Renmin University of China (Beijing). Other than disclosed above, Dr. Wang did not hold any other directorships in any listed public companies in the past three years.

**Mr. Wan Bo (“Mr. Wan”)** has been appointed as an independent non-executive director of the Company with effect from 21 November 2022.

Mr. Wan, aged 54, has been the general manager of Guizhou Haiming Real Estate Investment Co., Ltd. since 2001. Mr. Wan also served as the general manager of Guizhou Qianyi Real Estate Development Co., Ltd. from 1991 to 2000. Mr. Wan is an engineer and graduated from East China Jiaotong University with major in Civil Engineering. Mr. Wan is also currently an independent non-executive director of Wan Chun Bio-Technology Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Other than disclosed above, Mr. Wan did not hold any other directorship in any Listed public companies in the past three years.

# Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2023.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding Company and the principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements. There were no significant changes in the nature of the Company's and of the Group's principal activities during the year.

Discussions and reviews of the Group's business and possible risks and uncertainties that the Group may be facing are contained in the Chairman's Statement as set out on pages 4 to 5 of this annual report. The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements of this annual report. These discussions form part of this Report of the Directors.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2023 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 71 to 139.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity set out on page 75 and in note 30 to the consolidated financial statements respectively.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 March 2023 is set out on page 140.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

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

### DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company did not have any reserves available for distribution to its shareholders (2022: Nil).

### DIRECTORS

#### EXECUTIVE DIRECTOR

Mr. Lam Ching Kui (*Chairman and Chief Executive Officer*)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Dune

Dr. Wang Wei

Mr. Chan Cheuk Ho (*resigned on 18 July 2022*)

Mr. Hung Hoi Ming, Raymond (*resigned on 22 August 2022*)

Mr. Wan Bo (*appointed on 21 November 2022*)

The biographical details of the Directors of the Company are set out on pages 7 and 9 of this annual report.

#### DIRECTORS' SERVICE CONTRACTS

The executive Director has entered into a service agreement with the Company for a term of not more than three years commencing from their date of appointment, which continues thereafter until terminated by either party giving not less than one month notice in writing to the other party.

Each independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years from their date of appointment, which can be terminated by either party giving not less than one month notice in writing to the other party. Each of the independent non-executive Directors is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's Bye-laws.

No Director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## **Report of the Directors**

### **DIRECTORS' REMUNERATION**

Details of emoluments of the Directors are set out in note 13 to the consolidated financial statements.

The Directors' fees are subject to shareholders' approval at the AGM. Other emoluments are determined by the Board with reference to the recommendations from the remuneration committee of the Company ("Remuneration Committee") taking in to account the Directors' duties, responsibilities and performance and the results of the Group.

### **PERMITTED INDEMNITY**

Pursuant to the Bye-laws of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed below in the section headed "Connected Transactions and Continuing Connected Transactions" and in notes 24, 27 and 32 to the consolidated financial statements, there are no transactions, arrangements or contracts of significance to which the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of 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.

### **COMPETING BUSINESS**

None of the Directors had any interests in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the year and up to the date of this report.

### **INTERESTS OF CONTROLLING SHAREHOLDER IN CONTRACTS**

Save as disclosed below in the section headed "Connected Transactions and Continuing Connected Transactions" and in notes 24, 26, 27 and 32 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the year.

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2023, the interests and short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to be notified to the Company and the Stock Exchange, were as follows:

### LONG POSITIONS

Name of director	Capacity	Number of ordinary shares/ underlying share	Approximate percentage of shareholding
Lam Ching Kui	Beneficial owner	3,694,314,332 (Note 1)	172.70%
	Interests of controlled corporations	2,443,921,933 (Note 1)	114.25%

Notes:

- Mr. Lam Ching Kui directly holds 38,481,000 shares of the Company and is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in (i) 1,554,338,600 shares of the Company held by Ka Chun Holdings Limited, a wholly-owned subsidiary of Wai Chun Investment Fund; and (ii) 889,583,333 shares to be issued by the Company upon full exercise of the conversion rights under the 2% coupon convertible bonds in the principal amount of HK\$42,700,000 held by Ka Chun Holdings Limited. Mr. Lam Ching Kui is also the holder of (i) 2% coupon convertible bonds in the principal amount of HK\$152,000,000 under which 3,166,666,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds; and (ii) 2% coupon convertible bonds in the principal amount of HK\$23,480,000 under which 489,166,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.
- This percentage is based on 2,139,116,248 ordinary shares of the Company issued as at 31 March 2023.

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executive of the Company or their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which 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 has taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Capacity	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding
Lam Ching Kui	Beneficial owner	3,694,314,332 <i>(Note 1)</i>	172.70%
	Interests of controlled corporations	2,443,921,933 <i>(Note 1)</i>	114.25%
Wai Chun Investment Fund	Interests of controlled corporations	2,443,921,933 <i>(Note 1)</i>	114.25%
Ka Chun Holdings Limited	Beneficial owner	2,443,921,933 <i>(Note 1)</i>	114.25%

*Notes:*

1. Mr. Lam Ching Kui, the chairman and Executive Director of the Company, directly holds 38,481,000 shares of the Company and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Ka Chun Holdings Limited, which is wholly owned by Wai Chun Investment Fund, holds 1,554,338,600 shares of the Company and is the holder of 2% coupon convertible bonds in the principal amount of HK\$42,700,000, under which 889,583,333 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds. Therefore, Wai Chun Investment Fund is deemed to be interested in all the interests held by Ka Chun Holdings Limited under the SFO. Mr. Lam Ching Kui is also the holder of (i) 2% coupon convertible bonds in the principal amount of HK\$152,000,000 under which 3,166,666,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds; and (ii) 2% coupon convertible bonds in the principal amount of HK\$23,480,000 under which 489,166,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds. Mr Lam Ching Kui is the director of Ka Chun Holdings Limited and Wai Chun Investment Fund.
2. This percentage is based on 2,139,116,248 ordinary shares of the Company issued as at 31 March 2023.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 March 2023, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

### **SUBSTANTIAL SHAREHOLDERS** (continued)

#### **SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY**

As at 31 March 2023, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares.

#### **OTHER PERSONS**

As at 31 March 2023, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

#### **SHARE OPTION SCHEME**

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 25 September 2015, a share option scheme of the Company was adopted by the Company. No option was granted, exercised, cancelled or lapsed during the year ended 31 March 2023. The Company had no share options outstanding at the beginning and end of the year.

#### **MANAGEMENT CONTRACTS**

During the year under review, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2023.

## Report of the Directors

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

#### TENANCY AGREEMENTS

A tenancy agreement (the “Tenancy Agreement A”) was entered into between Wai Chun Holdings Group as landlord and the Company as tenant on 30 December 2020 in respect of the leasing of the right portion of 13/F, Block 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (the “Premises”) and a car parking space. The term of the Tenancy Agreement A is two years commencing from 1 November 2020 to 31 October 2022, both days inclusive, with a rental of HK\$329,800 per calendar month, exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges.

Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam Ching Kui and as to the remaining 50% by Ms. Chan Oi Mo. Mr. Lam Ching Kui is a controlling shareholder of the Company and is interested in approximately 74.46% of the issued share capital of the Company and Ms. Chan Oi Mo is the spouse of Mr. Lam Ching Kui. Accordingly, Wai Chun Holdings Group Limited is regarded as a connected person of the Company under the Listing Rules. During the year ended 31 March 2023, the Company incurred total rental charges of HK\$3,958,000 payable to Wai Chun Holdings Group Limited.

On 29 March 2019, the Group entered into a tenancy agreement (the “Tenancy Agreement B”) with Ms. Chan Oi Mo (“Ms. Chan”), pursuant to which the Group agreed to pay Ms. Chan, the rental charge of the Premises located in Unit 1L and 1K of Block A6, Xili Residences, Tang Lang Village, Nam Shan District, Shenzhen, PRC. The lease term lasts for three years commencing from 1 April 2019 to 31 March 2022 (both days inclusive).

Ms. Chan is the spouse of Mr. Lam Ching Kui who is an executive Director and indirectly owns approximately 74.46% of the issued share capital of the Company. Accordingly, Ms. Chan is regarded as a connected person of the Company under the Listing Rules. During the year ended 31 March 2022, the Group incurred total rental charges of HK\$4,200,000 payable to Ms. Chan.

During the year ended 31 March 2023, the lease term was renewed, which lasts for one year commencing from 1 April 2022 to 31 March 2023 (both days inclusive). The Group incurred total rental charges of HK\$2,976,000 payable to Ms. Chan.

### **CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

(continued)

#### **TENANCY AGREEMENTS** (continued)

The Board classified the transactions under the Tenancy Agreement A and Tenancy Agreement B as connected transactions of the Company under the application of Hong Kong Financial Reporting Standards 16 (“HKFRS 16”) instead of continuing connected transactions under Chapter 14A of the Listing Rules. Furthermore, as the transactions under the Tenancy Agreement A and Tenancy Agreement B should be regarded as acquisition of assets under the definition of transaction set out in Rule 14.04(1)(a) and Rule 14A.24(1) of the Listing Rules, the annual cap requirements under Chapter 14A of the Listing Rules are no longer applicable.

As all of the applicable percentage ratios (as defined under the Listing Rules) under the Tenancy Agreement A and Tenancy Agreement B are less than 25% and the total consideration is less than HK\$10,000,000, the transactions constitute disclosable and connected transactions of the Company and are subject to announcement requirement but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Rule 14A.76 of the Listing Rules.

During the year ended 31 March 2023, the Group has not entered into any transaction which constituted non-exempt continuing connected transactions under the Listing Rules.

#### **COMPLIANCE WITH DISCLOSURE REQUIREMENTS**

Saved as disclosed in the above section headed “connected transactions and continuing connected transactions”, all other transactions as shown in note 32 are connected transactions exempted from announcement, reporting, annual review and independent shareholders’ approval requirements under Rule 14A.76/14A.95/14A.90 of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of connected transactions.

#### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company’s issued shares as required under the Listing Rules.

## Report of the Directors

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 87% of total turnover and sales to the largest customer accounted for approximately 37%. The five largest suppliers of the Group in aggregate accounted for about 70% of its total purchase costs for the year. Purchases from the largest supplier accounted for about 24% of its total purchase costs. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### TAX RELIEF AND EXEMPTION

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

### EMOLUMENT POLICY

As at 31 March 2023, the Group had a total of 15 employees, the majority of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced lifestyle and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing in his own remuneration.

### **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to the long-term sustainability of the environment and communities in which it engages from time to time. The Group achieves this through rational resources utilisation and compliance with applicable environmental laws and practices of environmental protection, health and safety, workplace conditions and employment. The Group continues to improve the environmental performance as an integral and fundamental part of the business strategy and operating methods.

Details of the environmental, social and governance report are set out in the section headed “Environment, Social and Government Report” in this annual report.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

The Board considers compliance with laws and regulations are important element in the business operation of the Group. The Group’s major operations and over half of its sales are located in China and compliance with domestic laws and regulations in China is particularly important. The Group has specific personnel to handle and update compliance works in China and they also have the assistance from external legal advisors. The Board considers that the Group’s compliance with laws and regulations in China is well monitored.

### **RELATIONSHIPS WITH STAKEHOLDERS**

The Group provides a harmonious and professional working environment to employees and ensures they all are reasonable remunerated. The Company regular reviews and updates its policies on remuneration and benefits, training, occupational health and safety.

The Group also recognises that it is important to maintain good relationship with business partners to achieve its long-term goals. During the year, there was no material and significant dispute between the Group and its business partners.

### **CORPORATE GOVERNANCE**

Details of the corporate governance of the Company are set out in the section headed “Corporate Governance Report” in this annual report.

## Report of the Directors

### INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2023 have been audited by CCTH CPA Limited (“CCTH”).

CCTH will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee’s recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Lam Ching Kui**

*Chairman and Chief Executive Officer*

Hong Kong, 30 June 2023

# Corporate Governance Report

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

## CORPORATE GOVERNANCE

During the year ended 31 March 2023, the Company complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules except code provisions C.2.1.

Under code provision C.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities is ensured by the operation of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

## BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD

As at the date of this annual report, the composition of the Board is set out as follows:

### EXECUTIVE DIRECTOR

Mr. Lam Ching Kui (*Chairman and Chief Executive Officer*)

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Dune

Dr. Wang Wei

Chan Cheuk Ho (*resigned on 18 July 2022*)

Hung Hoi Ming Raymond (*resigned on 22 August 2022*)

Wan Bo (*appointed on 21 November 2022*)

#### RESPONSIBILITIES

The Board has a balance of skill and experience and a balanced composition of executive and non-executive Directors and is responsible for oversight of the management of the Company's business and affairs. The Board has delegated the day-to-day responsibility to the executive Director(s) and senior management of the Company.

The Board, headed by the Chairman and the Chief Executive Officer, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The Chairman and Chief Executive Officer seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

The Chairman and Chief Executive Officer is responsible for day-to-day management of the Company's operations, financial management and the effective implementation of the overall strategies and initiatives adopted by the Board.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

### BOARD OF DIRECTORS (continued)

#### RESPONSIBILITIES (continued)

During the year ended 31 March 2023, reference is made to the announcement of the Company dated 22 August 2022, the Company announced that Mr. Hung Hoi Ming Raymond (“Mr. Hung”) has resigned as an independent non-executive Director (“INED”), and ceased to be the members of Audit Committee, Nomination Committee and Remuneration Committee of the Company on 22 August 2022. Following the resignation of Mr. Hung, there is a vacancy in the position of the member of the Audit Committee of the Company and the Company only has two INEDs, thus the number of INEDs and number of the Audit Committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). As required under Rules 3.11 and 3.23 of the Listing rules, the Company should appoint sufficient number of INEDs and make appropriate appointment to the Audit Committee within three months which is by 21 November 2022. The Company has appointed Mr. Wan Bo as an INED of the Company on 21 November 2022.

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The appointment of all the Directors is for a specific term of not more than three years from date of appointment. The Company's Bye-laws provide for the retirement of Directors by rotation and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting following the appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's Bye-laws. The Board is responsible for the reviewing its composition, monitoring the appointment of Directors and assessing the independence of the independent non-executive Directors.

#### BOARD MEETINGS

During the year ended 31 March 2023, the Board held five regular board meetings. In addition, board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are usually attended by executive Directors only. The Directors attended the meetings in person or through electronic means of communication. The attendance of each Director is set out as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Lam Ching Kui ( <i>Chairman</i> )	5/5
Mr. Chan Wai Dune	5/5
Dr. Wang Wei	5/5
Mr. Chan Cheuk Ho ( <i>resigned on 18 July 2022</i> )	3/5
Mr. Hung Hoi Ming Raymond ( <i>resigned on 22 August 2022</i> )	2/5
Mr. Wan Bo ( <i>appointed on 21 November 2022</i> )	1/5

### BOARD OF DIRECTORS (continued)

#### GENERAL MEETINGS

During the year ended 31 March 2023, an annual general meeting of the Company was held on 18 August 2022. The attendance of each Director is set out as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Lam Ching Kui ( <i>Chairman</i> )	1/1
Mr. Chan Wai Dune	1/1
Dr. Wang Wei	1/1
Mr. Chan Cheuk Ho ( <i>resigned on 18 July 2022</i> )	N/A
Mr. Hung Hoi Ming Raymond ( <i>resigned on 22 August 2022</i> )	1/1
Mr. Wan Bo ( <i>appointed on 21 November 2022</i> )	N/A

#### BOARD PROCESS

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquires if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### BOARD DIVERSITY POLICY

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. In this connection, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the “Diversity Policy”).

Pursuant to the Diversity Policy, the Company considers Board diversity from a number of perspectives, including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of service. The ultimate decision would be based on the merits and contributions the selected candidates can bring to the Board.

The Nomination Committee opined that the Company has a diverse Board. The Nomination Committee and the Board would review the Diversity Policy at least annually.

#### DIRECTORS’ TRAINING

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a Director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 March 2023 to the Company.

#### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lam Ching Kui, the Chairman of the Company, was also appointed as the Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

### **BOARD OF DIRECTORS** (continued)

#### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, laws or economics. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

All independent non-executive Directors have been appointed for a term of two years from their date of appointment. Each of the independent non-executive Directors is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's Bye-laws.

#### **BOARD COMMITTEES**

The Company has set up three committees of the Board, including the Remuneration Committee, audit committee ("Audit Committee") and nomination committee ("Nomination Committee") of the Company, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

#### **REMUNERATION COMMITTEE**

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for non-executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the market standard. Individual Director and senior management would not be involved in deciding their own remuneration.

The model of remuneration committee described in code provision B.1.2(c)(ii) of the CG Code has been adopted by the Remuneration Committee.

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

### REMUNERATION COMMITTEE (continued)

During the year ended 31 March 2023, the Remuneration Committee held one meeting with attendance record as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Dr. Wang Wei ( <i>Chairman</i> )	1/1
Mr. Lam Ching Kui	1/1
Mr. Chan Wai Dune	1/1
Mr. Chan Cheuk Ho ( <i>resigned on 18 July 2022</i> )	1/1
Mr. Hung Hoi Ming Raymond ( <i>resigned on 22 August 2022</i> )	1/1
Mr. Wan Bo ( <i>appointed on 21 November 2022</i> )	N/A

During the year under review, the Remuneration Committee reviewed matters relating to remuneration packages of Directors and senior management.

### AUDIT COMMITTEE

The Company has the Audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. A meeting of the Audit Committee was held to review the Group's audited consolidated financial statements for the year ended 31 March 2023, in conjunction with the Group's external auditor, CCTH CPA Limited.

The Audit Committee also reports directly to the Board and reviews financial statements and the effectiveness of internal control, to protect the interests of the Company's shareholders.

### BOARD OF DIRECTORS (continued)

#### AUDIT COMMITTEE (continued)

During the year ended 31 March 2023, the Audit Committee held two meetings with attendance record as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Chan Wai Dune ( <i>Chairman</i> )	2/2
Dr. Wang Wei	2/2
Mr. Chan Cheuk Ho ( <i>resigned on 18 July 2022</i> )	1/2
Mr. Hung Hoi Ming Raymond ( <i>resigned on 22 August 2022</i> )	1/2
Mr. Wan Bo ( <i>appointed on 21 November 2022</i> )	1/2

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 March 2022 and the interim results for the six months ended 30 September 2022 respectively. The Audit Committee has also reviewed the Group accounting principles and practices, Listing Rules and statutory compliance and financial reporting matters. The Audit Committee is satisfied with their review of the independence of the auditor and their audit process for the year ended 31 March 2022.

The Group's results and consolidated financial statements for the year ended 31 March 2023 have been reviewed by the Audit Committee.

#### NOMINATION COMMITTEE

The primary function of the Nomination Committee is to make recommendations to the Board on new appointment and re-appointment of Directors and senior management. New Directors are sought mainly through referrals and internal promotions. In evaluating whether an appointee is suitable to act as a Director, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and possible time commitment of the appointee with reference to the Diversity Policy adopted by the Board during the year and the requirements under the Listing Rules.

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

#### NOMINATION COMMITTEE (continued)

During the year ended 31 March 2023, the Nomination Committee held one meeting, with attendance record as follows:

<b>Name of Director</b>	<b>Number of meetings attended/held</b>
Mr. Lam Ching Kui ( <i>Chairman</i> )	1/1
Mr. Chan Wai Dune	1/1
Dr. Wang Wei	1/1
Mr. Chan Cheuk Ho ( <i>resigned on 18 July 2022</i> )	1/1
Mr. Hung Hoi Ming Raymond ( <i>resigned on 22 August 2022</i> )	1/1
Mr. Wan Bo ( <i>appointed on 21 November 2022</i> )	N/A

#### CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions are carried out by the Board in compliance with the CG Code.

The corporate governance functions currently performed by the Board are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 March 2023, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

### BOARD OF DIRECTORS (continued)

#### COMPANY SECRETARY

The Company Secretary functions to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices.

The Company secretary of the Company, Mr. Fenn David had obtained not less than 15 hours of professional training as required under Rule 3.29 of the Listing Rules during the year.

#### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries to all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year.

#### EXTERNAL AUDITOR AND ITS REMUNERATION

ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was re-appointed as the Auditor in the Company's annual general meetings held on 11 August 2021 and 18 August 2022. On 3 May 2023, ZHONGHUI has resigned as the Auditor of the Company while CCTH CPA Limited has been appointed to fill the casual vacancy following the resignation of ZHONGHUI in the Company's special general meeting held on 30 May 2023 and to hold office until the conclusion of the forthcoming AGM.

During the year ended 31 March 2023, the remuneration paid to CCTH CPA LIMITED, the external auditor of the Group is set out below:

<b>Nature of work</b>	<b>Fee</b> <i>HK'000</i>
Audit services	400

## Corporate Governance Report

### **DIRECTORS' RESPONSIBILITY IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge that their responsibilities for preparing the consolidated financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company regarding their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 66 to 70 of this Annual Report.

### **GOING CONCERN**

Save as disclosed in note 2 to the consolidated financial statements, the Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

### **INTERNAL CONTROL**

#### **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The objective is to cover all important controls, including financial, operational, compliance, and risk management functions to endure they are in place and functioning effectively for the Group.

The Group's risk management policy includes the following elements:

- Identification significant risks in the Group's operation environment and evaluate the impacts of those;
- Develop necessary measure to manage those risks;
- Risk and mitigate measures with risk ownership will be documented in a risk register; and
- Risk register will be monitored and reviewed the effectiveness of such measures regularly.

### INTERNAL CONTROL (continued)

#### RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Board has delegated the Audit Committee to perform its responsibilities of risk management and internal control systems by performing the following:

- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems annually, and such review should cover all material controls including financial, operational and compliance control;
- Considers major findings on risk management and internal control matters, implementation of the mitigation activities by the management team, and reports and makes recommendations to the Board.

The Group's internal control review is performed by an outsourced internal control consultant, which reports directly to the Audit Committee of the Group.

The Board has received a report from the outsourced internal control consultant summarizing internal control review results for the financial year. The report states the findings on internal control review and actions to be taken by management as a result. These findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions. The Group's management team monitors the implementation of its recommendations and reports the outcome to the Audit Committee.

The Board considers the Group internal control system and risk management is adequate and effective for the financial year.

#### ***Internal Audit Function***

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

## **Corporate Governance Report**

### **SHAREHOLDERS' RIGHTS**

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

### **SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING**

Shareholders may convene a special general meeting of the Company according to the provisions as set out in the Bye-laws and the Companies Act of Bermuda. The procedures that shareholders can use to convene a special general meeting are set out in Bye-law 58 of the Company's Bye-laws.

### **PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD**

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

### **CONSTITUTIONAL DOCUMENTS**

During the year, there was no significant change in the Company's Memorandum and Articles of Association.

# Environmental, Social and Governance Report

For the year ended 31 March 2023

## ABOUT THIS REPORT

### INTRODUCTION

In accordance to Appendix 27- Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), Wai Chun Group Holdings Limited and its subsidiaries (collectively known as the “Group” or “We”) are pleased to present this Environmental, Social and Governance Report (the “Report”). The purpose of the ESG Report is to provide our stakeholders with a comprehensive view of our environmental, social and governance (“ESG”) performance, initiatives and achievements in four areas: environmental protection, employment and labour policies, operational practices and community involvement.

### REPORTING PRINCIPLES

The ESG Report is prepared according to the “Comply or Explain” provisions and the four Reporting Principles as required by the ESG Reporting Guide:

1. **Materiality:** Disclosure is required in this Report if ESG issues have a material impact on our investors and other stakeholders.
2. **Quantitative:** The identified ESG data are measurable, so that the key performance indicators (“KPIs”) in this report can be compared with peers, industry standards and our previous years’ performance.
3. **Balance:** The performance information in the Report is presented in an unbiased manner, avoiding selections, omissions or presentation that might inappropriately influence the decisions or judgments of stakeholder.
4. **Consistency:** To ensure comparability, all key performance indicators calculations and assumptions are consistent with previous years. Any changes in relevant assumptions or calculation methods are clearly disclosed to inform stakeholders.

## **Environmental, Social and Governance Report**

For the year ended 31 March 2023

### **REPORTING BOUNDARY**

The scope of the ESG Report mainly focuses on the Group's principal subsidiaries, Beijing HollyBridge System Integration Co., Limited (the "Beijing HollyBridge"), Beijing Plus Trading Co., Ltd. (the "Plus Trading") and Wai Chun Strategic Investment Limited (the "Wai Chun Strategy"). Beijing HollyBridge principally engaged in the sale and provision of integrated services of computer and communication systems, as well as design, consultancy and manufacture of information system software in the PRC. Plus Trading is engaged in consulting services, chemical trade, and agricultural product trade in the PRC. Wai Chun Strategy is located in Hong Kong and engages in investment holding. The information stated in this report covers the period from 1 April 2022 to 31 March 2023 (the "Reporting Period" or "2023"). This report focuses on four environmental aspects and eight social aspects of policy and related performance disclosure.

In addition to achieving business objectives, the Group is aware of its responsibility to operate in a more responsible and sustainable manner by incorporating ESG considerations into its daily operations. For this reason, the Group has prepared ESG KPIs and compared the results of the reporting period in fiscal year 2022. The Group will improve the shortcomings and make appropriate revisions and implement corresponding measures when necessary.

### **ESG GOVERNANCE**

#### **OUR SUSTAINABILITY MISSION**

The Group strives to be a leading network system integrator and software developer and supplier. In order to realize the concept of sustainable development and to create long-term value for shareholders and other stakeholders, the Group has incorporated ESG themes into its daily operations and as an important part of its corporate strategic objectives.

#### **OUR APPROACH TO SUSTAINABILITY**

The Group considers sustainable development as an important aspect of the Group's future development and that sustainable development should start with the internal management within the Group. The Board of Directors is fully responsible for setting the Group's sustainable development direction and strategy, conducting an enterprise risk assessment at least once a year to identify current and potential risks in our complex business environment, including but not limited to ESG aspects. The Board of Directors will assess or engage an independent third party to review the Group's existing strategies, objectives and internal controls, and will make the necessary improvements to mitigate risks. The Board of Directors is also responsible for overseeing and ensuring that management and the environmental, social, and governance work team have all appropriate tools and resources at their disposal to oversee ESG matters.

The Group reviews the performance and progress of implementation of ESG-related objectives and targets annually. If significant non-compliance is identified, the Group should analyse the variances, identify the causes in a timely manner, and communicate with stakeholders to revise the ESG strategy as appropriate to make it more relevant to business reality. The Group will also actively engage with various stakeholders to ensure that the ESG performance of the Group meets their expectations. The Board of Directors has set strategic objectives for the future to enable the Group to develop a practical way forward and focus on the direction of development to achieve its vision. The environmental, social, and governance work team will weigh up the Group's philosophy and objectives, and carefully examine whether they can be achieved.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### STAKEHOLDER ENGAGEMENT

The Group identifies stakeholders based on their relationship with the Group, and the extent to which they are affected by our business operations and the extent to which they influence the achievement of our business objectives. Stakeholders for the Reporting Period include employees, customers, shareholders, suppliers, regulatory bodies and the community. In order to strengthen relationships with internal and external stakeholders and to create social value more actively, the Group is committed to understanding the issues of concern to stakeholders through a wide range of communication channels. The following table provides an overview of the Group's key stakeholders, expectations, and the Group's communication and feedback:

Major Stakeholders		Expectations	Communication and Feedback
Internal	Employees	<ul style="list-style-type: none"> <li>• Career development platform</li> <li>• Salary and benefits and employee communication</li> </ul>	<ul style="list-style-type: none"> <li>• Annual performance appraisal system and staff communication</li> <li>• Training, seminars and briefing sessions</li> </ul>
	Shareholders	<ul style="list-style-type: none"> <li>• Communication with shareholders</li> <li>• Corporate transparency</li> <li>• Financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general meeting and other general meetings</li> <li>• Investor and press conferences, briefings and company website</li> <li>• Corporate communications including announcements, press release, circulars, interim and annual reports</li> </ul>
External	Customers	<ul style="list-style-type: none"> <li>• Customer with customers</li> </ul>	<ul style="list-style-type: none"> <li>• Company website and customer service hotline</li> </ul>
	Suppliers	<ul style="list-style-type: none"> <li>• Integrity cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Regular supplier communications and reviews</li> </ul>
	Regulators	<ul style="list-style-type: none"> <li>• Response to inquiries from regulators</li> <li>• Corporate governance and compliance</li> <li>• Compliance training</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meeting and communications</li> <li>• Corporate governance report</li> <li>• Training, focus groups and other events</li> </ul>
	Community	<ul style="list-style-type: none"> <li>• Community care</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsorships and donations</li> </ul>

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### MATERIALITY ASSESSMENT

The Group conducted an annual materiality assessment to enhance stakeholders' understanding of the Group's ESG performance and sustainable development strategy during the Reporting Period. The detailed methodology of the materiality assessment approach is shown below:

1. **Methodology design:** Materiality analysis is designed around the implementation of the ESG initiative and complies with the materiality principles outlined in the Reporting Principles section and Listing Rules mentioned above.
2. **Identify material ESG issues:** The Group relies on significant ESG issues from the previous year and feedback from stakeholders, as well as policies and procedures, industry and international trend reports, regulatory updates, and external standards to identify ESG issues.
3. **Stakeholder validation and participation:** ESG issues are rated with internal and external stakeholders based on a range of ratings from 0 (no significance) to 6 (high significance). Additional ESG issues not covered in the above assessment can also be raised and stakeholders are encouraged to provide feedback on how we engage.
4. **Prioritize significant ESG issues:** Through statistical analysis of data, ESG issues are prioritized based on their importance and presented in a chart format.

## Environmental, Social and Governance Report

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### MATERIALITY ASSESSMENT (continued)

The significant ESG issues of the Group are shown in the table below:

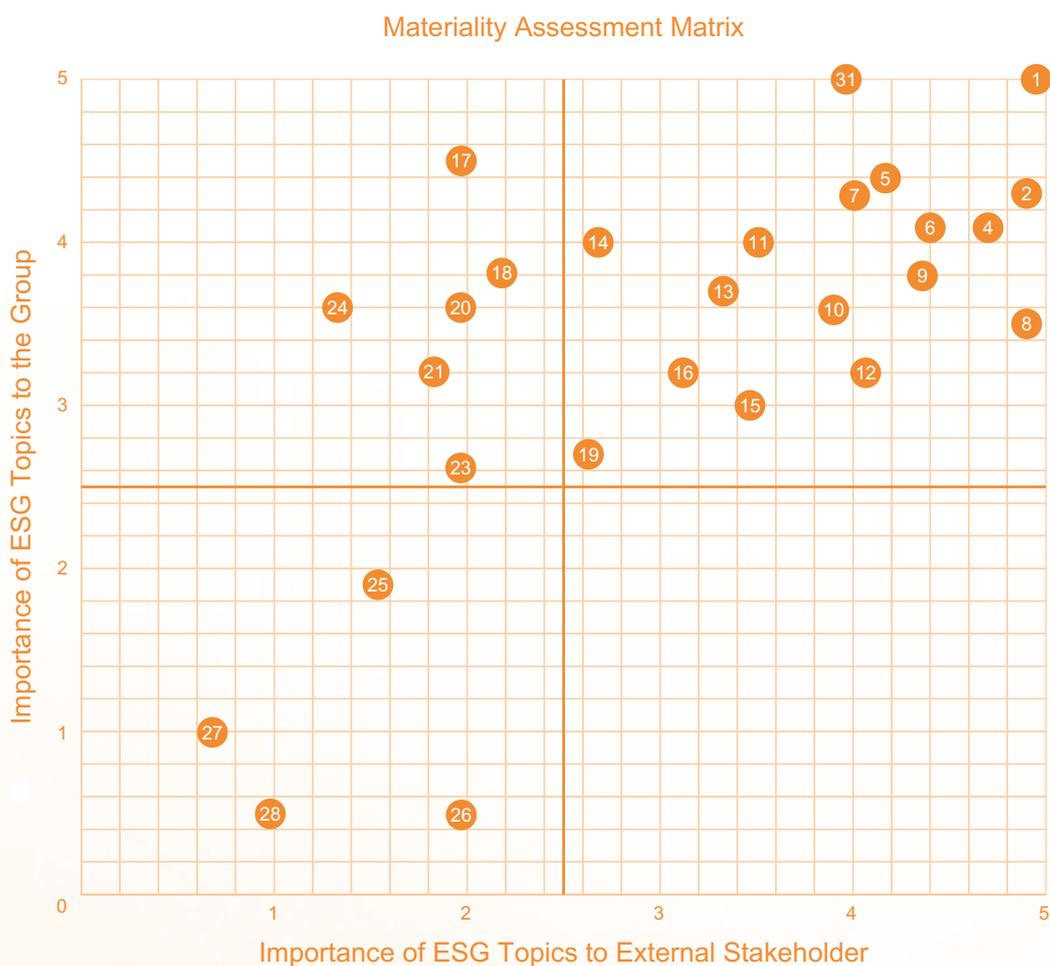
Item	ESG Topic	Item	ESG Topic
1	Preventing child and forced labour	15	Product and service labelling
2	Observing and protecting intellectual property rights	16	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers
3	Customer information and privacy	17	Use of materials (e.g. paper, packaging, raw materials)
4	Anti-corruption training provided to directors and staff	18	Community support (e.g. donation, volunteering)
5	Customer satisfaction	19	Selection and monitoring of suppliers
6	Occupational health and safety	20	Mitigation measures to protect environment and natural resources
7	Anti-corruption policies and whistle-blowing procedure	21	Climate change
8	Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering	22	Marketing communications (e.g. advertisement)
9	Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions)	23	Energy use (e.g. electricity, gas, fuel)
10	Product health and safety	24	Greenhouse gas emissions
11	Diversity and equal opportunity of employees	25	Air emissions
12	Employee development and training	26	Water use
13	Environmentally preferable products and services	27	Non-hazardous waste production
14	Cultivation of local employment	28	Hazardous waste production

# Environmental, Social and Governance Report

For the year ended 31 March 2023

## MATERIALITY ASSESSMENT (continued)

The following table briefly shows the results of the assessment:



Based on the above analysis, the Group has identified “preventing child and forced labour”, “customer information and privacy”, and “observing and protecting intellectual property rights” as the top three areas of focus during the Reporting Period. The board of directors has set targets for each major KPI, and the ESG targets related to major KPIs will be reviewed annually to ensure that they still meet the needs of the Group.

## INFORMATION AND FEEDBACK

The Group welcomes all feedback from investors and stakeholders in particular the important areas identified in the materiality assessment. Your opinion is highly valued, should you have any suggestions or comments, please contact us through the channels below:

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## A. ENVIRONMENT

### A1 EMISSIONS

The Group understands its responsibility for environmental protection and sustainable development, and is committed to environmental protection and sustainable development as an important part of our business strategy. The Group's main business is to provide network system integration and software development services. Due to the nature of the business, except for the small amount of hazardous air emission generated from the use of fuel in private cars, the Group's business operations do not generate any hazardous emissions, waste or pollutants, nor do they generate any noise, light pollution or emissions that may have a significant impact on the environment. Although the direct impact of the business on the environment is minimal, the Group still makes every effort to comply with all laws, regulations, and rules related to air and greenhouse gas emissions in its operations, including but not limited to the *Air Pollution Control Ordinance (Cap 311)*, and the *Protection of Odour Layer Ordinance (Cap 403)*. During the Reporting Period, the Group did not find any non-compliance with emission and environmental laws and regulations.

#### *Air Emissions*

In view of the daily business activities of the Group, direct emissions are mainly from the combustion of fuel in the operational vehicles. For 2023, the approximate amounts of nitrogen oxides ("NO<sub>x</sub>"), sulphur oxides ("SO<sub>x</sub>") and Particulate Matter (PM) generated during the Group's operations are shown in the table below:

<b>Emissions from Vehicles</b>	<b>Unit</b>	<b>2023</b>	<b>2022</b>	<b>Percentage Comparison</b>
Nitrogen Oxides (NO <sub>x</sub> )		1,000.98	1,679.83	(40%)
Sulphur Oxides (SO <sub>x</sub> )	Grams	15.20	27.40	(45%)
Particulate Matter (PM)		73.70	113.78	(35%)

*Note 1:* The emission factors used to calculate the NO<sub>x</sub>, SO<sub>x</sub> and PM are sourced from: the Hong Kong Environmental Protection Department's EMFAC-HK Vehicle Emission Calculation model and the United States Environmental Protection Agency's Vehicle Emission Modeling Software – MOBILE 6.1; and the assumptions of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30km/h, and include running exhaust emissions only.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### A. ENVIRONMENT (continued)

#### A1 EMISSIONS (continued)

##### *Air Emissions* (continued)

During the Reporting Period, the total emission of NO<sub>x</sub>, SO<sub>x</sub> and PM are 1,000.98 grams, 15.20 grams and 73.70 grams, respectively. Compared with the emissions data in 2022, the air emissions of NO<sub>x</sub>, SO<sub>x</sub> and PM have decreased by 40.41%, 44.53% and 35.23% respectively. This is due to the implementation of various energy saving measures, including but not limited to encouraging employees to use video conferencing to reduce unnecessary travel, encouraging the use of public transportation for long distances and bicycles or walking for short distances; and exploring other alternatives such as the use of electric or energy efficient vehicles to reduce emissions.

The Group has set the following KPI targets for air emissions, and will keep monitoring on the emissions data and adjust emission reduction measures in a timely manner to ensure the targets are met.

<b>Air Emissions</b>	<b>Reduction Target</b>	<b>Baseline Year</b>	<b>Status</b>
Nitrogen Oxides (NO <sub>x</sub> ) emission intensity	Reduce 2% by FY2027	2022	In progress
Sulphur Oxides (SO <sub>x</sub> ) emission intensity	Reduce 2% by FY2027	2022	In progress
Particulate Matter (PM) emission intensity	Reduce 2% by FY2027	2022	In progress

##### *Greenhouse Gas (GHG) Emissions*

Global warming is a key area of concern for climate change. Due to human activities such as burning fossil fuels and deforestation, global warming accelerates and disrupts the balance of the natural world, ultimately affecting the livelihoods of employees, customers, and communities. The Group has been closely monitoring greenhouse gas emissions levels and exploring different methods to reduce pollution.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### A. ENVIRONMENT (continued)

#### A1 EMISSIONS (continued)

##### *Greenhouse Gas (GHG) Emissions* (continued)

The Group's greenhouse gas emissions can be broadly categorized into direct emissions (Scope 1), indirect emissions from energy (Scope 2) and other indirect emissions (Scope 3). During the Reporting Period, the greenhouse gas emissions are as follows:

Aspects <sup>1</sup>	Unit <sup>2</sup>	Emission		Percentage Comparison
		2023	2022	
Scope 1 – Direct GHG Emissions <sup>3</sup>	tCO <sub>2</sub> e	2.75	4.96	(45%)
Scope 2 – Indirect GHG Emissions <sup>4</sup>	tCO <sub>2</sub> e	16.36	14.07	16%
Scope 3 – Other Indirect GHG Emissions <sup>5</sup>	tCO <sub>2</sub> e	0.78	1.43	(45%)
<b>Total GHG Emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>19.89</b>	<b>20.46</b>	<b>(3%)</b>
<b>GHG emission intensity<sup>6</sup></b>	<b>tCO<sub>2</sub>e/no. of employees</b>	<b>0.74</b>	<b>1.21</b>	<b>(39%)</b>

*Notes:*

1. The above GHG emission data have been compiled with reference to “How to prepare an ESG Report–Appendix II: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange.
2. tCO<sub>2</sub>e refers to tonnes of carbon dioxide equivalent.
3. Direct emissions of the Group were from fuel combustion in vehicle.
4. Energy indirect emissions of the Group were from purchased electricity.
5. Other indirect emissions of the Group included air travel for business, paper used and recycled and electricity used for fresh water and sewage processing by government department.
6. The intensity is calculated by dividing the GHG emissions by the Group's total number of employees during the Reporting Period.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### A. ENVIRONMENT (continued)

#### A1 EMISSIONS (continued)

##### *Greenhouse Gas (GHG) Emissions* (continued)

The Group emitted a total of 19.89 tonnes of carbon dioxide equivalent (“tCO<sub>2</sub>e”) (carbon intensity: 0.74 tCO<sub>2</sub>e/number of employee) in 2023, representing a decrease of 0.57 tonnes, or 2.79%, compared with the figure in 2022. Scope 1 emissions accounted for approximately 13.83%, Scope 2 emissions accounted for 82.25%, and other indirect emissions (Scope 3) accounted for 3.92%. It can be seen that indirect emissions are the main source of greenhouse gas generation in the Group, and indirect emissions mainly come from the use of electricity. The Group endeavours to reduce the GHG emissions by reducing the energy consumption level and will continue to assess and record its greenhouse gas emissions and other environmental data annually to assist the Group in achieving the emission reduction targets in the future.

<b>Environmental Indicators</b>	<b>Reduction Target</b>	<b>Baseline Year</b>	<b>Status</b>
GHG emissions intensity (Scope 1)	Reduce 2% by FY2027	2022	In progress
GHG emissions intensity (Scope 2)	Reduce 2% by FY2027	2022	In progress
GHG emissions intensity (Scope 3)	Reduce 2% by FY2027	2022	In progress

##### *Waste Management*

As the Group is mainly a software and information system designer, developer, integrator, and supplier, its activities are mostly similar to those of general offices and do not generate hazardous waste from our operations during the Reporting Period. The waste mainly comes from used papers, unpacked boxes and other general living wastes, which are non-hazardous. As part of the environmental protection strategy, non-hazardous wastes are transferred to the cleaning staff of the building management office for regular collection and treatment.

<b>Non-hazardous waste</b>	<b>Units</b>	<b>2023</b>	<b>2022</b>	<b>Percentage Comparison</b>
Total non-hazardous waste	KG	155.06	184.02	(16%)
Intensity of non-hazardous waste	Tonnes/ no. of employees	5.74	10.82	(47%)

## A. ENVIRONMENT (continued)

### A1 EMISSIONS (continued)

#### *Waste Management* (continued)

During the Reporting Period, the Group complied with all laws and regulations relating to the generation of hazardous waste and non-hazardous waste, including but not limited to the *Waste Disposal Ordinance (Cap 354 of the Laws of Hong Kong)*. The Group advocates its employees to adopt paperless office, double-sided printing and other environmental protection measures to reduce non-hazardous waste as far as possible.

Environmental Indicators	Reduction Target	Baseline Year	Status
Non-hazardous waste produced intensity	Reduce 2% by FY2027	2022	In progress

### A2 USE OF RESOURCES

The Group firmly believes that environmental protection is a key factor for sustainable business development, and therefore adheres to the highest environmental standards in business operations. The Group is committed to conserving and protecting resources such as energy, water, and paper, and promoting this awareness to employees and business partners. Although the Group is not a manufacturing company and the use of resources in business activities is minimal., it adheres to the 5R-principle as the guiding rule for the Group's resource conservation and reduction programs, which promotes measures for educating, reusing, recycling, replacing and recovering.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### A. ENVIRONMENT (continued)

#### A2 USE OF RESOURCES (continued)

The Group's resources use mainly includes electricity and water consumed by the office. The approximate resource consumption of the Group during the Reporting Period is as follows:

Types of Sources	Unit	2023	2022	Percentage Comparison
<b>Energy</b>				
Fuel consumption <sup>1</sup>	kWh	10,021	18,067	(45%)
Electricity consumption	kWh	23,383	18,478	27%
Total energy consumption	kWh	33,404	36,545	(9%)
Energy consumption intensity	kWh/no. of employees	1,237	2,150	(42%)
<b>Water</b>				
Water consumption	m <sup>3</sup>	70	310	(77%)
Water consumption intensity	m <sup>3</sup> /no. of employees	3	18	(83%)
<b>Packing</b>				
Total packaging <sup>2</sup>	KG	N/A	N/A	N/A
Total packaging intensity	KG/no. of employees	N/A	N/A	N/A

*Notes:*

1. The conversion factors used to calculate the units to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.
2. Car rental services and shuttle bus services do not involve packaging materials. As such, the Group does not quantify the relevant figures.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### A. ENVIRONMENT (continued)

#### A2 USE OF RESOURCES (continued)

During the Reporting Period, the Group's energy consumption was 33,404 kWh, representing a decrease of 3,141 kWh, or 9%, compared to the figure for the previous financial year. The Group's water consumption was 70 cubic meters, representing a decrease of 240 cubic meters, or 77%. As the greenhouse gas emissions depend largely on the energy consumption levels, the Group has established KPIs for electricity consumption, and also for water use, for daily monitoring and supervision. The Group has also developed and implemented a series of measures to regulate the use of resources. These measures include but are not limited to:

- Turn off the air conditioning and lighting systems during non-office hours;
- Encourage employees to turn off equipment and appliances when not in use;
- Choose energy-saving appliances, such as using LED energy-saving lights instead of traditional lighting fixtures;
- Encourage employees to develop the habit of saving water by turning off water taps with their hands;
- Post water-saving signs to enhance employees' water-saving awareness;
- Strengthen the management of water equipment to prevent water leakage.

<b>Environmental Indicators</b>	<b>Reduction Target</b>	<b>Baseline Year</b>	<b>Status</b>
Energy consumption intensity	Reduce 2% by FY2027	2022	In progress
Water consumption intensity	Reduce 2% by FY2027	2022	In progress

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### A. ENVIRONMENT (continued)

#### A3 THE ENVIRONMENT AND NATURAL RESOURCES

Because the Group is not engaged in production and manufacturing, our daily business and operational activities do not use a large amount of natural resources such as energy, water, wood, and paper, and do not cause any other significant pollution or damage to the environment or natural resources. Nevertheless, the Group still chooses to adopt policies and guidelines in line with the internationally recognized “5R” principles and practices, striving to make the best use of resources and avoid wastage as far as possible:

- Reduce: reduce waste material;
- Reuse: reuse waste material without processing;
- Recycle: reuse materials as resources;
- Refuse: avoid purchases;
- Recover: recover materials in a different form.

The Group complies with relevant laws and regulations, and no violations related to emissions and the environment were found during the Reporting Period. The Group will continue to assess the climate and environmental risks in our business operations, formulate countermeasures and regularly review and update our environmental policies. The administrative department of each operating location is responsible for monitoring the implementation of various environmental indicators to effectively implement all adopted measures and conventions.

### A. ENVIRONMENT (continued)

#### A4 CLIMATE CHANGE

According to United Nations data, climate change is occurring faster and more severely than expected, and public awareness of climate change is also growing. For enterprises, the impact of climate change is changing, or even reshaping the current business ecosystem. In the face of this new business challenge, the Group has been closely monitoring the impact of climate change to leverage on the potential opportunities and to mitigate these potential risks. In this Reporting Period, the Group has been closely monitoring the potential physical risk and the transition risk which are as follows:

##### ***Physical Risk***

**Acute Risk:** The sales and provision of computer and communication system comprehensive services, trading of chemicals and agricultural products are the core businesses of the Group, generating stable income for the Group. As the Group is a non-production enterprise, the weather is not expected to have a significant impact on the business. It is mainly a potential physical risk, which is caused by extreme weather related events such as thunderstorms, typhoons and hurricanes, resulting in employees being unable to provide services to customers. The Group has established contingency measures that encompasses a variety of weather related events to reduce the resilient risk, such as issuing official weather warning reports at any time to remind employees to prioritize office projects in extreme weather conditions.

**Chronic Risk:** Cumulative climate change can have long-term effects on the Group's operations. For example, rising temperatures and decreasing water sources can affect the stability of public infrastructure construction, including electricity, internet, transportation and water. The Group, as a user of public infrastructure and because of the service-oriented nature of its business, has a low risk of being indirectly impacted.

##### ***Transition Risk***

**Policy Risk:** The Paris Agreement is a climate change agreement jointly signed by 178 contracting parties around the world, and is a unified arrangement for global action against climate change after 2020. Starting from 2019, Hong Kong's progress in mitigating climate change will be reviewed every five years. The Hong Kong SAR government may implement new policies based on Hong Kong's progress in meeting the submission deadline. The Group has been paying close attention to relevant regulations on climate change, regularly reviewing global and local government policies, regulatory updates and market trend, and timely adjusting the climate strategy to meet regulatory requirements.

**Legal Risk:** As mentioned in Policy Risk, the Group regularly monitors changes in policy and regulatory requirements, and due to the nature of the group's business, the impact of climate change is minimal. In this Reporting Period, the Group was not aware of any climate change related litigation from third parties.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### B. SOCIAL

#### B1 EMPLOYMENT

Employees are the cornerstone of a strong business and the essential foundation of business operations. The Group upholds the value of putting people first and is committed to striving to create a safe and healthy work environment and to provide a workplace free from any form of discrimination and harassment. To this end, the Group has also established appropriate policies and procedures, including but not limited to recruitment, transfer and promotion, termination, salary, capital calculation and compensation, and other benefits. Focusing on a transparent recruitment and hiring mechanism, the Group has also established a transparent platform to receive feedback from employees, measure their satisfaction, pay attention to their personal growth, and protect and respect their legitimate rights and interests.

At the end of the Reporting Period, the Group increased the size of workforce by 9.09% compared with the previous year to 27 employees. The distribution of our workforce by gender, age, employment type and geographical region are as follows:

<b>Number of Employee of the Group</b>	<b>As at 31 March 2023</b>	<b>As at 31 March 2022</b>	<b>Movement</b>	<b>Percentage Comparison</b>
<b>By Gender</b>				
Male	12	8	4	50%
Female	15	9	6	67%
<b>By Age</b>				
Below 30 years old	1	–	1	–
Between 30 to 50 years old	18	9	9	100%
Over 50 years old	8	8	–	–
<b>By Employment Type</b>				
Full-time	26	16	10	63%
Part-time	1	1	–	–
<b>By Geographic Location</b>				
Mainland China	6	7	(1)	(14%)
Hong Kong	21	10	11	110%

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### B. SOCIAL (continued)

#### B1 EMPLOYMENT (continued)

The employee turnover rate by (i) gender, (ii) age group (iii) geographical region are presented in the table below:

Percentage of Employee left the Group	Unit	As at 31 March 2023	As at 31 March 2022	Percentage Point Change
<b>Total</b>	<b>Percentage</b>	<b>73</b>	<b>17</b>	<b>56</b>
<b>By Gender</b>				
Male	Percentage	67	25	42
Female	Percentage	53	11	42
<b>By Age</b>				
Below 30 years old	Percentage	100	–	100
Between 30 to 50 years old	Percentage	61	33	28
Over 50 years old	Percentage	50	–	50
<b>By Geographic Location</b>				
Mainland China	Percentage	–	14	(14)
Hong Kong	Percentage	76	20	56

Compared with the previous year, the Group's turnover rate increased from 17% to 73% this year. The Group will make further efforts to continue to give more attention to its employees and actively takes various measures to retain talents and thus reduce the turnover rate of employees, such as:

- Optimizing the recruitment process to enable candidates to fully understand the working environment and welfare level of the Group.
- Attach importance to corporate culture training for employees, and improve employees' sense of cultural identity of the Group.
- Pay attention to employees' work stress and promote dialogue between management and employees to relieve employees' psychological stress.
- Expand the development channels for employees within the Group and provide employees with competitive career platform for employees, and enable the Group to fully meet their career development requirements.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### B. SOCIAL (continued)

#### B1 EMPLOYMENT (continued)

In all labour relations within the Group, whether for recruitment, promotion or dismissal, the Group only considers the qualifications, experience, and performance of candidates or employees related to job nature, ensuring equal employment opportunities for different genders, ages, races, and religions. The Group arranges fair and reasonable remuneration packages for all employees. The remuneration packages of employees are determined with reference to the prevailing market level, which is commensurate with the ability, qualification and experience of the employees. All employees of the Group are entitled to fixed working hours and all statutory holidays, as well as leave and benefits in compliance with laws and regulations, including but not limited to insurance, mandatory provident fund, sick leave, maternity leave, wedding leave, paternity leave and jury leave. In addition, the Group organizes various recreational activities for its employees, including but not limited to annual dinners, birthday or Christmas parties, to enhance staff cohesion.

During the Reporting Period, the Group complied with the labour-related laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Regulation on Labour Security Supervision*, and the *Labour Contract Law of the People's Republic of China* and the *Employment Ordinance of the HKSAR*. There were no reports of material fines or nonmonetary sanctions due to violations of relevant laws and regulations in 2023.

#### B2 HEALTH AND SAFETY

Building a positive health and safety culture has always been one of the Group's top priorities. A healthier workforce will lead to better productivity and higher morale, ultimately creating a high-performance and flexible organization. The Group is concerned about the safety and health of all employees and provides medical benefits and health insurance for all full-time employees, as well as employees' compensation insurance. In the event of an accident or injury at our premises, the management team will be immediately notified and an investigation is initiated to analyse the cause of the incident. First aid equipment and other medical facilities are also available at all times at all Group workplaces.

During the outbreak of COVID-19, the Group responded to the government's call to encourage employees to work from home in order to minimize the dangerous situations faced by employees. The Group also provides a safe, clean and healthy working environment for employees who are required to work in the office to protect them from occupational hazards, including but not limited to measuring the body temperature of employees and customers when entering the office area, disinfecting frequently touched surfaces on a regular basis, and requiring the wearing of surgical masks. The Group has also implemented a non-smoking policy which prohibits employees from smoking in any area of the office in order to provide a healthy, safe and free-breathing working environment.

## B. SOCIAL (continued)

### B2 HEALTH AND SAFETY (continued)

During the Reporting Period, the Group did not report any significant work-related fatalities or injuries. In addition, there were no significant fines or sanctions due to violations of relevant laws and regulations for 2023.

The total indicators regarding to health and safety are as follows:

Indicators	2023	2022
Number of work-related fatalities	–	–
Rate of work-related fatalities <sup>1</sup>	–	–
Number of reportable injuries <sup>2</sup>	–	–
Number of reportable occupational diseases	–	–
Number of lost days due to work injury <sup>3</sup>	–	–

Notes:

1. The rate of work-related fatalities is calculated based on the number of injuries per 200,000 hours worked (employees working 40 hours per week for 50 weeks).
2. Reportable injuries refer to work-related accidents to employees resulting in incapacity for a period exceeding three days in Hong Kong.
3. Lost days refer to the days that could not be worked as a consequence of a worker being unable to perform their usual work because an occupational accident or disease.

### B3 DEVELOPMENT AND TRAINING

As a key component of human resources development, employee training plays an important role in improving employee quality, accelerating knowledge and technology accumulation, and enhancing enterprise cohesion, which is an effective way to enhance the competitiveness of the Group. The Group is concerned about the career planning and development of its employees and believes that providing good training can help improve their work quality and quickly integrate into the Group, help employees acquire professional knowledge to fulfill their responsibilities, and also help them develop lifelong careers.

The Group provides basic business skills training to all new employees, as well as on-boarding training on internal rules and regulations and training on corporate culture. The Group also encourages all employees to pursue further education and actively participate in job-related training organized by external organizations, and provides them with training allowances.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### B. SOCIAL (continued)

#### B3 DEVELOPMENT AND TRAINING (continued)

As of March 31, 2023, 6 employees have participated in training for a total of 53 hours. The training information by gender and employee category compared to last year are as follows:

<b>Number of employees trained by the Group</b>	<b>As at 31 March 2023</b>	<b>As at 31 March 2022</b>	<b>Percentage Comparison</b>
Total employees trained	6	7	(14%)
<b>Percentage of employees trained<sup>1</sup></b>	<b>22%</b>	<b>41%</b>	<b>(19%)</b>
<b>By Gender</b>			
Male	5	6	(17%)
<b>Percentage of male trained<sup>1</sup></b>	<b>83%</b>	<b>86%</b>	<b>(3%)</b>
Female	1	1	–
<b>Percentage of female trained<sup>1</sup></b>	<b>17%</b>	<b>14%</b>	<b>3%</b>
<b>By Employee Category</b>			
Senior management	3	4	(25%)
<b>Percentage of senior management trained</b>	<b>50%</b>	<b>57%</b>	<b>(7%)</b>
Middle management	3	3	–
<b>Percentage of middle management trained</b>	<b>50%</b>	<b>43%</b>	<b>7%</b>
Frontline and other employees	–	–	–
<b>Percentage of frontline and other employees trained<sup>2</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>

Note:

1. Percentage change = the percentage of training in 2023 – the percentage of training in 2022.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### B. SOCIAL (continued)

#### B3 DEVELOPMENT AND TRAINING (continued)

<b>Average training hours of the Group</b>	<b>As at 31 March 2023</b>	<b>As at 31 March 2022</b>	<b>Percentage Comparison</b>
Total hours	53	48	10%
<b>Average training hours per employee</b>	<b>2.0</b>	<b>2.8</b>	<b>(29%)</b>
<b>By Gender</b>			
Male	4.2	5.5	(24%)
Female	0.2	0.5	60%
<b>By Employee Category</b>			
Senior management	7.1	5.0	42%
Middle management	0.3	4.6	(93%)
Frontline and other employees	–	–	–

Employees received on average of 2.0 training hours, representing a decrease of 29%, compared to the figure for the previous financial year. The Group will pay more attention to the development of employees and provide more training opportunities in the future.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### B. SOCIAL (continued)

#### B4 LABOUR STANDARDS

The Group strictly abides by all laws and regulations related to the prohibition of child labour or forced labour, including but not limited to the *Hong Kong Employment Ordinance*, the *Minors Protection Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Provisions on the Prohibition of Using Child Labour*. The Group recognizes that child labour and forced labour are violations of basic human rights and all forms of child or forced labour are prohibited. The Group has adopted a series of measures to prevent such incidents. All personal documents provided by employees when applying for employment, including copies of ID cards and passports, academic qualifications and certificates, letter of recommendation, performance evaluation and other documents, must be their own authentic documents and must not be borrowed or forged to cheat the Group. The human resources department will verify the legality of the relevant documents and the authenticity of the holders.

The Group also strives to fulfill its responsibilities to employees by respecting their legitimate rights and interests, improving the working environment and caring for their physical and mental health in order to achieve mutual development of the Group and its employees. The Group adopts market practices as the minimum labour standards for labour protection and benefits. Information on employee vacations, holidays and benefits are also detailed in the Group's policies. In the event that an employee's personal rights are allegedly violated or infringed, the employee can report to the management through different communication channels. If there are cases of child labour and forced labour, the Group will immediately terminate the employment contracts with the relevant employees and hold the persons in charge of the relevant positions accountable.

During the Reporting Period, the Group did not find any significant violations of laws and regulations relating to the prohibition of child labour that had a significant impact on us, nor did it find any cases of forced or child labour.

## B. SOCIAL (continued)

### B5 SUPPLY CHAIN MANAGEMENT

Supply chain management directly affects the reliability and stability of operations, as well as service quality. Therefore, the Group is committed to managing the risks of its supply chain through established procedures, and has designated a Commercial Representative (“CR”) to be responsible for day-to-day procurement transactions. The responsibilities of CR include supplier management, negotiation and signing of procurement contracts, delivery of products and services, procurement acceptance, and contract payment.

When executing the procurement process, CR need to seek three or more suppliers to evaluate their background and qualifications, and conduct inquiries and price comparisons from suppliers who meet the qualification requirements. CR clearly sets the criteria for supplier selection, which should be objective and quantifiable to ensure that the supplier selection process is fair and equitable. If multiple suppliers meet the requirements, priority should be given to companies with good reputation in environmental protection and social responsibility or holding environmental certification. The Group has also established a qualified supplier evaluation mechanism to conduct a comprehensive annual evaluation of cooperative suppliers, and the evaluation results of all suppliers are recorded. Suppliers who cannot pass the evaluation will be removed from the supplier list. Also, in the event of significant quality incidents related to products and services, the cooperation relationship with the relevant supplier will be terminated immediately and the supplier will be removed from the list of authorized suppliers. The number of suppliers is listed below:

Number of Suppliers by Region	2023	2022	Percentage Comparison
Hong Kong	–	–	–
Mainland China	15	32	(53%)

During the Reporting Period, none of the Group’s suppliers had any significant actual or potential negative impact on business ethics, environmental protection, human rights, and labour practices, and there were no cases involving human rights violations.

# Environmental, Social and Governance Report

For the year ended 31 March 2023

## B. SOCIAL (continued)

### B6 PRODUCT RESPONSIBILITY

#### *Product Quality and Recall*

Good customer relationships not only help the group to maintain customer loyalty, but also contribute to higher sales. Among them, providing high quality products and services is the key to maintaining good customer relationship. The Group is deeply aware of the importance of products and services, and therefore makes it a priority to win customers' trust and satisfaction in the course of business.

The Group mainly provides customized integrated network and system processing solutions to Chinese customers. The Group fully understands customers' needs and preferences by communicating with them, and designs solutions that are both user-friendly, easy-to-use and secure. The Group's sales staff maintain continuous communication with customers through regular emails, phone calls and social media to address customer complaints provide effective feedback in a timely manner.

During the Reporting Period, the Group strictly complied with the *Product Quality Law of the PRC*, the *PRC Law on Protection of the Rights and Interests of Consumers* and other relevant laws and regulations. There were no complaints about defects in the products, technologies or services provided by the Group, and no recall of products due to health and safety issues.

#### *Intellectual Property Rights*

The Group integrates awareness of intellectual property protection into daily business operations. For the procurement of services and hardware, the Group relies on the procedures set out in its "Supply Chain Management" internal control system to prevent the purchase of inferior products or services or counterfeit items from suppliers. The Group also relies on intellectual property laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property, requiring employees and customers to enter into written confidentiality agreements at the outset of their relationship with us.

During the Reporting Period, the Group was not involved in any pending or threatened significant legal proceedings, claims, disputes, arbitrations or administrative proceedings against any member of the Group or any of its directors in relation to any intellectual property rights. However, the Group always adheres to the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Patents Ordinance (Cap. 514 of the Laws of Hong Kong)*, and the *Copyright Ordinance (Cap. 528 of the Laws of Hong Kong)*. The Group will continue to assess whether intellectual property rights are important to its business and stipulate measures to protect them where necessary.

### B. SOCIAL (continued)

#### B6 PRODUCT RESPONSIBILITY (continued)

##### *Privacy and Consumer Data Protection*

The Group is committed to protecting the personal information and privacy rights of customers, employees, and partners. The Group's confidentiality policy and privacy practices include, but are not limited to, the collection, processing, use and disclosure of personal data. The Group collects and uses personal information in a responsible and non-discriminatory manner, limiting the use of the information to consistent purposes as defined in the *Personal Privacy Data Ordinance of the Law of Hong Kong*. The Group has established a secure environment with data protection measures to store such data in internal systems. Only authorized employees have access to the data and the Group does not disclose the personal data of its employees, customers and suppliers without the permission of the relevant parties.

During the Reporting Period, the Group complied with the relevant laws and regulations relating to data protection, including but not limited to the *Personal Information Protection Law of the People's Republic of China* and the *Personal Privacy Data Ordinance of the Law of Hong Kong*. All businesses within the Group are required to comply with the privacy policy and maintain a zero tolerance for non-compliance. The Group did not record any material breach of consumer data and privacy during the Reporting Period.

#### B7 ANTI-CORRUPTION

A system with good ethical conduct and anti-corruption mechanisms is the cornerstone of the Group's sustainable and healthy development. The Group does not tolerate any corruption, fraud or other violations of professional ethics. In order to create a workplace free from corruption and bribery, the Group has established an anti-corruption policy with reference to the *Anti-Money Laundering Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery*, the *Organized and Serious Crimes Ordinance (Cap.455)*, the *United Nations (Anti-Terrorism Measures) Ordinance (Cap.575)* and the *Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap.615)*. The policy clearly states that any form of bribery and corruption is strictly prohibited and that all employees must comply with the relevant internal rules as well as the relevant laws and regulations of each country of operation. The Group regularly provides anti-corruption education to directors and employees through online broadcasting or circulation of electronic training materials, in order to raise their awareness of ethical conduct and corruption issues. The Group did not provide anti-corruption training during the Reporting Period.

The Group encourages employees to and engage in behaviours that adhere to integrity and ethics, helping employees to correctly handle conflicts of interest and inappropriate temptations of interest that arise in their work. Meanwhile, the Group informs all stakeholders in society directly or indirectly related to the enterprise, including external stakeholders (customers, suppliers, regulatory agencies, and shareholders), in an appropriate form, of the information advocated by the enterprise for compliance with laws and integrity.

## Environmental, Social and Governance Report

For the year ended 31 March 2023

### B. SOCIAL (continued)

#### B7 ANTI-CORRUPTION (continued)

In addition, the Group has developed and regularly reviewed internal audit system to create a clean and honest business environment as a whole to prevent damage to the Group's reputation and interests. During the Reporting Period, neither the Group nor its employees were involved in any legal cases related to bribery, extortion, fraud, and money laundering, and no litigation related to corruption was filed against the Group or its employees. The Group has not found any significant non-compliance with relevant laws and regulations, which has a significant impact on the Group regarding bribery, extortion, fraud, and money laundering.

#### B8 COMMUNITY INVESTMENT

The Group is well aware of our responsibility to community construction and development, and is committed to providing available resources to support the community. The Group actively seeks opportunities to cooperate with charitable organizations and participates in various charitable activities in order to attract social attention and encourage employees to further participate in community services. The Group also advocates employees to participate in volunteer services to serve the community and to participate in other voluntary and charitable activities, and provides them with paid leave as support and encouragement.

However, in the course of service, the Group has not designated a person to collect and count the specific data of resources invested in the local community. Looking ahead, the Group will continue to adhere to the principle of responsibility to our shareholders, investors, suppliers, customers and the public, seek further development opportunities and maintain a harmonious relationship with our stakeholders.

## HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management

## Environmental, Social and Governance Report

For the year ended 31 March 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
<b>A. Environmental</b>		
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Stewardship
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Stewardship
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Packaging
<b>Aspect A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

## Environmental, Social and Governance Report

For the year ended 31 March 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

## Environmental, Social and Governance Report

For the year ended 31 March 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
<b>Aspect B4: Labour Standard</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

## Environmental, Social and Governance Report

For the year ended 31 March 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

## Environmental, Social and Governance Report

For the year ended 31 March 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Complaints Handling Procedures
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Recall
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Data Privacy

## Environmental, Social and Governance Report

For the year ended 31 March 2023

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
<b>Aspect B7: Anti-Corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focused area	Community Investment

# Independent Auditor's Report



## **CCTH CPA LIMITED** **中正天恆會計師有限公司**

### **TO THE SHAREHOLDERS OF WAI CHUN GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of Wai Chun Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 71 to 139, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“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 (“HKSA”) 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.

### **MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN**

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to the owners of the Company of approximately HK\$50,721,000 for the year ended 31 March 2023 and as at 31 March 2023, the Group had net current liabilities and net liabilities of approximately HK\$168,453,000 and HK\$230,796,000, respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related To Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### IMPAIRMENT ASSESSMENTS OF TRADE AND OTHER RECEIVABLES

*Refer to Note 19 to the consolidated financial statements*

We identified impairment assessment of trade and other receivables as a key audit matter due to the significance of the respective balances to the Group's consolidated statement of financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade and other receivables at the end of the reporting period.

As at 31 March 2023, as set out in note 19 to the consolidated financial statements, the Group's net trade and other receivables amounting to HK\$68,365,000. As disclosed in note 5 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade and other receivables individually based on internal credit rating. Internal credit rating has been given to each debtor after considering aging, historical observed default rates, repayment history and past due status of respective trade receivables. Estimated loss rates are based on probability of default and loss given default with reference to an external credit report and are adjusted for forward-looking information.

The impairment loss amount of the trade and other receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The Group recognised provision of expected credit loss allowances of HK\$38,141,000 and further additional amount of HK\$7,927,000 of impairment loss of other receivables as at 31 March 2023.

Our procedures in relation to the impairment assessment of trade and other receivables included:

- Understanding key controls on how the management estimates the expected credit loss allowance;
- Challenging management's basis and judgement in determining credit loss allowance as at 31 March 2023, including their identification of credit-impaired trade and other receivables, the reasonableness of management's assignment of the internal credit rating to each debtor, and the basis of estimated loss rates applied;
- Testing the reasonableness of internal credit rating given to each debtor by checking trade receivables aging analysis as at 31 March 2023, historical observed default rates, repayment history and past due status of respective trade receivables by reviewing the relevant invoices, bank receipts and other supporting information, on a sample basis;

## Independent Auditor's Report

- Assessing the reasonableness of the estimated loss rates by comparing the probability of default and loss given default with reference to external credit report and reviewing the adjustment for forward-looking information, on a sample basis; and
- Evaluating the disclosures regarding the impairment assessment.

We consider that the Group's impairment test for trade and other receivables is supported by the available evidence.

## OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 29 June 2022.

## OTHER INFORMATION

The executive director of the Company is responsible for the other information. The other information comprises the information included in the Company's 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 will 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 DIRECTOR FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The executive director of the company is 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 executive director determines 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 executive director is 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 executive director either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The executive director is also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the executive director in discharging his responsibility in this regard.

### 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. We report our opinion solely to you, as a body, in accordance with the term of our 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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

## Independent Auditor's Report

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

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

From the matters communicated with the directors, 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 Lee Wai Chi.

### **CCTH CPA Limited**

*Certified Public Accountants*

### **LEE WAI CHI**

*Audit Engagement Director*

*Practising Certificate Number P07830*

Hong Kong, 30 June 2023

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Revenue</b>	7	<b>176,803</b>	233,926
Cost of sales		<b>(176,236)</b>	(232,829)
Gross profit		<b>567</b>	1,097
Other income	8	<b>41</b>	150
Other losses, net	9	<b>(51)</b>	(62,908)
Impairment losses on other receivables	19	<b>(7,297)</b>	–
Administrative expenses		<b>(18,856)</b>	(31,499)
Finance costs	10	<b>(26,156)</b>	(34,267)
<b>Loss before tax</b>		<b>(51,752)</b>	(127,427)
Income tax expense	11	<b>–</b>	–
<b>Loss for the year</b>	12	<b>(51,752)</b>	(127,427)
<b>Loss for the year attributable to:</b>			
– Owners of the Company		<b>(50,721)</b>	(127,083)
– Non-controlling interests		<b>(1,031)</b>	(344)
		<b>(51,752)</b>	(127,427)
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>	15		
– Basic and diluted		<b>(2.37)</b>	(5.94)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>Loss for the year</b>	<b>(51,752)</b>	<b>(127,427)</b>
<b>Other comprehensive income, net of tax</b>		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	5,056	414
<b>Total comprehensive expense for the year</b>	<b>(46,696)</b>	<b>(127,013)</b>
<b>Total comprehensive expense for the year attributable to:</b>		
– Owners of the Company	(45,761)	(126,612)
– Non-controlling interests	(935)	(401)
	<b>(46,696)</b>	<b>(127,013)</b>

# Consolidated Statement of Financial Position

As at 31 March 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	141	1,027
Right-of-use assets	17	3,380	2,625
		<b>3,521</b>	3,652
<b>Current assets</b>			
Inventories	18	–	804
Trade and other receivables, prepayments and deposits	19	68,365	119,847
Pledged bank deposit	20	300	300
Bank balances and cash	21	9,156	13,890
		<b>77,821</b>	134,841
<b>Current liabilities</b>			
Trade and other payables	22	74,322	116,959
Contract liabilities	23	3,699	14,595
Lease liabilities	25	1,695	2,447
Convertible bonds	27	166,558	–
		<b>246,274</b>	134,001
<b>Net current (liabilities)/assets</b>		<b>(168,453)</b>	840
<b>Total assets less current liabilities</b>		<b>(164,932)</b>	4,492
<b>Non-current liabilities</b>			
Trade and other payables	22	4,989	3,730
Loans from ultimate holding company	26	12,900	1,313
Amount due to a director	24	10,735	1,029
Lease liabilities	25	1,668	217
Convertible bonds	27	35,572	182,303
		<b>65,864</b>	188,592
<b>Net liabilities</b>		<b>(230,796)</b>	(184,100)

## Consolidated Statement of Financial Position

As at 31 March 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Capital and reserves</b>			
Share capital	28	<b>213,912</b>	213,912
Reserves	29	<b>(460,639)</b>	(414,882)
Capital deficiency attributable to owners of the Company		<b>(246,727)</b>	(200,970)
Non-controlling interests		<b>15,931</b>	16,870
<b>Capital deficiency</b>		<b>(230,796)</b>	(184,100)

The consolidated financial statements on pages 71 to 139 were approved and authorised for issue by the board of director on 30 June 2023 and are signed on its behalf by:

**Lam Ching Kui**  
*Director*

**Wang Wei**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible		Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Sub-total HK\$'000	
			bonds reserve HK\$'000	Translation reserve HK\$'000				
<b>At 1 April 2021</b>	213,912	5,000	100,971	(2,565)	(424,288)	(106,970)	17,271	(89,699)
Loss for the year	-	-	-	-	(127,083)	(127,083)	(344)	(127,427)
Other comprehensive income/ (expense) for the year:								
- Exchange differences on translation of foreign operations	-	-	-	471	-	471	(57)	414
Total comprehensive income/ (expense) for the year	-	-	-	471	(127,083)	(126,612)	(401)	(127,013)
Effect of modification of convertible bonds	-	-	(19,031)	-	27,684	8,653	-	8,653
Issuance of convertible bonds	-	-	23,959	-	-	23,959	-	23,959
<b>At 31 March 2022</b>	<b>213,912</b>	<b>5,000</b>	<b>105,899</b>	<b>(2,094)</b>	<b>(523,687)</b>	<b>(200,970)</b>	<b>16,870</b>	<b>(184,100)</b>
<b>At 1 April 2022</b>	<b>213,912</b>	<b>5,000</b>	<b>105,899</b>	<b>(2,094)</b>	<b>(523,687)</b>	<b>(200,970)</b>	<b>16,870</b>	<b>(184,100)</b>
Loss for the year	-	-	-	-	(50,721)	(50,721)	(1,031)	(51,752)
Other comprehensive income for the year:								
- Exchange differences on translation of foreign operations	-	-	-	4,960	-	4,960	96	5,056
Total comprehensive income/ (expense) for the year	-	-	-	4,960	(50,721)	(45,761)	(935)	(46,696)
Deregistration of subsidiaries	-	-	-	-	4	4	(4)	-
<b>At 31 March 2023</b>	<b>213,912</b>	<b>5,000</b>	<b>105,899</b>	<b>2,866</b>	<b>(574,404)</b>	<b>(246,727)</b>	<b>15,931</b>	<b>(230,796)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(51,752)	(127,427)
<b>Adjustments for:</b>		
Bank interest income	(1)	(1)
Depreciation of property, plant and equipment and right-of-use assets	6,156	8,866
Interest expenses	26,156	34,267
Loss on disposal of property, plant and equipment	34	–
Loss on issuance of convertible bonds	–	12,566
Loss on deregistration of subsidiaries	25	–
Impairment losses of other receivables	7,297	–
Loss on modification of convertible bonds	–	50,342
<b>Operating cash flows before working capital changes</b>	<b>(12,085)</b>	<b>(21,387)</b>
Change in amount due to a director	3,939	11,488
Change in contract liabilities	(9,842)	3,991
Change in inventories	804	1,351
Change in trade and other payables	(34,409)	833
Change in trade and other receivables, prepayment and deposits	42,807	7,515
<b>Net cash (used in)/generated from operating activities</b>	<b>(8,786)</b>	<b>3,791</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	–	(8)
Advance to non-controlling interests	(6,142)	–
Interest received	1	1
<b>Net cash used in investing activities</b>	<b>(6,141)</b>	<b>(7)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	–	(19,402)
Repayment of loans from ultimate holding company	(276)	(5,370)
Repayment of lease liabilities and interest	(185)	(491)
Advance from loans from ultimate holding company	11,594	15,300
<b>Net cash generated from/(used in) financing activities</b>	<b>11,133</b>	<b>(9,963)</b>
<b>Net decrease in cash and cash equivalents</b>		
Effect of change in foreign exchange rate	(940)	664
Cash and cash equivalents at beginning of year	14,190	19,705
Cash and cash equivalents at end of year	<b>9,456</b>	<b>14,190</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Pledged bank deposit	300	300
Bank balances and cash	9,156	13,890
	<b>9,456</b>	<b>14,190</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. GENERAL INFORMATION

Wai Chun Group Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors of the Company, the ultimate holding company of the Company, immediate holding company of the Company and the ultimate controlling party of the Company are Wai Chun Investment Fund (“Wai Chun IF”), which is a private limited company incorporated in the Cayman Islands, Ka Chun Holdings Limited (“Ka Chun”), which is a private limited company incorporated in the British Virgin Islands and Mr. Lam Ching Kui (“Mr. Lam”), who is the chairman of the board of directors and an executive director of the Company. The address of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Rooms 4001-2, 40th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

## 2. GOING CONCERN BASIS

The Company and its subsidiaries (collectively referred to as the “Group”) incurred a loss attributable to owners of the Company of approximately HK\$50,721,000 for the year ended 31 March 2023. As at 31 March 2023, the Group had net current liabilities and net liabilities of approximately HK\$168,453,000 and HK\$230,796,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have prepared the consolidated financial statements on a going concern basis on the assumptions and measures that:

- (a) As at 31 March 2023, the Company has drawn down loan of approximately HK\$12,900,000 and undrawn loan facilities of approximately HK\$187,100,000 granted by Wai Chun IF, its ultimate holding company. Wai Chun IF will not demand the Company for repayment of such loans nor cancel the undrawn loan facilities until all other liabilities of the Group have been satisfied, and will not demand the repayment until twelve months after the date of approval of the consolidated financial statements;

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 2. GOING CONCERN BASIS (continued)

- (b) In addition to the loan facilities granted by Wai Chun IF as stated above, Mr. Lam has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statements. Also, Mr. Lam agreed not to request the Group, whenever necessary, to settle the balance due to him recorded in amount due to a director amounting to approximately HK\$10,735,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment until twelve months after the date of approving the consolidated financial statements;
- (c) Wai Chun Holdings Group Limited, a related company controlled by Mr. Lam and his spouse, has also agreed not to request the Group, whenever necessary, to settle the balance due recorded in trade and other payables amounting to approximately HK\$4,989,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment until twelve months after the date of approving of the consolidated financial statements;
- (d) On 2 March 2022, convertible bonds with principal amount of HK\$152,000,000 and HK\$23,480,000 which with maturity date in August 2023 and November 2023 respectively, and the corresponding outstanding coupon interest payables have transferred to Mr. Lam, an executive director of the Company. Mr. Lam agreed to further negotiate with the Company of the extension of the repayment date of convertible bond in regard of the financial position and liquidity of the Company upon maturity date.
- (e) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (f) The executive director of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group after taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of approval of these consolidated financial statements, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

The Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the People's Republic of China (the "PRC") market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has engaged in discussions with various parties for such acquisitions or investments.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

#### 3.1 AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

#### 3.2 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17 (including the October 2020 Insurance Contracts <sup>1</sup> and February 2022 Amendments to HKFRS 17)	
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-Current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

Except for the new and amendments to HKFRSs mentioned below, the director of the Company anticipates that the application of all other new and amendments to HKFRSs not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

#### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

#### 3.2 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (continued)

##### ***Amendments to HKAS 1 and HKFRSs Practice Statement 2 Disclosure of Accounting Policies*** (continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

##### ***Amendments to HKAS 8 Definition of Accounting Estimates***

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated when the control ceases. Specifically, income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### FOREIGN CURRENCY TRANSLATION

##### **(a) Functional and presentation currency**

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

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

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates prevailing at the end of each reporting period. Gains and losses arising from retranslation of monetary items are recognised in profit or loss in the period in which they arise.

##### **(c) Translation on consolidation**

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;
- Income and expenses are translated at average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, income and expenses are translated at the exchange rates on the transaction dates and
- All resulting exchange differences are recognised in the translation reserve.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### FOREIGN CURRENCY TRANSLATION (continued)

##### (c) Translation on consolidation (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss as gain or loss on disposal of foreign operation.

#### PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses in the consolidated statement of financial position. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Leasehold improvements	5 years or shorter of the lease terms
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The estimated useful lives, residual value and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### LEASES

##### *The Group as lessee*

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

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

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

Leased properties	2–3 years
-------------------	-----------

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the estimation of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located to condition required by the terms and conditions of the lease.

Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

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

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

#### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 instruments.

#### FINANCIAL ASSETS

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

#### *Financial assets at amortised cost*

Financial assets are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method with interest income is calculated by the respective effective interest rate.

#### *Expected Credit losses for financial assets at amortised cost*

The Group recognises expected credit losses allowance for financial assets at amortised cost including trade and other receivables, deposits, pledged bank deposit and bank balances. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the expected credit loss allowance for trade receivables under lifetime expected credit losses which represents all possible default events over the expected life of that financial instrument.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Expected Credit losses for financial assets at amortised cost* (continued)

For all other financial instruments, the Group measures the expected credit loss allowance equal to 12 month expected credit loss (“12m ECL”) which represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised 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 entity.

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**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### CONVERTIBLE BONDS

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component (including embedded non-equity derivative features) is estimated by measuring the fair value and the respective interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component.

The difference between the proceeds of issue of the convertible bonds and the fair values assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group represents conversion options and is included in equity as convertible bonds reserve.

The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss while the conversion option included in equity will remain in equity until conversion option is exercised, in which case, the convertible bonds reserves will be transferred to accumulated losses.

Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

Transaction costs that relate to the issuance of the convertible bonds are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity, while transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### OTHER FINANCIAL LIABILITIES

All financial liabilities are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### DERECOGNITION OF FINANCIAL LIABILITIES AT AMORTISED COST

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

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

#### EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### REVENUE FROM CONTRACT WITH CUSTOMERS

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties.

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

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

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

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the 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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### EMPLOYEE BENEFITS

##### *(a) Employee leave entitlements*

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

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

##### *(b) Retirement benefits costs*

The Group contributes to defined contribution retirement schemes which are available to all employees. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds, and recognised as an expense in profit or loss in the period when employees have rendered service entitling them to the contributions.

##### *(c) Termination benefits*

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

#### BORROWING COSTS

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

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

#### TAXATION

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### TAXATION (continued)

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 to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### RELATED PARTIES

A related party is a person or entity that is related to the Group which defined as below:

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### SEGMENT REPORTING

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

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

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial 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 individually is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

#### CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and cash on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### PROVISIONS AND CONTINGENT LIABILITIES

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

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

### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

#### CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the sole executive director of the Company made the following judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements which are disclosed as below:

#### *Revenue recognition in respect of chemicals and agricultural products trading business*

The Group assesses its business relationships with suppliers and customers of the chemicals and agricultural products as trading business and therefore determines that the Group acts as a principal for such transaction.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

#### CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

##### *Revenue recognition in respect of chemicals and agricultural products trading business* (continued)

The Group is a principal and hence reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in HKFRS 15. In determining whether revenue from trading of chemicals and agricultural products shall be recorded on net basis or gross basis, the Group has made reference to indicators and requirements stated in HKFRS 15. Determining whether the Group is acting as a principal or an agent requires judgement and consideration of all relevant facts and circumstances, and the Group considers itself as a principal regarding trading of chemicals and agricultural products by taking into account the following considerations:

- The Group is the primary obligor in the customer contract and is responsible for fulfilling the promise to provide the specified goods (i.e. chemicals and agricultural products) rather than the supplier;
- The Group has its own discretion in negotiating and establishing the prices of the chemicals and agricultural products with the customers; and
- The earnings from trading of chemicals and agricultural products are not predetermined and negotiating by the Group with the suppliers and customers separately.

After assessing all above factors, the executive director of the Company concluded that the Group acts as the principal for such transactions as it controls the specified goods before it is transferred to the customers and recognised the transaction at gross basis.

#### KEY SOURCES OF ESTIMATION UNCERTAINTY

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

##### *Expected credit loss for trade and other receivables*

The expected credit loss of trade receivables and other receivables are assessed individually which based on the risk of default and expected loss rates of each debtor. The Group uses judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Group's past history, existing market conditions as well as forward looking estimates that is reasonable and supportable available without undue costs or effort. At the end of each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of expected credit loss is sensitive to changes in estimates. The information about the expected credit loss assessment and provision of expected credit losses of trade and other receivables are disclosed in notes 6 and 19.

### 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (A) FOREIGN CURRENCY RISK

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

#### (B) CREDIT RISK

The carrying amounts of the pledged bank deposits, bank balances, trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk. The percentage of trade receivables was 100% (2022: 35%) and 100% (2022: 97%) due from the Group's largest customer and the five largest customers respectively as at 31 March 2023. They have good historical repayment records and no default in payment.

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

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. FINANCIAL RISK MANAGEMENT (continued)

#### (B) CREDIT RISK (continued)

- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

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) it 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 fulfil its contractual cash flow obligations.

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.

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.

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.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group, debtor has been placed under liquidation or under bankruptcy. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than one year past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due. A write-off constitutes a derecognition event. Any subsequent recovery is recognised in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. FINANCIAL RISK MANAGEMENT (continued)

#### (C) LIQUIDITY RISK

The Group's liquidity risk management is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient funds to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's non-derivative financial liabilities based on the contractual undiscounted cashflows is as follows:

	Weighted average effective interest rate	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2023</b>						
Trade payables	-	48,378	-	-	48,378	48,378
Other payables and accruals	-	23,036	-	-	23,036	23,036
Other payables	6.25%	-	5,630	-	5,630	4,989
Amount due to a director	6.25%	-	12,119	-	12,119	10,735
Loans from ultimate holding Company	6.25%	-	14,563	-	14,563	12,900
Convertible bonds	2%	177,914	43,411	-	221,325	202,130
		<b>249,328</b>	<b>75,723</b>	<b>-</b>	<b>325,051</b>	<b>302,168</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. FINANCIAL RISK MANAGEMENT (continued)

#### (C) LIQUIDITY RISK (continued)

	Weighted average effective interest rate	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
<b>At 31 March 2022</b>						
Trade payables	-	95,613	-	-	95,613	95,613
Other payables and accruals	-	10,781	-	-	10,781	10,781
Other payables	6.25%	10,969	4,196	-	15,165	14,054
Amount due to a director	6.25%	-	1,158	-	1,158	1,029
Loans from ultimate holding company	6.25%	-	1,477	-	1,477	1,313
Convertible bonds	13.61%	4,364	177,915	43,383	225,662	182,303
		<u>121,727</u>	<u>184,746</u>	<u>43,383</u>	<u>349,856</u>	<u>305,093</u>

#### (D) INTEREST RATE RISK

The Group's exposure to fair value interest rate risk arises from pledged bank deposit, other payables, loans from the ultimate holding company, amount due to a director and convertible bonds. The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposure to cash flow interest rate risk arises from its bank balances. These bank balances carried at market interest rate which varied with the then prevailing market condition.

#### (E) CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 MARCH

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Financial assets</b>		
Financial assets at amortised cost (including cash and cash equivalents)	<u>76,594</u>	<u>133,783</u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<u>302,168</u>	<u>305,093</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. FINANCIAL RISK MANAGEMENT (continued)

#### (F) FAIR VALUE

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

### 7. REVENUE AND SEGMENT INFORMATION

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies in conformity with HKFRSs, that are regularly reviewed by the executive director of the Company, being the Chief Operating Decision Maker (the "CODM") of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment results mainly represented gross (loss) profit earned by each segment without allocation of unallocated corporate income and expenses, other losses, net, impairment losses under expected credit loss model, and finance costs.

#### BUSINESS SEGMENT

The CODM regularly reviews revenue and operating results derived from two operating divisions – sales and integration services and general trading. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

**Sales and integration services:** Income from sales and services provision of integration services of computer and communication systems, and design, consultation and production of information system software and management training services

**General trading:** Revenue from trading of chemicals and agricultural products

Revenue from sales and integration services:

Revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that it is probable the contract costs incurred will be recoverable. Accumulated experience is used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

Product revenue:

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

#### (A) Segment revenue and results

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

For the year ended 31 March 2023

	Sales and integration services HK\$'000	General trading HK\$'000	Total HK\$'000
<b>Reportable segment revenue from external customers</b>			
Recognised at a point in time	6,384	170,419	176,803
<b>SEGMENT RESULTS</b>	21	(1,236)	(1,215)
Unallocated corporate income			41
Unallocated corporate expenses			(17,074)
Impairment losses on other receivables			(7,297)
Other losses, net			(51)
Finance costs			(26,156)
Loss before tax			(51,752)
Income tax expense			-
Loss for the year			(51,752)

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (a) Segment revenue and results (continued)

For the year ended 31 March 2022

	Sales and integration services HK\$'000	General trading HK\$'000	Total HK\$'000
<i>Reportable segment revenue from external customers</i>			
Recognised at a point in time	70,835	161,733	232,568
Recognised over time	1,358	–	1,358
	<u>72,193</u>	<u>161,733</u>	<u>233,926</u>
<b>SEGMENT RESULTS</b>	<u>(750)</u>	<u>(1,605)</u>	<u>(2,355)</u>
Unallocated corporate income			150
Unallocated corporate expense			(90,955)
Finance costs			<u>(34,267)</u>
Loss before tax			(127,427)
Income tax expense			<u>–</u>
Loss for the year			<u>(127,427)</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (B) Segment assets and liabilities

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

At 31 March 2023

	Sales and integration services HK\$'000	General trading HK\$'000	Total HK\$'000
<b>Segment assets</b>	<b>28,508</b>	<b>39,909</b>	<b>68,417</b>
<b>Unallocated assets</b>			<b>12,925</b>
<b>Consolidated assets</b>			<b>81,342</b>
<b>Segment liabilities</b>	<b>20,555</b>	<b>38,863</b>	<b>59,418</b>
<b>Unallocated liabilities</b>			<b>252,720</b>
<b>Consolidated liabilities</b>			<b>312,138</b>

At 31 March 2022

	Sales and integration services HK\$'000	General trading HK\$'000	Total HK\$'000
Segment assets	58,496	73,618	132,114
Unallocated assets			6,379
Consolidated assets			138,493
Segment liabilities	51,600	64,620	116,220
Unallocated liabilities			206,373
Consolidated liabilities			322,593

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (C) Other information

For the year ended 31 March 2023

	Sales and integration services HK\$'000	General trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation on property, plant and equipment	-	-	848	848
Depreciation on right-of-use assets	-	219	5,089	5,308

For the year ended 31 March 2022

	Sales and integration services HK\$'000	General trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to property, plant and equipment	-	-	8	8
Depreciation on property, plant and equipment	-	-	847	847
Depreciation on right-of-use assets	-	429	7,590	8,019

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 7. REVENUE AND SEGMENT INFORMATION (continued)

#### BUSINESS SEGMENT (continued)

##### (D) Geographical segments

The Group's operations are located in Hong Kong and the PRC. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	–	–	3,299	3,176
The PRC, excluding Hong Kong	176,803	233,926	222	476
	<b>176,803</b>	<b>233,926</b>	<b>3,521</b>	<b>3,652</b>

##### (E) Information on major customers

Revenue from major customers, each of whom amounting to 10% or more of the Group's revenue, is set out below:

	2023		2022	
	Revenue HK\$'000	Percentage of revenue	Revenue HK\$'000	Percentage of revenue
General trading				
Customer A	Nil	Nil	35,795	15%
Customer B	Nil	Nil	33,813	14%
Customer C	Nil	Nil	24,009	10%
Customer D	Nil	Nil	23,430	10%
Customer F	44,895	25%	Nil	Nil
Customer G	66,026	37%	Nil	Nil
Customer H	21,895	12%	Nil	Nil
Sales and integration services Customer E	Nil	Nil	70,041	30%

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 8. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Bank interest income	1	1
Sundry income	40	149
	<b>41</b>	<b>150</b>

### 9. OTHER LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Loss on issuance of convertible bonds ( <i>note 27</i> )	–	(12,566)
Exchange gain, net	8	–
Loss on modification of convertible bonds terms	–	(50,342)
Loss on deregistration of subsidiaries	(25)	–
Loss on disposal of property, plant and equipment	(34)	–
	<b>(51)</b>	<b>(62,908)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 10. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	146	422
Imputed interest on convertible bonds (note 27)	24,191	31,838
Interest expenses on:		
– Loans from ultimate holding company	176	553
– Amount due to a director	483	497
– Other payables to related parties	300	314
– Other payables	860	643
	<b>26,156</b>	<b>34,267</b>

### 11. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made since the Group did not generate any assessable profits for the years ended 31 March 2023 and 2022. PRC subsidiaries are subject to PRC Corporate Income Tax at 25%. No provision for PRC Corporate Income Tax has been made since the Group did not generate any assessable profits for the years ended 31 March 2023 and 2022.

Income tax expense for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(51,752)	(127,427)
Tax at the applicable income tax rate of 25% (2022: 25%)	(12,938)	(31,857)
Tax effect of non-taxable income	(10)	(25)
Tax effect of		
– non-deductible expenses	10,630	30,763
– tax losses not recognised	409	580
– temporary differences not recognised	1,909	539
	–	–

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 11. INCOME TAX EXPENSE (continued)

As at 31 March 2023, tax losses of approximately HK\$132,641,000 (2022: approximately HK\$132,129,000) are available for offset against future profits. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose. Included in unrecognised tax losses are losses of approximately HK\$15,584,000 (2022: HK\$15,101,000) with expiry date as disclosed in the following table. Other losses may be carried forward indefinitely.

Tax losses comprise of	2023 HK\$'000	2022 HK\$'000
Expired in:		
2023	–	31
2024	4,029	4,722
2025	1,327	2,099
2026	4,869	5,248
2027	2,875	3,001
2028	2,484	–
	15,584	15,101

### 12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the followings:

	2023 HK\$'000	2022 HK\$'000
Cost of inventories recognised as an expense	176,236	231,505
Staff costs (including directors' emoluments ( <i>note 13</i> ))		
– Salaries, wages and other benefits	5,720	5,195
– Retirements benefits scheme contributions	244	367
	5,964	5,562
Depreciation of property, plant and equipment and right-of-use assets	6,156	8,866
Auditor's remuneration	400	470
Expenses related to short-term leases	1,694	62
	1,694	62

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

#### (A) DIRECTORS' EMOLUMENTS

The remuneration of each director is as follows:

	Year ended 31 March 2023			
	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiaries undertaking			
	Directors' fees	Salaries, allowance and bonus	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive director</b>				
Lam Ching Kui ( <i>Chief Executive Officer</i> )	–	2,600	18	2,618
<b>Independent non-executive directors</b>				
Chan Wai Dune	120	–	–	120
Wang Wei	120	–	–	120
Wan Bo ( <i>note (c)</i> )	43	–	–	43
Chen Chek Ho ( <i>note (b)</i> )	36	–	–	36
Hung Hoi Ming Raymond ( <i>note (d)</i> )	22	–	–	22
	341	–	–	341
Total	341	2,600	18	2,959

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (continued)

#### (A) DIRECTORS' EMOLUMENTS (continued)

	Year ended 31 March 2022			Total HK\$'000
	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiaries undertaking			
Directors' fees HK\$'000	Salaries, allowance and bonus HK\$'000	Retirement scheme contributions HK\$'000		
<b>Executive director</b>				
Lam Ching Kui ( <i>Chief Executive Officer</i> )	—	2,400	18	2,418
<b>Independent non-executive directors</b>				
Chan Wai Dune	120	—	—	120
Wang Wei	120	—	—	120
Chen Dairong ( <i>note (a)</i> )	65	—	—	65
Chan Cheuk Ho ( <i>note (b)</i> )	10	—	—	10
	315	—	—	315
<b>Total</b>	<b>315</b>	<b>2,400</b>	<b>18</b>	<b>2,733</b>

Notes:

- (a) Ms. Chen Dairong was resigned on 12 October 2021.
- (b) Mr. Chan Cheuk Ho was appointed on 1 March 2022 and resigned on 18 July 2022.
- (c) Mr. Wan Bo was appointed on 21 November 2022.
- (d) Mr. Hung Hoi Ming Raymond was appointed on 16 June 2022 and resigned on 22 August 2022.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (continued)

#### (A) DIRECTORS' EMOLUMENTS (continued)

No director waived any emoluments in the years ended 31 March 2023 and 2022. No incentive payment for joining the Group was paid or payable to any directors during the years ended 31 March 2023 and 2022.

The executive director's emoluments shown above was mainly for his services in connection with the management of the affairs of the Company and the Group during the years ended 31 March 2023 and 2022.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company during the years ended 31 March 2023 and 2022.

None of the directors received or will receive any retirement benefits during the years ended 31 March 2023 and 2022.

None of the directors received or will receive any termination benefits during the years ended 31 March 2023 and 2022.

During the years ended 31 March 2023 and 2022, the Company did not pay consideration to any third parties for making available directors' services.

During the years ended 31 March 2023 and 2022, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.

Except for notes 22, 24, 27 and 32 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Company's business to which the Company 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 years or at any time during the years ended 31 March 2023 and 2022.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (continued)

#### (B) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included one (2022: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2022: four) highest paid individuals are set out below:

	2023 HK\$'000	2022 HK\$'000
Salaries and other emoluments	1,621	1,089
Retirement scheme contributions	54	54
	<b>1,675</b>	<b>1,143</b>

The emoluments fell within the following band:

	Number of individuals	
	2023	2022
HK\$Nil – HK\$1,000,000	4	4

During the year, no emoluments were paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 14. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the years ended 31 March 2023 and 2022.

## Notes to 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 attributable to owners of the Company is based on the following:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<b>(50,721)</b>	(127,083)
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>2,139,116</b>	2,139,116

Basic and diluted loss per share for the years ended 31 March 2023 and 2022 were the same because all potential dilutive ordinary shares would decrease the loss per share, therefore, is anti-dilutive.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 April 2021	13,575	2,627	5,141	21,343
Additions	–	8	–	8
Exchange realignment	–	54	–	54
At 31 March 2022 and 1 April 2022	13,575	2,689	5,141	21,405
Disposals	(593)	(747)	–	(1,340)
Exchange realignment	–	(190)	–	(190)
At 31 March 2023	12,982	1,752	5,141	19,875
<b>Accumulated depreciation</b>				
At 1 April 2021	13,575	2,552	3,351	19,478
Charge for the year	–	5	842	847
Exchange realignment	–	53	–	53
At 31 March 2022 and 1 April 2022	13,575	2,610	4,193	20,378
Charge for the year	–	6	842	848
Eliminated on disposals	(593)	(713)	–	(1,306)
Exchange realignment	–	(186)	–	(186)
At 31 March 2023	12,982	1,717	5,035	19,734
<b>Carrying amount</b>				
At 31 March 2023	–	35	106	141
At 31 March 2022	–	79	948	1,027

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 17. RIGHT-OF-USE ASSETS

The Group leases various office premises located in Hong Kong and the PRC with the lease term for a fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowings purposes.

Movement of right-of-use assets are as follows:

	<b>Leased properties</b> <i>HK\$</i>
<hr/>	
<b>Net book value</b>	
At 1 April 2021	10,215
Additions	419
Depreciation	(8,026)
Exchange realignment	<u>17</u>
At 31 March 2022 and 1 April 2022	2,625
Additions	6,094
Depreciation	(5,308)
Exchange realignment	<u>(31)</u>
At 31 March 2023	<b><u>3,380</u></b>

During the year ended 31 March 2023, total cash outflows for leases are approximately to HK\$185,000 (2022: HK\$553,000).

### 18. INVENTORIES

	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Other consumables	<u>-</u>	<u>804</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Trade receivables	73,472	123,356
Less: impairment allowances	(38,141)	(41,151)
	<u>35,331</u>	<u>82,205</u>
Other receivables (note)	30,453	36,612
Prepayments	1,227	254
Deposits	1,354	776
	<u>33,034</u>	<u>37,642</u>
Total	<u>68,365</u>	<u>119,847</u>

*Notes:*

- (i) Included in other receivables as at 31 March 2022 was deposit placed by the Group to an independent third party amounted to RMB20,000,000 (approximately HK\$24,661,000) for sourcing calligraphy and painting collections. Since no calligraphy and painting collections have been delivered until the end of March 2022 and the said deposits was fully refunded to the Group during the year ended 31 March 2023.
- (ii) Included in other receivable as at 31 March 2023 was advance to the non-controlling shareholders of RMB5,350,000 (approximately to HK\$6,134,000) which is unsecured, interest-free and repayable on demand (2022: nil).
- (iii) Other receivables are assessed for expected credit loss on individual basis by considering historical repayment, financial condition of the debtors and forecast of future economic environment of debtors' that operated. During the current year, impairment losses amounting of HK\$7,297,000 (2022: nil) has been made in accordance to internal credit risk policy as the balances have been overdue by over one year,

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The following is an aging analysis of trade receivables net of impairment allowance presented based on the date of receipt of customers' acceptance/date of rendering of services/date of invoices:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-90 days	35,331	51,373
91-180 days	-	28,427
Over 180 days	-	2,405
	<b>35,331</b>	<b>82,205</b>

According to the contracts entered into with trade customers of sales and integration service, on average the contracts revenue is normally collected within 90 days from the date of receipt of customers' acceptance/date of rendering services, except for certain contracts with longer implementation schedules where the credit period may extend beyond 90 days, or may be extended for major or specific customers. The credit terms granted to trade customers in respect of sales of chemicals and agricultural products are due within 0 to 90 days from the date of billing.

#### MOVEMENTS IN THE IMPAIRMENT ALLOWANCE ON TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 April	41,151	39,599
Exchange realignment	(3,010)	1,552
At 31 March	<b>38,141</b>	<b>41,151</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have assessed on individual basis. The expected credit losses also incorporate forward looking information.

Categories of trade receivables under internal credit rating are as below.

	2023			2022		
	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net HK\$'000	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net HK\$'000
- Stable (note (i))	35,331	-	35,331	82,205	-	82,205
- Credit-impaired (note (ii))	38,141	(38,141)	-	41,151	(41,151)	-
	<b>73,472</b>	<b>(38,141)</b>	<b>35,331</b>	<b>123,356</b>	<b>(41,151)</b>	<b>82,205</b>

As at 31 March 2023, trade receivables of Nil (2022: HK\$30,832,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and a substantial portion of the carrying amount is subsequently settled. The Group does not hold any collateral as security over these debtors.

Notes:

- (i) Stable represents debtors with long term relationship with the Company and with good repayment history.
- (ii) Credit-impaired represents debtors which did not have further transaction with the Company for several years and with balance outstanding of the Company for several years and over one year.

### 20. PLEDGED BANK DEPOSIT

The pledged bank deposit was deposit placed for secure the corporate credit card facility which carried at 0.05% (2022: 0.05%) per annum.

### 21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2022: 0.01% to 0.35%) per annum.

The Group's bank balances denominated in RMB amounting to approximately RMB798,000 (approximately HK\$912,000) (2022: approximately RMB10,375,000 (approximately HK\$12,793,000)) were deposited with banks in the PRC. The conversion of the RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 22. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	48,378	95,613
Accruals and other payables		
Convertible bonds coupon interest payables ( <i>note a</i> )	14,688	10,324
Interest on overdue convertible bonds coupon payables ( <i>note b</i> )	1,465	625
Advance from related parties ( <i>note c</i> )	4,989	3,730
VAT tax payables in PRC	2,907	3,971
Others	6,884	6,426
	<b>30,933</b>	25,076
	<b>79,311</b>	120,689
Analysis of:		
Current liabilities	74,322	116,959
Non-current liabilities	4,989	3,730
	<b>79,311</b>	120,689

The following is an aging analysis of trade payables, presented based on the date of goods delivered/ the period of service rendered/date of invoices:

	2023 HK\$'000	2022 HK\$'000
0-30 days	35,228	51,274
31-180 days	-	27,513
Over 180 days	13,150	16,826
	<b>48,378</b>	95,613

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 22. TRADE AND OTHER PAYABLES (continued)

The average credit period on purchases ranged from 60 to 180 days.

Notes:

- a. On 2 March 2022, convertible bonds of HK\$152,000,000 and HK\$23,480,000 and the corresponding outstanding coupon interest payables have transferred to Mr. Lam, an executive director of the Company. Included in convertible bonds coupon interest payables are HK\$13,666,000 (2022: HK\$10,156,000) due to a director of the Company and HK\$1,022,000 (2022: HK\$168,000) due to immediate holding company.
- b. In regard for unsettled coupon interest payables was charged at 6.25% per annum based on monthly outstanding coupon interest. Included in overdue interest on coupon interest payables are HK\$1,460,000 (2022: HK\$625,000) due to a director of the Company and HK\$5,000 (2022: Nil) due to immediate holding company.
- c. Advance from related parties represent advance for settlement of PRC operating expenses. The balances are charged at 6.25% per annum, unsecured and with no fixed term of repayment.

### 23. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Advance received from customers from:		
– General trading	–	12,330
– Sales and integration services	<u>3,699</u>	<u>2,265</u>
	<u>3,699</u>	<u>14,595</u>

General Trading: The customer pays full amount of contract sum to the Group and the Group will subsequently arrange for delivery upon receipt of the upfront payment.

Sales and integration services: System integration services is one of the services to enterprise customers. The Group's project based system integration services include payment schedules which require stage payments over the project period once milestones are reached. This gives rise to contract liabilities as upfront payment is required in accordance to the payment schedule, and the revenue is recognised upon the completion of the system integration.

During the year ended 31 March 2023, advance received from customers of general trading segment has refunded to customers upon cancellation of the contract; while advance received from customers of HK\$2,265,000 as at 31 March 2022 has been transferred to revenue upon completion of the respective contract.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 24. AMOUNT DUE TO A DIRECTOR

In accordance to debt assignment (“Debt Assignment”) entered into between the Company and the sole executive director of the Company, the sole executive director has agreed to accept and assume responsibility for repayment of certain expenses and liabilities as outline within the Debt Assignment on behalf of the company.

For the amount due is unsecured, and carried at fixed interest rate at 6.25% per annum with no fixed repayment terms. The sole executive director has confirmed that he will not demand the Group for repayment until all the other third parties liabilities of the Company had been satisfied, and will not demand the repayment until twelve months after the date of approval of the consolidated financial statements.

### 25. LEASE LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	1,695	2,447
More than one year but not exceeding two years	1,668	217
	<b>3,363</b>	2,664
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(1,695)</b>	(2,447)
Amount due for settlement after 12 months shown under non-current liabilities	<b>1,668</b>	217

The weighted average incremental borrowing rates applied to lease liabilities was charged at 6.25% (2022: 6.25%) per annum.

Maturity of the lease liabilities based on undiscounted cash flow are as below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Repayable within one year	1,773	2,568
Repayable within one year to two years	1,934	146
	<b>3,707</b>	2,714

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 26. LOANS FROM ULTIMATE HOLDING COMPANY

The loans were sub-ordinated in nature which were unsecured, carried fixed interest rate at 6.25% per annum and not repayable within one year for the year ended 31 March 2023 (2022: not repayable within one year after the year ended 31 March 2022). Wai Chun IF has confirmed that it will not demand the Group for repayment of such loans until all the other third parties liabilities of the Group had been satisfied.

### 27. CONVERTIBLE BONDS

#### CONVERTIBLE BOND OF HK\$152,000,000 (THE “CB1”)

On 31 August 2020, the Company issued an unlisted, unguaranteed and unsecured convertible bonds with an aggregate principal amount of HK\$152,000,000, to two independent third parties.

The CB1 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.01 each of the Company on or after 31 August 2020 up to and including 30 August 2023 at an initial conversion price of HK\$0.018 per share subject to adjustments upon occurrence of certain events.

The CB1 has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

In November 2020, the conversion price of CB1 has been adjusted upon completion of share consolidation from HK\$0.018 per share to HK\$0.18 per share.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days' notice to the bondholder, propose to the bondholder to redeem the outstanding CB1 (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB1 at any time after the Issue Date of CB1 up to and including the date falling fourteen days immediately before the Maturity Date of CB1.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 27. CONVERTIBLE BONDS (continued)

#### CONVERTIBLE BOND OF HK\$152,000,000 (THE “CB1”) (continued)

On 15 October 2021, the Company and CB1 bondholders have agreed to amend the CB1 terms as follows, which took effect on 19 January 2022 (“CB1 Amendments”):

- (i) the conversion price of the CB1 be reduced from HK\$0.18 (after share consolidation on 27 November 2020) per conversion share to HK\$0.048 per conversion share. The maximum number of ordinary shares of the Company can be converted is 3,166,666,666 shares per principal amount of the CB1 of HK\$152,000,000, which also subject to adjustments upon occurrence of certain events;
- (ii) the coupon rate be reduced from 4% per annum to 2% per annum;
- (iii) the CB1 be redeemed at 98% of its principal amount at maturity; and
- (iv) the conversion rights attached to the CB1 be only exercised on the condition that any conversion of the CB1 does not: (aa) trigger a mandatory general offer obligation on the CB1 bondholders under Rule 26 of the Takeovers Code; and (bb) result in Mr. Lam and any parties acting in concert with him (including Ka Chun, immediate holding company) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

The CB1 recognised in the consolidated statement of financial position had been split between liability element and equity component, and are calculated as follows:

	Liabilities component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
1 April 2021	68,348	94,738	163,086
Effect of modification of CB1 terms	40,229	(30,230)	9,999
Imputed interest expenses	27,806	–	27,806
Coupon payable	(5,468)	–	(5,468)
At 31 March 2022	130,915	64,508	195,423
Imputed interest expenses	16,964	–	16,964
Coupon payable	(3,040)	–	(3,040)
<b>At 31 March 2023</b>	<b>144,839</b>	<b>64,508</b>	<b>209,347</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 27. CONVERTIBLE BONDS (continued)

#### CONVERTIBLE BOND OF HK\$152,000,000 (THE “CB1”) (continued)

The interest charged for the year is calculated by applying an effective interest rate of 13.50% (2021: 47.65%) to the liability component for the period since CB1 Amendments (2021: since the CB1 was issued).

#### CONVERTIBLE BOND OF HK\$23,480,000 (THE “CB2”)

On 30 November 2020, the Company issued an unlisted, unguaranteed and unsecured convertible bonds with an aggregate principal amount of HK\$23,480,000, to another two independent third parties.

The CB2 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.1 each of the Company on or after 30 November 2020 up to and including 29 November 2023 at an initial conversion price of HK\$0.18 per share subject to adjustments upon occurrence of certain events.

The CB2 has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days' notice to the bondholder, propose to the bondholder to redeem the outstanding CB2 (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB2 at any time after the Issue Date of CB2 up to and including the date falling fourteen days immediately before the Maturity Date of CB2.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 27. CONVERTIBLE BONDS (continued)

#### CONVERTIBLE BOND OF HK\$23,480,000 (THE “CB2”) (continued)

On 15 October 2021, the Company and CB2 bondholders have agreed to amend the CB2 terms as follows, which took effect on 19 January 2022 (“CB2 Amendments”):

- (i) the conversion price of the CB2 be reduced from HK\$0.18 per conversion share to HK\$0.048 per conversion share. The maximum number of ordinary shares of the Company can be converted is 489,166,666 shares per principal amount of the CB2 of HK\$23,480,000, which also subject to adjustments upon occurrence of certain events;
- (ii) the coupon rate be reduced from 4% per annum to 2% per annum; and
- (iii) the CB2 be redeemed at 98% of its principal amount at maturity.

The CB2 recognised in the consolidated statement of financial position had been split between liability element and equity component, and are calculated as follows:

	<b>Liabilities component</b>	<b>Equity component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2021	15,605	6,233	21,838
Effect of modification of CB2 terms	1,460	11,199	12,659
Imputed interest expenses	3,218	–	3,218
Coupon payable	(845)	–	(845)
At 31 March 2022	<u>19,438</u>	<u>17,432</u>	<u>36,870</u>
Imputed interest expenses	2,754	–	2,754
Coupon payable	(470)	–	(470)
<b>At 31 March 2023</b>	<b><u>21,722</u></b>	<b><u>17,432</u></b>	<b><u>39,154</u></b>

The interest charged for the year is calculated by applying an effective interest rate of 14.48% (2021: 22.34%) to the liability component for the period since CB2 Amendments (2021: since the CB2 was issued).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 27. CONVERTIBLE BONDS (continued)

#### CONVERTIBLE BOND OF HK\$42,700,000 (THE “CB3”)

On 18 January 2022, the Company issued an unlisted, unguaranteed and unsecured convertible bond with principal amount of HK\$42,700,000, to Ka Chun, which is the immediate holding company of the Company.

The CB3 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.1 each of the Company on or after 18 January 2022 up to and including 17 January 2025 at an initial conversion price of HK\$0.048 per share subject to adjustments upon occurrence of certain events.

The CB3 has coupon rate of 2% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days' notice to the bondholder, propose to the bondholder to redeem the outstanding CB3 (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB3 at any time after the Issue Date of CB3 up to and including the date falling fourteen days immediately before the Maturity Date of CB3.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 27. CONVERTIBLE BONDS (continued)

#### CONVERTIBLE BOND OF HK\$42,700,000 (THE "CB3") (continued)

The CB3 recognised in the consolidated statement of financial position had been split between liability element and equity component, and are calculated as follows:

	<b>Liabilities component</b>	<b>Equity component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issuance on 18 January 2022	18,741	23,959	42,700
Imputed interest expenses	814	–	814
Coupon payable	(171)	–	(171)
Loss on issuance of CB3	<u>12,566</u>	<u>–</u>	<u>12,566</u>
At 31 March 2022	<u>31,950</u>	<u>23,959</u>	<u>55,909</u>
Imputed interest expenses	4,473	–	4,473
Coupon payable	<u>(854)</u>	<u>–</u>	<u>(854)</u>
At 31 March 2023	<u><u>35,569</u></u>	<u><u>23,959</u></u>	<u><u>59,528</u></u>

The interest charged for the year is calculated by applying an effective interest rate of 13.50% to the liability component for the period since Issue Date of CB3.

A valuation was conducted with reference to the independent valuation performed by an independent valuer, Vincorn Consulting and Appraisal Limited under level 2 fair value measurement on issuance of CB3.

The consideration of CB3 is settled by debt assignments of which a director, the ultimate holding company and a director's related parties assigned their debts owed by the Group to the Ka Chun.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 28. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Authorised</b>		
Ordinary shares of HK\$0.1 (2022: HK\$0.1) each At 1 April 2021, 31 March 2022 and 31 March 2023	8,900,000	890,000
Convertible preference shares of HK\$0.1 (2022: HK\$0.1) each At 1 April 2021, 31 March 2022 and 31 March 2023	1,100,000	110,000
<b>Issued and fully paid</b>		
Ordinary shares of HK\$0.1 (2022: HK\$0.1) each At 1 April 2021, 31 March 2022 and 31 March 2023	2,139,116	213,912

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

The Group manages its capital to ensure that 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, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The sole director of the Company reviews the capital structure periodically. As part of this review, the sole executive director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the executive director, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group monitors capital on the basis of the net indebtedness to total assets ratio. This ratio is calculated as net indebtedness divided by total assets. Net indebtedness is calculated as total borrowings less bank balances and cash and pledged bank deposit. Total assets are calculated as non-current assets and current assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 28. SHARE CAPITAL (continued)

The net indebtedness to total assets ratio at 31 March 2023 and 2022 was as follows:

	2023 HK\$'000	2022 HK\$'000
Indebtedness ( <i>note</i> )	229,128	187,309
Less: Bank balances and cash	(9,456)	(14,190)
Total net indebtedness	<u>219,672</u>	<u>173,119</u>
Total assets	<u>81,342</u>	<u>138,493</u>
Net indebtedness to total assets ratio	<u>270.1%</u>	<u>125.0%</u>

*Note:* Indebtedness comprise lease liabilities of approximately HK\$3,363,000 (2022: HK\$2,664,000), loans from ultimate holding company of approximately HK\$12,900,000 (2022: HK\$1,313,000), amount due to a director of approximately HK\$10,735,000 (2022: HK\$1,029,000), and convertible bonds of approximately HK\$202,130,000 (2022: HK\$182,303,000).

### 29. RESERVES

#### (A) GROUP

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity.

#### (B) COMPANY

The amounts of the Company's reserves and movements therein are presented in the note 30 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 29. RESERVES (continued)

#### (C) NATURE AND PURPOSES OF RESERVE

##### (i) *Share premium account*

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. The application of the share premium account is governed by the Company Act 1981 of Bermuda.

##### (ii) *Convertible bond reserve*

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policies adopted for convertible bonds in note 4 to the consolidated financial statements.

##### (iii) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

#### (A) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>		
Right-of-use assets	3,193	2,187
Interests in subsidiaries	1	1
	<u>3,194</u>	<u>2,188</u>
<b>Current assets</b>		
Inventories	–	804
Prepayment, deposit and other receivables	1,170	621
Amounts due from subsidiaries	9,098	–
Bank balances and cash	3	3
	<u>10,271</u>	<u>1,428</u>
<b>Current liabilities</b>		
Accrual and other payables	19,099	11,928
Amounts due to subsidiaries	10,087	11,676
Lease liabilities	1,460	2,261
Convertible bonds	166,558	–
	<u>197,204</u>	<u>25,865</u>
<b>Net current liabilities</b>	<u>(186,933)</u>	<u>(24,437)</u>
<b>Total assets less current liabilities</b>	<u>(183,739)</u>	<u>(22,249)</u>
<b>Non-current liabilities</b>		
Loan from ultimate holding company	12,659	1,313
Amount due to a director	7,457	230
Amount due to a related party	4,989	3,730
Lease liabilities	1,668	–
Convertible bonds	35,572	182,303
	<u>62,345</u>	<u>187,576</u>
<b>NET LIABILITIES</b>	<u>(246,084)</u>	<u>(209,825)</u>
<b>Capital and reserves</b>		
Share capital	213,912	213,912
Reserves	(459,996)	(423,737)
<b>CAPITAL DEFICIENCY</b>	<u>(246,084)</u>	<u>(209,825)</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

#### (B) RESERVE MOVEMENT OF THE COMPANY

	Share premium <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2021	5,000	100,971	(429,768)	(323,797)
Loss for the year	–	–	(132,552)	(132,552)
Effect of modification of convertible bonds	–	(19,031)	27,684	8,653
Issuance of convertible bonds	–	23,959	–	23,959
At 31 March 2022 and 1 April 2022	5,000	105,899	(534,636)	(423,737)
Loss for the year	–	–	(36,259)	(36,259)
At 31 March 2023	<b>5,000</b>	<b>105,899</b>	<b>(570,895)</b>	<b>(459,996)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (A) MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2023, amounting of HK\$5,286,000 (2022: HK\$8,158,000) payments for lease liabilities (i. e. lease payment) are settled through current account with the executive director.

#### (B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Convertible bonds <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Loans from ultimate holding company <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2021	83,953	10,462	18,984	7,498	120,897
Changes in cash flows	–	(491)	(19,402)	9,930	(9,963)
Non-cash changes					
– interest expenses	31,838	422	–	553	32,813
– issuance of convertible bonds	18,741	–	–	(16,668)	2,073
– coupon interest payables	(6,484)	–	–	–	(6,484)
– loss on issuance of convertible bonds	12,566	–	–	–	12,566
– effect of modification of convertible bonds	41,689	–	–	–	41,689
– additions to lease liabilities	–	412	–	–	412
– amount due to a director	–	(8,158)	–	–	(8,158)
– exchange difference	–	17	418	–	435
At 31 March 2022 and 1 April 2022	182,303	2,664	–	1,313	186,280
Changes in cash flows	–	(185)	–	11,318	11,133
Non-cash changes					
– interest expense	24,191	146	–	–	24,337
– additions to lease liabilities	–	6,027	–	–	6,027
– amount due to a director	–	(5,286)	–	–	(5,286)
– coupon interest payables	(4,364)	–	–	–	(4,364)
– exchange difference	–	(3)	–	269	266
At 31 March 2023	<b>202,130</b>	<b>3,363</b>	<b>–</b>	<b>12,900</b>	<b>218,393</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 32. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the years ended 31 March 2023 and 2022:

#### (A) TRANSACTIONS WITH RELATED PARTIES

	2023 HK\$'000	2022 HK\$'000
Lease interest expenses payable to related parties	144	406
Operation lease expenses payable to a related party	1,649	–
Salaries expenses payable to a related party	465	540
Addition of right-of-use assets from a related party	2,877	–

During the year ended 31 March 2022, CB1 of face value of HK\$152,000,000 and CB2 of face value of HK\$23,480,000 were transferred and respective bond certificates were issued to Mr. Lam, the ultimate controlling party and the sole executive director of the Company; CB3 of face value of HK\$42,700,000 was issued and respective bond certificate was issued to Ka Chun, the immediate holding company of the Company.

#### (B) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel including amounts paid to the Company's Directors and all of the highest paid employees as disclosed in note 13, is as follows:

	2023 HK\$'000	2022 HK\$'000
Directors' fee	341	315
Basic salaries, other allowance and benefit in kind	3,455	3,489
Retirement benefits scheme contributions	58	72
	<b>3,854</b>	<b>3,876</b>

Total remuneration is included in "staff costs" as disclosed in note 12.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

- (A) The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The Company has interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 March 2023 and 31 March 2022 are set out below:

Name of subsidiary	Notes	Place of incorporation/ operations	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
				Direct	Indirect	
Beijing HollyBridge System Integration Company Limited ("Beijing HollyBridge")	(ii)	PRC	RMB82,000,000	-	51%	Provide solutions software and service
Beijing Plus Trading Limited	(i), (ii)	PRC	US\$900,000	-	100%	Trading of chemicals raw materials and agricultural products
Wai Chun Strategic Investment Limited		Hong Kong	HK\$1,000	100%	-	Investment holding

Notes:

- (i) The company is established in the PRC as wholly foreign-owned enterprise.
- (ii) The company name in English is not the official name but a translation for reference only.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 33. PARTICULARS OF SUBSIDIARIES (continued)

#### (B) DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (“NCI”)

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name Principal place of operation/country of incorporation	Beijing HollyBridge PRC	
	2023	2022
% of ownership interest/voting rights held by NCI	49.00%	49.00%
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As 31 March</b>		
Non-current assets	36	38
Current assets	22,299	58,458
Non-current liabilities	(242)	–
Current liabilities	(27,581)	(62,036)
Net liabilities	(5,488)	(3,540)
Carrying amount of NCI	(2,689)	(1,735)
<b>Year ended 31 March</b>		
Revenue	6,384	72,193
Loss for the year	(2,145)	(701)
Total comprehensive expense for the year	(1,948)	(820)
Loss allocated to NCI	(1,051)	(343)
Net cash flows generated from operating activities	770	200
Net cash flows used in from investing activities	(848)	(240)
Net cash flows generated from financing activities	–	–
Net decrease in cash and cash equivalents	(78)	(40)

# Five Years Financial Summary

For the year ended 31 March 2023

## RESULTS

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	<b>176,803</b>	233,926	159,834	134,755	204,875
(Loss)/profit before tax	<b>(51,752)</b>	(127,427)	2,553	(25,667)	(31,275)
Income tax expense	<b>-</b>	-	-	-	61
(Loss)/profit for the year	<b>(51,752)</b>	(127,427)	2,553	(25,667)	(31,214)
(Loss)/profit for the year attributable to non- controlling interests	<b>(1,031)</b>	(344)	(20,485)	(2,427)	2,443
Loss for the year attributable to owners of the Company	<b>(50,721)</b>	(127,083)	(17,932)	(28,094)	(28,771)

## ASSETS AND LIABILITIES

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total assets	<b>81,342</b>	138,493	156,857	88,411	110,884
Total liabilities	<b>(312,138)</b>	(322,593)	(246,556)	(281,079)	(280,952)
	<b>(230,796)</b>	(184,100)	(89,699)	(192,668)	(170,068)
Non-controlling interests	<b>(15,931)</b>	(16,870)	(17,271)	2,209	6,177
Capital deficiency attributable to owners of the Company	<b>(246,727)</b>	(200,970)	(106,970)	(190,459)	(163,891)