



協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1613

2024

ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Han Weining (*Chief Executive Officer*)
Mr. You Yiyang (*appointed on 27 March 2024*)
Mr. Chong Alex Tin Yam
(*appointed on 19 May 2023 and resigned on 31 October 2023*)
Ms. Wang Jie (*retired on 30 August 2023*)

NON-EXECUTIVE DIRECTOR

Ms. Woodham Mostovaya Ekaterina
(*appointed on 29 May 2024*)
Mr. Wong Hoi Lok (*appointed on 24 July 2023 and resigned on 29 November 2023*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Ms. Li Mingqi
Mr. Cheng Nicholas Tat Hei (*appointed on 19 May 2023*)
Mr. Xu Wei (*appointed on 1 December 2023*)
Mr. Wang Chen (*retired on 30 August 2023*)

COMMITTEES

AUDIT COMMITTEE

Mr. Lam Ying Hung Andy (*Chairman*)
Ms. Li Mingqi
Mr. Cheng Nicholas Tat Hei (*appointed on 19 May 2023*)
Mr. Wang Chen (*retired on 30 August 2023*)

NOMINATION COMMITTEE

Mr. Cheng Nicholas Tat Hei (*Chairman*)
(*appointed on 19 May 2023*)
Mr. Lam Ying Hung Andy
Ms. Li Mingqi
Mr. Xu Wei (*appointed on 1 December 2023*)
Mr. Wang Chen (*retired on 30 August 2023*)

REMUNERATION COMMITTEE

Ms. Li Mingqi (*Chairperson*)
Mr. Lam Ying Hung Andy
Mr. Cheng Nicholas Tat Hei (*appointed on 19 May 2023*)
Mr. Wang Chen (*retired on 30 August 2023*)

COMPANY SECRETARY

Mr. Lui Wai Sing (*appointed on 1 March 2024*)
Mr. Ting Kin Wai (*resigned on 1 March 2024*)

AUTHORISED REPRESENTATIVES

Mr. Han Weining
Mr. Lam Ying Hung Andy (alternate to Mr. Han Weining)
Mr. Lui Wai Sing

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tsim Sha Tsui Centre
66 Mody Road
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL BANKERS

HONG KONG

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

PEOPLE'S REPUBLIC OF CHINA ("PRC")

Bank of China
China Construction Bank
Bank of Jiaxing
Hecheng Rural Commercial Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Merchants Bank
China Minsheng Bank
Bank of Tianjin
Zhejiang Tailong Commercial Bank
Shanghai Pudong Development Bank Co., Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
No.16 Harcourt Road
Hong Kong

AUDITOR

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

WEBSITE

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STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1613

FINANCIAL HIGHLIGHTS

The financial highlights of Synertone Communication Corporation (the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 March 2024 are presented as follows:

- Revenue of the Group increased by approximately HK\$2.1 million or 3.5% from approximately HK\$60.5 million for the year ended 31 March 2023 to approximately HK\$62.6 million for the year ended 31 March 2024.
- Gross profit of the Group increased by approximately HK\$15.9 million from approximately HK\$8.9 million for the year ended 31 March 2023 to approximately HK\$24.8 million for the year ended 31 March 2024, with gross profit margin increased from approximately 14.8% for the year ended 31 March 2023 to 39.6% for the year ended 31 March 2024.
- Loss attributable to owners of the Company decreased by approximately HK\$23.2 million or 56.6% from approximately HK\$41.0 million for the year ended 31 March 2023 to HK\$17.8 million for the year ended 31 March 2024.

Results performance for the year ended 31 March

	2024	2023	2022
Revenue (HK\$'000)	62,581	60,538	114,165
Gross profit (HK\$'000)	24,757	8,948	22,939
Gross profit margin (%)	39.6	14.8	20.1
Loss for the year (HK\$'000)	(17,768)	(43,679)	(113,773)
Net loss margin (%)	28.4	(72.2)	(99.7)
Basic loss per share (HK\$)	(0.06)	(0.16)	(0.09)

Liquidity and gearing ratio as at 31 March

	2024	2023	2022
Inventories turnover days (Note 1)	459	370	212
Trade receivables turnover days (Note 2)	140	130	93
Trade payables turnover days (Note 3)	156	94	33
Current ratio	1.3	0.7	0.8
Gearing ratio (%) (Note 4)	12.4	96.4	69.7

Operating cash flow and capital expenditure for the year ended 31 March

	2024	2023	2022
Net cash used in operating activities (HK\$'000)	(17,478)	(2,716)	(7,702)
Capital expenditure (HK\$'000) (Note 5)	25	223	10,702

FINANCIAL HIGHLIGHTS (CONTINUED)

Notes:

1. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of sales (excluding depreciation charge) for the year and multiplied by 365 days.
2. Calculation was based on the average of the trade receivables balance at the beginning and the end of the relevant year divided by total turnover for the year and multiplied by 365 days.
3. Calculation was based on the average of the trade payables balance at the beginning and the end of the relevant year divided by cost of sales (excluding depreciation charge) for the year and multiplied by 365 days.
4. Calculation was based on total bank borrowings and lease liabilities, net of cash and cash equivalents at the end of the relevant year, over total equity at the end of the relevant year.
5. It represented the payments in relation to the purchase of property, plant and equipment.

CEO'S STATEMENT

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, we hereby present the Group's annual report for the financial year ended 31 March 2024 ("FY2024").

FY2024 is a challenging year to the Company since inflation and high interest rates continued to weigh on consumer demand and business investment in China and consumers are more price-sensitive and cautious in making discretionary purchases. The Group recorded revenue of HK\$62.6 million for FY2024, representing an increase of approximately HK\$2.1 million as compared with HK\$60.5 million for the year ended 31 March 2023 ("FY2023"). The Group's revenue for the year was mainly contributed by the building intelligence and control system business, each accounting for 38.8% and 60.8% of the Group's total revenue, respectively. The Group recorded an increase in revenue for its control system segment from HK\$34.0 million for FY2023 to HK\$38.0 million for FY2024 while its building intelligence operations remained stable at HK\$25.8 million for FY2023 and HK\$24.3 million for FY2024. Due to the effective cost saving approach during FY2024, the Group's two major segments, namely business intelligence and control system, recorded segment gain during the FY2024 as compared to segment loss in the previous years. As the gross profit increased by HK\$15.9 million and the net other gains increased by HK\$3.0 million for FY2024, the loss attributable to owners of the Company decreased significantly to HK\$17.8 million as compared to HK\$41.0 million for the year ended 31 March 2023.

It is our ongoing strategy to explore new investment or opportunities which can expand or diversify our business and bring long-term benefit to the Group. The Group is committed to generating sustainable returns to our shareholders and the Group will formulate various business strategies to cope with the development of the Group. We will closely monitor the market and take appropriate actions when needed.

On financing side, the Company successfully placed 40,000,000 shares and 60,000,000 shares from placing of new shares in May 2023 and March 2024 respectively, the total net proceeds of approximately HK\$38.5 million raised from these placings would strengthened the Group's financial position and the net proceeds are utilised or expected to be applied as general working capital and for further investments of the Group. We will continue to seek and identify any suitable fund-raising opportunities in the future for the benefit of the Group's operations and for our future development.

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

Han Weining
Chief Executive Officer

28 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading providers of building and home intelligence products and integrated automation control systems and solutions. The Group's products are widely used in high-rise buildings, high-end residential complexes and smart communities by providing fully digital intelligent control systems for modern living. As one of the world's leading providers of automation control systems, the Group possesses leading standard of technical know-how and commercial competitiveness with which the products are extensively applied in diversified industries including electrical power, petrochemical, public utilities, mining, natural gas and food and beverage industries. The Group has its operation base in Jiaxing City, Zhejiang province of China and has established offices and sales network across major cities in China, including Beijing, Shanghai, Changsha and Hangzhou. Besides, the Group commenced its new data centre business in Hong Kong during the financial year ended 31 March 2022, which involves the rental and maintenance services for computer equipment and machines located in Hong Kong.

During the financial year ended 31 March 2024 ("FY2024" or the "Current Year"), the Group's principal operations include (i) design, development and sales of automation control systems and solutions, (ii) design, research and development, manufacture and sales of intelligent systems including video intercom and surveillance systems for residential homes and buildings, and (iii) rental, maintenance, other related services in relation to computer equipment and machines, information technology infrastructure, and advanced technologies such as robots.

Control system operations

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

The external revenue recorded by the Group's control system segment increased to HK\$38.0 million for FY2024 (2023: HK\$34.0 million). Due to improvement in sales performance, the segment profit of HK\$0.5 million was recorded by the control system segment for FY2024 as compared to a segment loss of HK\$2.4 million for the year ended 31 March 2023 ("FY2023" or the "Prior Year").

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Building intelligence operations

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

During FY2024, the sales operation of the Group's "MOX" brand video intercom and surveillance system products remained stable with external revenue at HK\$25.8 million for the Prior Year and HK\$24.3 million for the Current Year. The Group's building intelligence segment recorded a segment gain of HK\$3.6 million for the Current Year as compared to a segment loss of HK\$13.7 million. Such change was mainly due to the improvement of gross profit as a result of more products with higher profit margin were sold during FY2024.

Data centre operations

In 2022, the Group developed and commenced its new data centre business in the provision of rental and maintenance services to customers in relation to computer equipment and machines, information technology infrastructure and platform and robots and other related services. The launch of the new business by the Group was for the purpose of better utilisation of the Group's financial resources and improving the Group's financial position and performance under the current unfavourable business environment.

During the Current Year, the revenue from the provision of rental and maintenance services of high-quality computer equipment and commercial service robots rental business were nil (2023: HK\$0.6 million) and HK\$0.2 million (2023: HK\$0.2 million) respectively. Accordingly, the Group's data centre operations recorded an overall revenue of HK\$0.2 million (2023: HK\$0.8 million) and segment loss of HK\$11.7 million (2023: loss of HK\$3.5 million) for the Current Year. The increase in segment loss was mainly due to the impairment of property, plant and equipment of HK\$4.7 million was recorded during FY2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Investment in associate engaging in the charging station leasing operations

In June 2020, the Company acquired 20% equity interests in an associate namely logo Workshop Investment Limited (together with its subsidiaries, the “logo Workshop Group”) at a consideration of HK\$56 million which, through its wholly-owned subsidiary 深圳市海豚共享科技有限公司 (literally translated as Shenzhen Dolphin Technology Company Limited), is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. As at 31 March 2023, the carrying value of logo Workshop Group in the Group’s consolidated financial statements was approximately HK\$51.6 million, representing approximately 22.8% of the Group’s total assets value.

In the Prior Year, the Group held a 20% interest in logo Workshop Investment Limited and accounted for the investment as an associate. The Group disposed of a 5% interest in logo Workshop Investment Limited to a third party for proceeds of RMB15 million during the Current Year. The Group has accounted for the remaining 15% interest as financial assets at fair value through profit or loss whose fair value at the date of disposal was HK\$33.9 million. This transaction has resulted in the recognition of a gain of HK\$1.5 million.

The loss recognised by the Group as sharing of results of its associates for the Current Year was HK\$2.6 million (2023: HK\$2.9 million).

Business prospects on the Group’s principal operations

During the Current Year, the market conditions remain challenging, as inflation and high interest rates continued to weigh on consumer demand and business investment in China and consumers are more price-sensitive and cautious in making discretionary purchases. In addition, China was affected by the continued Sino-US tensions and as a result the recovery of the economic environment was weak and disappointing during the Current Year.

Under the rapidly growing markets in the 5G technology, internet-of-things and the internet home technology in China currently, the Board believes that it would secure a sustainable and stable demand for our building intelligence products in the China market and therefore our building intelligence operations will remain competitive in the future. Due to the effective cost saving approach during the Current Year, the Group’s two major segments, namely business intelligence and control system, recorded segment gain during the Current Year as compared to segment loss in the previous years.

Given these volatilities and challenges, the Group will continue to adopt a prudent approach to exercise cost control and will make every endeavour to identify business opportunities with promising potential in the manufacturing segments or even other sectors so as to diversify the Group’s income stream to tackle the adverse economic cycle. The Board believes that the growth of the Group will depend on business opportunities arising from 5G technology and related products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Future fund raising and investment opportunities

The Company will continue to explore opportunities for new business and investments or mergers and acquisitions which can expand or diversify the Group's business and will bring long-term benefit to the Group. For the purpose of financing the Group's current businesses or any potential investment or acquisitions in the future, the Company is also continuously seeking and assessing any potential fund-raising opportunities, which may include the issue of new shares or convertible securities of the Company or its subsidiaries. The Company will make announcement(s) in respect thereof as required by the Listing Rules should they materialise.

Money lending transactions of the Group

As at 31 March 2024, the Group had two outstanding loan receivables of nil net carrying amount with major terms as follows:

Borrowers	Date	Key terms of loan receivables				Outstanding amount	Loss allowance	Carrying amount
		Principal amount HK\$'000	Interest rate	Tenor	Collaterals	as at 31 March 2024 HK\$'000	as at 31 March 2024 HK\$'000	as at 31 March 2024 HK\$'000
Debtor 1	29 April 2020	13,000	8% per annum	One month	Mining inventory assets and personal guarantee	10,087 ("Receivable 1")	(10,087)	-
Debtor 2	22 May 2020	13,000 (revolving facility maximum)	Interest free	Repayable upon demand	Factory production equipment and machinery	11,134 ("Receivable 2")	(11,134)	-
						<u>21,221</u>	<u>(21,221)</u>	-

The loan transactions above were not in the ordinary course of business of the Group and all applicable size test percentage ratios under the Listing Rules were below 5%. The details of each of the borrowers, bases of impairment assessment on each of the loans, the reasons for granting of loans and how they met the Group's business strategies are disclosed below.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For Debtor 1

Debtor 1, a business acquaintance of the Group and a party independent of the Company and its connected person, was a corporate which engaged in the trading business and investment and was an active face masks trader with customers overseas in early 2020. In 2020, the Group discussed possible cooperation on face masks trading with Debtor 1, during which the Group reviewed Debtor 1's business plan and forecast with regard to the possible cooperation. In about April 2020, Debtor 1 asked the Group for a short-term working capital fund for its face masks trading business. Considering the outbreak of COVID-19 was still happening in most parts of the world and face masks were in high demand due to mandatory requirement to wear face masks in many countries, and the possible cooperation opportunity on face mask trading, the Group granted a short-term bridging loan of one-month tenor of HK\$13 million to Debtor 1 on 29 April 2020 at an interest rate of 8% per annum. In view of the ongoing negotiation on potential cooperation, the loan had no collateral except a personal guarantee at the time of granting of loan. In July 2021, after the prolonged delay in repayment by Debtor 1, the Group further obtained inventory security over certain iron ore inventory located in Malaysia as additional collateral from Debtor 1. As at 31 March 2024, the outstanding amount including the accrued interest was approximately HK\$10.1 million.

Upon the management's individual assessment, having considered that (i) despite there were some repayments made of totally HK\$3 million so far, the Receivable 1 was past due and long outstanding without further significant repayment made, and (ii) the discussion and negotiation on the settlement arrangement with Debtor 1 were still in progress and no formal or legal binding settlement agreement was executed so far, accordingly, amid the uncertainty posed by the COVID-19 pandemic on the overall economic situation, the Group considered that it should adopt a more prudent and cautious approach by making specific provision for the full outstanding amount particularly for Debtor 1 of HK\$10.1 million as its full recoverability was in doubt. As at the date hereof, the Group is still in the ongoing process of discussing and negotiating with Debtor 1 for a mutually agreed repayment schedule with an aim to recover the outstanding receivable amounts.

For Debtor 2

Debtor 2, a business acquaintance of the Group and a party independent of the Company and its connected person, was a corporate which engaged in the manufacturing of face masks with a production line located in their factory in Tsuen Wan, Hong Kong. The Group was interested in investment in the face masks factory and production lines operated by Debtor 2 either by ways of direct investment or as joint venture. In about April 2020, due to the rapid expansion and further capital investment by Debtor 2 in the face masks production line, Debtor 2 asked the Group for a revolving loan facility for the purpose of working capital needs of the face mask factory only. Under the revolving loan arrangement, the granting of working capital advances would be subject to the Group's discretion and be made by instalments upon Debtor 2's request based on its actual expenditure and capital need. Should a solid investment plan between the Group and Debtor 2 materialize, it was anticipated that the loan advance would become part of the consideration for investment by the Group in the face mask factory. At the time during which COVID-19 was at peak and face masks was in high demand, the Group believed that such potential investment opportunity would be profitable to the Group, therefore, after checking the available bank balance of owner of Debtor 2, the Group granted to Debtor 2 the revolving facility with maximum limit of HK\$13 million on 22 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As the face mask factory was still in its initial development and expansion stage and the revolving advances would be granted only by insignificant instalments on case-by-case basis, no collateral was obtained at the time of granting such facility as the initial loan amount was minimal. Also, there was no interest charged at the time of entering into the revolving loan facility as the Group was aiming to secure the potential investment opportunity and cooperation with Debtor 2 in the face mask manufacturing business. As the loan advance amount was getting larger, the Group subsequently requested Debtor 2 for asset security over its factory production equipment and machinery as collateral to protect the Group's interests. As at 31 March 2024, the outstanding amount of Receivable 2 was approximately HK\$11.1 million.

Upon the management's individual assessment, having considered that (i) the delay in repayment by Debtor 2 as per agreed repayment schedule upon Group's repayment demand, (ii) the total repayments made by Debtor 2 so far were not significant enough, and (iii) the discussion and negotiation on the settlement arrangement with Debtor 2 were still in progress and no formal or legal binding settlement agreement was executed so far, accordingly, amid the uncertainty posed by the COVID-19 pandemic on the overall economic situation, the Group considered that it should adopt a more prudent and cautious approach by making specific provision for the full outstanding amount particularly for Debtor 2 of HK\$11.1 million as its full recoverability was in doubt. As at the date hereof, the Group is still in the ongoing process of discussing and negotiating with Debtor 2 for a mutually agreed repayment schedule with an aim to recover the outstanding receivable amounts as soon as possible.

INTERNAL CONTROL POLICY AND CREDIT WORTHINESS ASSESSMENTS BEFORE GRANTING OF LOANS

In order to minimise the credit risks and default risks associated with loan and other receivables, the Company has maintained an internal control policy and conducted credit assessment before entering into the transactions, even though money lending is not the ordinary business of the Group.

When potential borrowers approach the Company for a request on loan financing, borrower identification procedures will take place where the Company would require information and documents from the potential borrowers, including copies of identity card or passport for individual borrowers; and for corporate borrowers, the corporate documents including, where applicable, the certificate of incorporation, business registration certificate, registers of members and directors, articles of association, certificate of incumbency and/or certificate of good standing.

Loan transactions are not in the ordinary course of business of the Company in general. The Company is not registered as a money lender and therefore, does not have access to the credit check system in Hong Kong. However, the Company did conduct credit assessment using information and resources available to it. The Group has maintained strict credit assessment procedures to verify the credit worthiness of the borrowers, such as obtaining bank and security statements, income proof, property proof, their audited financial statements and/or the latest management account (if applicable) and conducting different searches such as bankruptcy or winding up search, land search and litigation search to ascertain if the borrowers have any prior legal cases in the past, which may cast doubt on credit worthiness and repayment ability. Since each loan is different and unique, the Group does not have any specific quantitative conditions or criteria imposed for approving each loan. Approvals on application for loans are decided on a case-by-case basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The existing borrowers are business partners or business acquaintances of the Company. In view of that, the Company already has certain understanding of the creditability and financial situation of the borrowers. In respect of business partners, the Company would ask for and review their business plan, budget and/or forecast; and would only enter into the loan transactions if the Company believes that the business plan is solid. In respect of business acquaintances, the Company would ask for assets list of borrowers and/or previous business records of borrowers before entering into the loan transaction.

As with the credit assessment of borrowers, guarantors who provide personal/corporate guarantee in favour of a loan are also required to meet the same basic eligibility and approval criteria, and will be required to go through the same verification and approval procedures.

In determining the terms of the loans, the Company will take into consideration factors such as the credit risks of the borrowers, their recoverability, the prevalent market interest rates and potential business relationship and cooperation in terms of benefit to the Group as a whole. Typically, higher interest rates will be charged for unsecured loans to justify the higher credit risk. In order to lower the Company's risk exposure, the requirement of security, personal or corporate guarantee would be taken into account before the Company would grant a loan.

The Company did not usually obtain collaterals from the borrowers which are either business partners or business acquaintances which have connections or business dealings with the Company because at the time of entering into the loan transactions, the Company was of the view that continuing relationship and business dealings with the borrowers would be sufficient to secure repayment of the loans and in certain cases, the Company has obtained the personal guarantee from the borrower as collateral.

The Group will also perform size test and connected transaction test for each of the loan transactions in order to have each loan transaction complying with the applicable rules and regulations under the Listing Rules.

After credit assessment, size test and connected transaction test and review of the loan applications by the relevant teams, loan documents will be prepared and the loans will be recommended to the Director for final approval.

Apart from the loan approval procedures, the Group has also established internal control measures to control its credit risk and manage its credit operations, which include regular analysing and reviewing of the Group's loan portfolio and compliance matters and monitoring of loan and interest repayment continuously and following up closely with its borrowers as to the deadlines in payment of interests or loans. The Group has also implemented debt recovery procedures to provide an orderly and established system for monitoring and recovering any late payment or default in payment of the customers. In cases of default and/or delinquent loans, the recovery procedure will commence and the Company will send reminder letters or emails to the borrowers for repayment. The Company will also arrange negotiations with the borrowers for a mutually agreed repayment schedule. The Company may also engage lawyers in advising on the actions to be taken to recover loans.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ACTIONS TAKEN TO RECOVER OUTSTANDING LOAN RECEIVABLES

Regarding the recovery of the outstanding loan receivables, the Company has continuously issued demand letters or emails and regularly sent reminder messages through communication apps to respective debtors and has sought legal advice on possible actions can be taken by the Company. When the Company noticed the missing payments from the borrowers, in particular, the ones with larger amounts outstanding, the Company immediately took steps to ask for collaterals such as personal guarantees and pledges on assets from the borrowers. Also, the Company has been in constant contact with the borrowers to have updates as to their financial situation and the status of the collaterals.

Moreover, the Company has been continuously negotiating with the debtors for a mutually agreed repayment schedule and should such negotiation be smooth, the Company shall enter into a legally binding settlement agreement once the repayment schedule is agreed with an aim to fully recover the outstanding receivables from the debtors.

The Company will continuously monitor the repayment situation of those debtors and if necessary, the Company will seek further legal advice or will take legal actions against the debtors to recover the outstanding debts.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately HK\$62.6 million for the Current Year, representing an increase of approximately HK\$2.1 million or 3.5% as compared to the revenue of approximately HK\$60.5 million for the Prior Year.

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

	2024		2023	
	HK\$'000	%	HK\$'000	%
Building intelligence	24,305	38.8	25,766	42.6
Control system	38,030	60.8	33,977	56.1
Data centre	246	0.4	795	1.3
	62,581	100.0	60,538	100.0

The Group's revenue slightly increased by approximately HK\$2.1 million or 3.5% from approximately HK\$60.5 million for the Prior Year to approximately HK\$62.6 million for the Current Year. The increase was mainly attributable to the increase in revenue from our control system segment which was mainly due to the increase in market demand.

Cost of sales

Cost of sales of the Group consists of costs of raw materials, labour costs and manufacturing overheads. It decreased by approximately HK\$13.8 million or 26.7% from approximately HK\$51.6 million for FY2023 to approximately HK\$37.8 million for FY2024, which was mainly due to some of the corresponding research and development costs for new products launched during the Current Year was recorded under research and development expenditure during the past few years.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gross profit and gross profit margin

The Group's gross profit for FY2024 was approximately HK\$24.8 million, representing an increase of approximately HK\$15.9 million or 178.7% from approximately HK\$8.9 million for FY2023. The gross profit margin for FY2024 also increased to 39.6% as compared to 14.8% for FY2023, which was mainly due to new products with higher profit margin were launched and sold to the customers during the Current Year in which their related research and development costs were recorded under research and development expenditure during the past few years.

Other income

The Group's other income represents, among others, interest income, government grants and value-added taxes refund. The other income for the Current Year decreased to approximately HK\$2.2 million (2023: approximately HK\$3.6 million) mainly due to the decrease in government grants of approximately HK\$1.3 million.

Net other gains

The Group recorded increased net other gains of approximately HK\$4.8 million (2023: approximately HK\$1.8 million) for FY2024 mainly due to a gain on disposal of subsidiaries and a gain on disposal of an associate of approximately HK\$3.0 million and approximately HK\$1.5 million, respectively, was recorded during FY2024.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$0.8 million or 36.4% from approximately HK\$2.2 million for the Prior Year to approximately HK\$1.4 million for the Current Year, which is in line with the decrease in sales from building intelligence segment for the Current Year.

Administrative and other operating expenses

The administrative and other operating expenses of the Group, which mainly represent the staff costs, depreciation of property, plant and equipment and right-of-use assets and legal and professional fees. It decreased by approximately HK\$9.3 million from approximately HK\$36.8 million for FY2023 to approximately HK\$27.5 million for FY2024, which was mainly due to the decrease in staff costs.

Allowance for expected credit loss, net

During the Current Year, the Group recorded a net allowance for expected credit loss of HK\$7.5 million in relation to its trade receivables, loan and other receivables and amount due from an associate, as compared to HK\$7.3 million for the Prior Year.

As at 31 March 2024, the Group's trade receivables amounted to HK\$48.5 million (2023: HK\$47.4 million) and the loan and other receivables amounted to HK\$24.5 million (2023: HK\$44.9 million), out of which amounts of HK\$26.2 million (2023: HK\$23.6 million) and HK\$19.9 million (2023: HK\$41.3 million) were considered impaired for each of the trade receivables and the loan and other receivables respectively. Apart from the specific full provision made according to the Group's individual assessment on long outstanding receivables as disclosed in the previous paragraph, the remaining receivables were assessed based on an expected credit loss model. For the purpose of assessment of expected credit loss, expected loss rates were estimated based on historical observed default rates over the expected life of the debtors and were adjusted for forward looking information that was available without undue costs or effort.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance costs

The finance costs of the Group was approximately HK\$3.3 million for FY2024, mainly represent interest expense on bank borrowings. The decrease in finance costs of approximately HK\$0.5 million or 13.2% from approximately HK\$3.8 million for FY2023 was due to the decrease in effective interest rates of bank borrowings of the Group for the Current Year.

Loss for the year

The loss attributable to owners of the Company decreased significantly by approximately HK\$23.2 million or 56.6% from approximately HK\$41.0 million for the Prior Year to approximately HK\$17.8 million for the Current Year, which was mainly attributable to the increase in gross profit of approximately HK\$15.9 million and the increase in net other gains of approximately HK\$3.0 million.

Capital structure, liquidity and financial resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by shareholders of the Company (the "Shareholders"). In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. As at 31 March 2024, the issued share capital of the Company was approximately HK\$36.0 million (2023: HK\$26.0 million), comprising 360,312,640 shares (the "Shares") of the Company (2023: 260,312,640 Shares) of nominal value of HK\$0.10 each (2023: HK\$0.10 each).

In the Prior Year, on 22 September 2022, the Company entered into another placing agreement (the "2022 Placing Agreement") with Silverbricks Securities Company Limited (the "2022 Placing Agent"), pursuant to which the Company conditionally agreed to place, through the 2022 Placing Agent on a best effort basis, up to 49,200,000 placing shares of the Company of nominal value of HK\$0.25 each (the "2022 Placing Share(s)") at the price (the "2022 Placing Price") of HK\$0.25 per 2022 Placing Share to independent placee(s) (the "2022 Placing"). The 2022 Placing Price represented a premium of approximately 72.41% to the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 22 September 2022, being the date of the 2022 Placing Agreement. The Board considered that the 2022 Placing would strengthen the Group's financial position, broaden the Company's shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the unfavourable COVID-19 pandemic situation. Accordingly, the Directors were of the view that the 2022 Placing was in the interests of the Company and the Shareholders as a whole.

The completion of the 2022 Placing took place on 3 October 2022 and an aggregate of 49,200,000 2022 Placing Shares were issued and allotted by the Company to an independent placee, namely Ms. Li Chung Man who was an individual investor and an independent third party, for cash at the 2022 Placing Price of HK\$0.25 per 2022 Placing Share, representing approximately 3.78% of the issued share capital of the Company as enlarged by the allotment and issue of the 2022 Placing Shares immediately upon completion of the 2022 Placing. The aggregate nominal value of the 2022 Placing Shares issued and allotted pursuant to the 2022 Placing was HK\$12.3 million. The net proceeds from the 2022 Placing, after deduction of expenses related to the 2022 Placing, amounted to approximately HK\$12.1 million, representing a net price of approximately HK\$0.246 per 2022 Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 31 March 2023, the net proceeds from the 2022 Placing of approximately HK\$12.1 million were fully utilised during the Prior Year as intended for the Group's general working capital and for investment opportunities of the Group as previously disclosed with details as follows:

Description of use of proceeds	Amount (in HK\$ million)
Staff salaries and pension contribution	2.2
Rental expenses and management fee	1.5
Legal and professional fees	0.4
Advance to an associate	3.7
Other general working capital of the Group	4.3
Total	12.1

In the Current Year, on 3 May 2023, the Company entered into another placing agreement (the "2023 Placing Agreement") with Sinomax Securities Limited (the "2023 Placing Agent"), pursuant to which the Company conditionally agreed to place, through the 2023 Placing Agent on a best effort basis, up to 40,000,000 placing shares of the Company of nominal value of HK\$0.10 each (the "2023 Placing Share(s)") at the price (the "2023 Placing Price") of HK\$0.375 per 2023 Placing Share to independent placee(s) (the "2023 Placing"). The 2023 Placing Price represented a discount of approximately 14.77% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on 3 May 2023, being the date of the 2023 Placing Agreement. The Board considered that the 2023 Placing would strengthen the Group's financial position, broaden the Company's shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the high interest rate environment currently, and is in the interests of the Company and the Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The completion of the 2023 Placing took place on 19 May 2023 and an aggregate of 40,000,000 2023 Placing Shares were issued and allotted by the Company to an not less than six independent placees who were corporate or individual investors for cash at the 2023 Placing Price of HK\$0.375 per 2023 Placing Share, representing approximately 13.32% of the issued share capital of the Company as enlarged by the allotment and issue of the 2023 Placing Shares immediately upon completion of the 2023 Placing. The aggregate nominal value of the 2023 Placing Shares issued and allotted pursuant to the 2023 Placing was HK\$15.0 million. The net proceeds from the 2023 Placing, after deduction of expenses related to the 2023 Placing, amounted to approximately HK\$14.7 million, representing a net price of approximately HK\$0.3675 per 2023 Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise. As at 31 March 2024, the net proceeds from the 2023 Placing of approximately HK\$14.7 million were fully utilised during the Current Year as intended for the Group's general working capital and for investment opportunities of the Group as previously disclosed with details as follows:

Description of use of proceeds	Amount (in HK\$ million)
Staff salaries and pension contribution	3.7
Rental expenses and management fee	1.1
Professional and consultancy fees	2.2
Audit fee	0.8
Repayment of borrowings	5.1
Other general working capital of the Group	1.8
Total	14.7

In the Current Year, on 6 March 2024, the Company entered into another placing agreement (the "2024 Placing Agreement") with Open Securities Limited (the "2024 Placing Agent"), pursuant to which the Company conditionally agreed to place, through the 2024 Placing Agent on a best effort basis, up to 60,000,000 placing shares of the Company of nominal value of HK\$0.10 each (the "2024 Placing Share(s)") at the price (the "2024 Placing Price") of HK\$0.401 per 2024 Placing Share to independent placee(s) (the "2024 Placing"). The 2024 Placing Price represented a discount of approximately 17.32% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on 6 March 2024, being the date of the 2024 Placing Agreement. The Board considered that the 2024 Placing would strengthen the Group's financial position, broaden the Company's shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the high interest rate environment currently, and is in the interests of the Company and the Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The completion of the 2024 Placing took place on 27 March 2024 and an aggregate of 60,000,000 2024 Placing Shares were issued and allotted by the Company to an not less than six independent placees who were corporate or individual investors for cash at the 2024 Placing Price of HK\$0.401 per 2024 Placing Share, representing approximately 16.65% of the issued share capital of the Company as enlarged by the allotment and issue of the 2024 Placing Shares immediately upon completion of the 2024 Placing. The aggregate nominal value of the 2024 Placing Shares issued and allotted pursuant to the 2024 Placing was HK\$24.1 million. The net proceeds from the 2024 Placing, after deduction of expenses related to the 2024 Placing, amounted to approximately HK\$23.8 million, representing a net price of approximately HK\$0.397 per 2024 Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise. As at 31 March 2024, the net proceeds from the 2024 Placing of approximately HK\$23.8 million were not yet utilised during the Current Year and the Group intends to use for its general working capital and for investment opportunities of the Group as previously disclosed.

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2024 was approximately 1.3 (2023: approximately 0.7). Gearing ratio calculated by total borrowings (comprising bank borrowings and lease liabilities) net of cash and cash equivalents, over total equity as at 31 March 2024 was 15% (2023: 96%).

Bank borrowings

As at 31 March 2024, the Group had outstanding bank borrowings of approximately HK\$50.7 million (2023: approximately HK\$62.8 million).

Pledge of assets

As at 31 March 2024, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK\$28.2 million (2023: approximately HK\$32.4 million) pledged against bank borrowings raised by the Group.

Contingent liabilities

As at 31 March 2024, the Group had no material contingent liabilities.

Major acquisition and disposal

On 24 July 2023, Mox Group Limited, a subsidiary of the Company, completed its allotment and 25,000 ordinary shares issued to the independent third party. Upon completion, the equity interest of Mox Group Limited held by the Group decreased from 100% to 66.67%. The total proceeds net of direct transaction cost of approximately HK\$27,203,000 was record and comprise in capital reserve, translation reserve and non-controlling interests amounting to approximately HK\$21,072,000, HK\$2,410,000 and HK\$3,721,000 respectively.

On 11 September 2023, the Group fully disposed of its interest in One World Clean Energy Investment Co Limited and its subsidiaries. The proceeds on disposal of HK\$1 were received in cash.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 31 October 2023, Radio World Holding Limited (the “Vendor”), a direct wholly-owned subsidiary of the Company, and Mr. Chong Alex Tin Yam (“Mr. Chong”) as the former co-chief executive officer and executive Director of the Company (as the purchaser) entered into two sale and purchase agreements (the “Agreements”), pursuant to which the Vendor has agreed to sell, and Mr. Chong has agreed to purchase: (1) the entire issued share capital (“Sale Share A”) of Hong Kong Blockchain Development Marketing Limited; and (2) the entire issued share capital (“Sale Share B”) of, and the entire shareholder’s loan owed by (“Sale Loan”) of Hong Kong Blockchain Development Company Limited. The consideration for the sale and purchase of Sale Share A is HK\$10,000, Sale Share B is HK\$1.00 and Sale Loan is HK\$2,522,012.15, respectively, which had been paid by Mr. Chong to the Vendor upon completion which took place simultaneously upon the signing of the Agreements.

Save as disclosed above and elsewhere in this annual report, the Group had no other major acquisition or disposal transactions during the year ended 31 March 2024.

Significant capital expenditure for the year

Save as disclosed elsewhere in this report, the Group had no significant capital expenditure commitments as at 31 March 2024.

Risk of foreign exchange fluctuations

Substantially all transactions of the Group are denominated in Renminbi (“RMB”) and HK\$ and most of the bank deposits are denominated in RMB and HK\$ to minimise foreign exchange exposure. Despite the fluctuation of the exchange rates of RMB against HK\$ during the Current Year, the Directors expect that any fluctuation of RMB’s exchange rate will not have material adverse effect on the operation of the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2024.

Employee and remuneration policy

As at 31 March 2024, the Group had 73 (2023: 115) employees. For the year ended 31 March 2024, the staff costs of the Group amounted to approximately HK\$18.4 million, representing a decrease of approximately HK\$1.2 million or 6.1% as compared to approximately HK\$19.6 million for the corresponding period last year, mainly due to the decrease in number of the Group’s employees during the Current Year.

The Group’s employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the remuneration committee of the Company (the “Remuneration Committee”), and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group’s operating results, individual performance and comparable market statistics. As the Company’s previous share option scheme lapsed upon its expiry on 22 March 2022, the Company adopted a new share option scheme on 2 September 2022 and eligible participants of which may be granted the share options to subscribe for the Shares in order to enable the Company to grant options to its employees, executives or officers who are contributing to the Group as their incentives and rewards. As at 31 March 2024, no share options were outstanding under any share option schemes of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 27 April 2024, the Company has granted a total of 25,043,200 share options under the share option scheme adopted by the Company on 30 August 2022 (the "Share Option Scheme") to the executive Director and certain employees of the Group who are contributing to the Group as their incentives and rewards, to subscribe, in aggregate, for up to 25,043,200 Shares, subject to acceptance of the Grantees.

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

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

1. GRANT OF SHARE OPTIONS

On 27 April 2024, the Company has granted a total of 25,043,200 share options ("Share Option(s)") of exercise price of HK\$0.49 under the Share Option Scheme to certain eligible persons (in accordance with the terms of the Share Option Scheme) (the "Grantee(s)"), to subscribe, in aggregate, for up to 25,043,200 ordinary shares of HK\$0.1 each (the "Share(s)") in the share capital of the Company, subject to acceptance of the Grantees. The validity period of the Share Options and vesting period are five years, from 26 April 2024 to 25 April 2029 (both dates inclusive).

Among the Share Options, 3,596,800 Share Options were granted to Mr. You Yiyang, an executive Director, and the remaining 21,446,400 Share Options were granted to six employees of the Group. These individuals have participated in the Group's development in financial and business areas. Following the grant of the Share Options, 4,064 Shares will be available for future grant under the scheme mandate limit of the Share Option Scheme.

For further details, please refer to the announcements of the Company dated 26 April 2024 and 7 May 2024 respectively.

2. APPOINTMENT OF NON-EXECUTIVE DIRECTOR

On 29 May 2024, Ms. Woodham Mostovaya Ekaterina ("Ms. Ekaterina") has been appointed as a non-executive Director of the Company. Ms. Ekaterina is subject to retirement and eligible for re-election at the next annual general meeting of the Company.

Save as disclosed above, there were no other significant events that have occurred subsequent to the end of the reporting period and up to the date of this annual report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2024.

DIRECTORS

EXECUTIVE DIRECTORS

Han Weining (韓衛寧*), (“Mr. Han”), aged 62, was appointed as an executive Director and the chief executive officer of the Company for a term of three years (subject to rotation and re-election) in February 2011 and June 2015, respectively. Mr. Han is currently the chief executive officer of the Company and is also a director of certain subsidiaries of the Company. From 1989 to 2006, he worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia Pacific. Mr. Han also served as an executive director of MOX Group in Australia. Mr. Han graduated from Zhejiang University (浙江大學) majoring in Wireless Electronic Technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Mr. Han is the sole director and sole shareholder of Excel Time Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “SFO”).

You Yiyang (游弋洋), (“Mr. You”), aged 40, was appointed as an executive Director of the Company for a term of three years (subject to rotation and re-election) in March 2024. Mr. You obtained a bachelor’s degree in finance from the University of International Business and Economics in 2006, followed by a master’s degree in accounting and a master’s degree in logistics management from the University of Sydney in 2008. From 2013 to 2017, Mr. You worked for Kunwu Jiuding Investment Management Co., Ltd.* (昆吾九鼎投資管理有限公司) as the general manager of the South China branch, a member of the investment decision-making committee, a member of the management committee and the deputy general manager. From 2017 to 2023, Mr. You served as the founder and a director of Suzhou Regend Therapeutics Co., Ltd.* (蘇州吉美瑞生醫學科技有限公司). He is currently the director of a wholly-owned subsidiary of the Company. Mr. You has worked in professional equity investment institutions for over ten years and has extensive experience in equity investment.

NON-EXECUTIVE DIRECTOR

Woodham Mostovaya Ekaterina (莫怡娜), (“Ms. Ekaterina”), aged 47, was appointed as a non-executive Director of the Company for a term of three years (subject to rotation and re-election) in May 2024. Ms. Ekaterina obtained a Diploma in Orientalist-Economist, Chinese Language Translator with specialization in Regional Studies from the Far Eastern State University, Russia in 2001, followed by a Master of Arts in Communications from California State University, Fullerton in 2006 and a Master of Arts in Conference Interpretation from the Monterey Institute of International Studies in 2010. She also obtained a Diploma in Legal Studies from the University of Hong Kong School of Professional and Continuing Education in 2021. She is also an active member of the International Association of Conference Interpreters. Ms. Ekaterina has more than fourteen years of experience in conference interpretation and business development. Since 2010, she has been working as an interpreter in various United Nations agencies and international organizations by interpreting different languages including English, Chinese and Russian. Between 2006 and 2007, she worked as a business development manager in a design and branding company. Between 2001 and 2004, she worked as a public relations executive at an airline company.

* For identification purpose only

DIRECTORS (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Ying Hung Andy (林英鴻), (“Mr. Lam”), aged 59, was appointed as an independent non-executive Director of the Company for a term of three years (subject to rotation and re-election) in February 2011. He is the chairman of the audit committee of the Company (the “Audit Committee”) and a member of each of the nomination committee (the “Nomination Committee”) of the Company and the Remuneration Committee. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. He is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in Ecommerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. He is currently the managing consultant of Lontreprise Consulting Limited, and had been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of each of Xingfa Aluminum Holdings Limited (Stock Code: 0098), Litu Holdings Limited (formerly known as Brilliant Circle Holdings International Limited) (Stock Code: 1008) and Weiye Holdings Limited (Stock Code: 1570), the shares of all of the above companies are listed on the Main Board of the Stock Exchange.

Li Mingqi (李明綺) (“Ms. Li”), aged 56, was appointed as an independent non-executive Director of the Company for a term of three years (subject to rotation and re-election) in October 2016. She is the chairperson of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Ms. Li graduated from Fudan University in Shanghai with a Bachelor’s degree in Economics. She has also obtained a Master’s degree in Economics from the Southern Methodist University and a Master’s degree in Management and Administrative Sciences from the University of Texas. Ms. Li is a Certified Public Accountant in the State of New York, the United States of America and was licensed under license series 7 and 63 at the registered representative level in the United States of America from May 2019. She has extensive experience in financial management. Ms. Li was a senior associate of JP Morgan Chase, associate/portfolio manager of BHF Capital, vice president of Transamerica Business Capital, vice president of Morgan Stanley and hedge fund controller of Mercury Capital Management. She was also an independent non-executive director of Sino Gas International Holdings, Inc., whose shares were previously listed on the Over-The-Counter Bulletin Board in the United States of America, from March 2011 to November 2014. Ms. Li served as a business consultant of Seekers Advisors H.K. Limited from May 2015 to August 2016 and is currently a registered representative of Arkadios Capital and an independent non-executive director of Neo-Neon Holdings Limited (Stock Code: 1868), whose shares are listed on the Main Board of the Stock Exchange.

DIRECTORS (CONTINUED)

Cheng Nicholas Tat Hei (鄭達滙), (“Mr. Cheng”), aged 38, was appointed as an independent non-executive Director of the Company for a term of three years (subject to rotation and re-election) in May 2023. Mr. Cheng graduated from Monash University in Australia with bachelor of commerce and bachelor of business system degrees and he further obtained a master of business administration degree from the University of Hong Kong. He is a certified public accountant of the CPA Australia and is a member of the Hong Kong Securities and Investment Institute. Mr. Cheng possesses more than 15 years’ experience in the field of accounting, auditing, investment and corporate finance.

Xu Wei (徐煒), (“Mr. Xu”), aged 46, was appointed as an independent non-executive Director of the Company for a term of three years (subject to rotation and re-election) in December 2023. Mr. Xu graduated from Zhejiang University in the People’s Republic of China (“China”) with a Bachelor of Laws (International Economics Law) degree. He is a practising lawyer in China and possesses professional qualifications in securities practice, independent directorship, intermediate human resources management and registered corporate legal advisory. Mr. Xu has been the executive officer of a law firm in China since December 2014. He has extensive experience in civil litigations and arbitrations, corporate finance and mergers and acquisitions in China. Mr. Xu was a member of the Merger and Acquisition and Investment Committee* (併購與投資專業委員會) of Hangzhou Lawyers Association* (杭州律師協會) in China from May 2019 to May 2022, and has also been the practical mentor of Hangzhou City University in China since November 2010.

REPORT OF THE DIRECTORS

The Directors are pleased to present the Company's annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2024.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal operations of the Group are conducted in the PRC and Hong Kong. The principal businesses of the Group include provision of (i) design, development and sales of automation control systems and solutions, (ii) design, research and development, manufacture and sales of intelligent systems including video intercom and surveillance systems for residential homes and buildings, and (iii) rental, maintenance, other related services in relation to computer equipment and machines, information technology infrastructure, and advanced technologies such as robots. Particulars of principal activities of the principal subsidiaries of the Company are set out in note 17 to the financial statements.

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

BUSINESS/MARKET RISKS

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

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

OPERATIONAL RISK

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

FINANCIAL RISK

The Group's business operation is exposed to risks from exchange rates, interest rates and liquidity. Please also refer to note 30 to the financial statements for discussion of the financial risks facing by the Group.

COMPLIANCE RISKS

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

KEY RELATIONSHIPS

(a) *Employees*

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

(b) *Customers*

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

(c) *Suppliers*

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

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

REPORT OF THE DIRECTORS (CONTINUED)

ENVIRONMENTAL POLICIES

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 March 2024 and up to the date of this annual report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 83 to 84 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 29 August 2024 ("2024 AGM"), the register of members of the Company will be closed from Monday, 26 August 2024 to Thursday, 29 August 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer of Shares accompanied by the relevant share certificate(s) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 August 2024.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the five financial years ended 31 March 2024 is set out on page 174 of this annual report.

REPORT OF THE DIRECTORS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2024, together with the reasons therefore, are set out in note 28(b) to the financial statements. Details of change in the capital structure of the Company are set out in the paragraph headed "Capital structure, liquidity and financial resources" in the section headed "Management Discussion and Analysis" of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2024.

RESERVES

The movements in the reserves of the Company and the Group during the year ended 31 March 2024 are set out in note 28 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2024, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2023: Nil).

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's revenue from sales of goods or rendering of services attributable to the major customers and purchases attributable to the major suppliers during the year ended 31 March 2024 is as follows:

	Percentage of the Group's total	
	Revenue	Purchases
The largest customer	27.1%	
Five largest customers in aggregate	58.0%	
The largest supplier		6.0%
Five largest suppliers in aggregate		15.8%

At all time during the year ended 31 March 2024, none of the Directors or any of their close associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or the five largest customers.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS

The Directors during the year ended 31 March 2024 and up to the date of publication of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Han Weining (*Chief Executive Officer*)

Mr. You Yiyang (appointed on 27 March 2024)

Mr. Chong Alex Tin Yam (appointed on 19 May 2023 and resigned on 31 October 2023)

Ms. Wang Jie (retired on 30 August 2023)

NON-EXECUTIVE DIRECTORS

Ms. Woodham Mostovaya Ekaterina (appointed on 29 May 2024)

Mr. Wong Hoi Lok (appointed on 24 July 2023 and resigned on 29 November 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy

Ms. Li Mingqi

Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023)

Mr. Xu Wei (appointed on 1 December 2023)

Mr. Wang Chen (retired on 30 August 2023)

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

In accordance with the Articles of Association, Mr. Lam Ying Hung Andy and Ms. Li Mingqi will retire by rotation at the 2024 AGM and, being eligible, will offer themselves for re-election.

Mr. Xu Wei was appointed as the independent non-executive Director on 1 December 2023, Mr. You Yiyang was appointed as the executive Director on 27 March 2024 and Ms. Woodham Mostovaya Ekaterina was appointed as the non-executive Director on 29 May 2024. In accordance with the Articles of Association, Mr. Xu Wei, Mr. You Yiyang and Ms. Woodham Mostovaya Ekaterina will retire at the 2024 AGM and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2024 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year ended 31 March 2024.

REPORT OF THE DIRECTORS (CONTINUED)

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Save for the above, at no time during the year ended 31 March 2024 and up to the date of this annual report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

EMOLUMENT POLICY

The Group's employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are reviewed on an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the Remuneration Committee, and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics. As the Company's previous share option scheme lapsed upon its expiry on 22 March 2022, the Company adopted a new share option scheme on 2 September 2022 and eligible participants of which may be granted the share options to subscribe for the shares of the Company in order to enable the Company to grant options to its employees, executives or officers who are contributing to the Group as their incentives and rewards. As at 31 March 2023, no share options were outstanding under any share option schemes of the Company.

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

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of Directors nor their respective close associates (as defined in the Listing Rules) had engaged in or were interested in any business which competed or was likely to compete, either directly or indirectly, with business of the Group during the year ended 31 March 2024.

REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 March 2024, the interests and short positions of the Directors and chief executive of the Company in any of the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

LONG POSITIONS IN SHARES

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Han Weining	Interest in a controlled corporation	53,814,331 (Note 1)	14.94%
	Interest in a controlled corporation	11,800,000 (Note 2)	3.28%
	Beneficial owner	1,632,000	0.45%

Notes:

1. These interests in Shares are held by Excel Time Investments Limited ("Excel Time"), which is wholly and beneficially owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han Weining is deemed to be interested in these 53,814,331 Shares. Mr. Han Weining is the sole director of Excel Time.
2. These interests in Shares are held by Able Trillion Enterprise Limited ("Able Trillion"), which is wholly and beneficially owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han Weining is deemed to be interested in these 11,800,000 Shares. Mr. Han Weining is the sole director of Able Trillion.

Save as disclosed above, as at 31 March 2024, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year ended 31 March 2024 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

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

As at 31 March 2024, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

LONG POSITION IN SHARES

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued Shares (Note 1)
Excel Time	Beneficial owner	53,814,331 (Note 2)	14.94%
Lam Siu Sun	Beneficial owner	35,716,480	9.91%

Notes:

1. Based on 360,312,640 Shares in issue as at 31 March 2024.
2. Excel Time is wholly-owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director whose interest in Shares is set out in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company or its associated corporations".

Save as disclosed above, as at 31 March 2024, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS (CONTINUED)

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 2 September 2022 and shall be valid until 1 September 2032, whereby the Board or a duly authorised committee thereof may at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to eligible participants an option to subscribe for shares of the Company as incentives or rewards for their contribution to the Group. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.

The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for Shares, subject to such conditions as the Board may think fit, which includes (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time) of the Group or any entity in which the Company or any its subsidiary holds any interest (the "Invested Entity"), and (ii) any discretionary trust whose discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time) of the Group or any Invested Entity. For the purpose of the Share Option Scheme, the options may be granted to any corporation wholly-owned by any person belonging to class (i) mentioned above. The eligibility of any of the above persons to the grant of any option shall be determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company shall be entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company (the "Scheme Mandate Limit") must not, in aggregate, exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme by the Shareholders, unless Shareholders' approval has been obtained to refresh the Scheme Mandate Limit in general meeting from time to time or to grant options beyond the Scheme Mandate Limited. Share options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme for the time being of the Company shall not, in aggregate, exceed 30% of the Shares in issue from time to time. No option may be granted under the Share Option Scheme or any other share option scheme of the Company if it would result in the above-mentioned 30% limit being exceeded. The total number of Shares issued and to be issued upon exercise of the options granted to an eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time unless, among others, approval by Shareholders in a general meeting is obtained. The Share Option Scheme does not specify a minimum period for which an option must be held. The Board may, at its discretion, fix any minimum period for which an option must be held. An option shall be exercisable at any time during such period(s) to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

REPORT OF THE DIRECTORS (CONTINUED)

The subscription price in respect of any option shall be at the discretion of the Board, provided that it shall be not less than the highest of (i) the closing price of a Share on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the offer date in respect of such options; and (iii) the nominal value of a Share.

As at 31 March 2023 and 2024, there was no outstanding share options under the Share Option Scheme or any other share option scheme of the Company.

The total number of Shares available for issue under the Share Option Scheme is 25,047,264 Shares, representing approximately 6.95% of the total number of Shares in issue as at the date of this report.

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

Change in Director's information since the date of the 2023 interim report of the Company up to the date of publication of this annual report is set out below:

- On 1 December 2023, Mr. Xu Wei was appointed as the independent non-executive Director of the Company and he would be subject to retirement and eligible for re-election at the 2024 AGM.
- On 27 March 2024, Mr. You Yiyang was appointed as the executive Director of the Company and he would be subject to retirement and eligible for re-election at the 2024 AGM.
- On 29 May 2024, Ms. Woodham Mostovay Ekaterina was appointed as the non-executive Director of the Company and she would be subject to retirement and eligible for re-election at the 2024 AGM.

CODE ON CORPORATE GOVERNANCE PRACTICES

A report on the principal corporate governance practice adopted by the Company is set out on pages 36 to 51 of this annual report.

CONNECTED TRANSACTION

During the year ended 31 March 2024, the Directors are not aware of any transactions of the Group which constituted non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2024, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are set out in note 33 to the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme as disclosed in the paragraph headed "Share Option Scheme" of this report, the 2023 Placing Agreement and 2024 Placing Agreement as disclosed in the paragraph headed "Capital structure, liquidity and financial resources" in the section headed "Management Discussion and Analysis" of this annual report, no equity-linked agreements were entered into by the Company during the year ended 31 March 2024 or subsisted at the end of the year.

SHARES ISSUED DURING THE YEAR

On 19 May 2023, the Company allotted and issued 40,000,000 new placing shares of the Company of nominal value of HK\$0.10 each to not less than six independent third parties at the placing price of HK\$0.375 per share upon completion of the 2023 Placing. The gross proceeds and net proceeds arising from such share allotment amounted to approximately HK\$15.0 million and approximately HK\$14.7 million respectively, which have been fully utilised as the Group's general working capital and for investment opportunities of the Group during the year.

On 27 March 2024, the Company allotted and issued 60,000,000 new placing shares of the Company to not less than six independent third parties at the placing price of HK\$0.401 per share upon completion of the 2024 Placing. The gross proceeds and net proceeds arising from such share allotment amounted to approximately HK\$24.1 million and approximately HK\$23.8 million respectively, which have not been utilised by the Group during the year.

The Directors considered that the allotment of new shares pursuant to the 2023 Placing and 2024 Placing would provide additional and immediate funding for the Company to maintain the Group's working capital requirement while broadening the capital base of the Company, and was in the interests of the Company and the Shareholders as a whole.

Save as disclosed above, there were no shares issued by the Company during the year ended 31 March 2024.

EVENTS AFTER THE REPORTING PERIOD

1. GRANT OF SHARE OPTIONS

On 27 April 2024, the Company has granted a total of 25,043,200 share options ("Share Option(s)") of exercise price of HK\$0.49 under the share option scheme adopted by the Company on 30 August 2022 (the "Share Option Scheme") to certain eligible persons (in accordance with the terms of the Share Option Scheme) (the "Grantee(s)"), to subscribe, in aggregate, for up to 25,043,200 ordinary shares of HK\$0.1 each (the "Share(s)") in the share capital of the Company, subject to acceptance of the Grantees. The validity period of the Share Options and vesting period are five years, from 26 April 2024 to 25 April 2029 (both dates inclusive).

Among the Share Options, 3,596,800 Share Options were granted to Mr. You Yiyang, an executive Director, and the remaining 21,446,400 Share Options were granted to six employees of the Group. These individuals have participated in the Group's development in financial and business areas. Following the grant of the Share Options, 4,064 Shares will be available for future grant under the scheme mandate limit of the Share Option Scheme.

For further details, please refer to the announcements of the Company dated 26 April 2024 and 7 May 2024 respectively.

REPORT OF THE DIRECTORS (CONTINUED)

2. APPOINTMENT OF NON-EXECUTIVE DIRECTOR

On 29 May 2024, Ms. Woodham Mostovaya Ekaterina (“Ms. Ekaterina”) has been appointed as a non-executive Director of the Company. Ms. Ekaterina is subject to retirement and eligible for re-election at the next annual general meeting of the Company.

Save as disclosed above, there were no other significant events that have occurred subsequent to the end of the reporting period and up to the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (as committee chairman), Ms. Li Mingqi and Mr. Cheng Nicholas Tat Hei. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 March 2024 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors’ knowledge, information and belief as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient public float as required under the Listing Rules during the year ended 31 March 2024 and up to the date of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2024 were audited by HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng Limited shall retire and a resolution will be proposed for approval by Shareholders at the 2024 AGM to re-appoint HLB Hodgson Impey Cheng Limited as the auditor of the Company.

On Behalf of the Board

Han Weining

Executive Director

Hong Kong, 28 June 2024

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. The Board considers that the Company was in compliance with all the applicable code provisions as set out in the CG Code during the year ended 31 March 2024 apart from code provisions C.2 and F.2.2 as disclosed below.

CODE PROVISIONS UNDER C.2 OF THE CG CODE

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

Under the current structure and functions of the Board, the role of chairman should be responsible for the management and leadership of the Board while the role of chief executive officer should be responsible for the day-to-day management of the Group’s business. However, the position of the chairman of the Board has been vacant since 3 January 2020, and hence the Company did not comply with code provisions under C.2 of the CG Code during the year ended 31 March 2024.

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

CODE PROVISION F.2.2 OF THE CG CODE

Under code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. As the position of chairman of the Board was vacant as at the date of the annual general meeting held on 30 August 2023 (the “2023 AGM”), Mr. Han Weining, being the executive Director and chief executive officer of the Company on the date of the 2023 AGM, was appointed as the chairman of the 2023 AGM to answer and address questions raised by the Shareholders at the 2023 AGM.

The Directors believed that Mr. Han Weining, as the chief executive officer of the Company and the executive Director on the date of the 2023 AGM, possessed sufficient knowledge on the Group’s businesses and had the required leadership in maintaining an effective dialogue with Shareholders and addressing any issues or questions raised in the general meeting. Therefore, Mr. Han was considered suitable and appropriate to act as the chairman of the 2023 AGM in the absence of the chairman of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company’s securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2024.

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

As at 31 March 2024, the Board comprised two executive Directors and four independent non-executive Directors; while at the date of publication of this report, the Board comprises two executive Directors, one non-executive Director and four independent non-executive Directors. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. The Board members during the year and up to the date of publication of this annual report, were:

Executive Directors

Mr. Han Weining (*Chief Executive Officer*)

Mr. You Yiyang (appointed on 27 March 2024)

Mr. Chong Alex Tin Yam (appointed on 19 May 2023 and resigned on 31 October 2023)

Ms. Wang Jie (retired on 30 August 2023)

Non-executive Director

Ms. Woodham Mostovaya Ekaterina (appointed on 29 May 2024)

Mr. Wong Hoi Lok (appointed on 24 July 2023 and resigned on 29 November 2023)

Independent Non-Executive Directors

Mr. Lam Ying Hung Andy

Ms. Li Mingqi

Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023)

Mr. Xu Wei (appointed on 1 December 2023)

Mr. Wang Chen (retired on 30 August 2023)

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors, as at the date of publication of this annual report, are set out on pages 21 to 23 of this annual report.

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

(B) BOARD DIVERSITY POLICY

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

As at the date of publication of this report, the Board consists of seven Directors, two of which are female. The Board considers that it is not necessary to set numerical targets and timeline for Board gender diversity for the time being. The Board will strive to improving gender diversity as and when suitable candidates are identified.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(C) RESPONSIBILITY OF DIRECTORS

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

Training and Continuous Development for Directors

As at the date of this annual report, the Company has received the continuous professional development records from each of the Directors as a record of training (in the form of reading articles, researches, journals or professional updates, and attending briefings, trainings, seminars or conference) they received for the year ended 31 March 2024.

(D) BOARD MEETINGS AND GENERAL MEETING

In compliance with the code provision C.5.1 of the CG Code, there are at least four regular board meetings should be held each year at approximately quarterly intervals. A notice of the meeting would be given to all Directors at least 14 days prior to the date of the meeting to enable all Directors to attend the meetings. The agenda of the meeting shall be determined after consulting each Director so that each Director is given the opportunity to include their proposals into the agenda.

For the year ended 31 March 2024, 17 Board meetings and one general meeting, being the 2023 AGM, were held and the attendance record of the Directors during their tenure is set out below:

	Number of Board meetings attended/held	Attendance ratio	General meetings
<i>Executive Directors</i>			
Mr. Han Weining (<i>Chief Executive Officer</i>)	17/17	100%	1/1
Mr. You Yiyang (appointed on 27 March 2024)	1/1	100%	N/A
Mr. Chong Alex Tin Yam (appointed on 19 May 2023 and resigned on 31 October 2023)	6/6	100%	1/1
Ms. Wang Jie (retired on 30 August 2023)	5/7	71%	0/1
<i>Non-executive Director</i>			
Mr. Wong Hoi Lok (appointed on 24 July 2023 and resigned on 29 November 2023)	3/3	100%	1/1
<i>Independent Non-executive Directors</i>			
Mr. Lam Ying Hung Andy	17/17	100%	1/1
Ms. Li Mingqi	15/17	88%	1/1
Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023)	15/15	100%	1/1
Mr. Xu Wei (appointed on 1 December 2023)	5/5	100%	N/A
Mr. Wang Chen (retired on 30 August 2023)	6/6	100%	1/1

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

(E) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The current independent non-executive Directors are Mr. Lam Ying Hung Andy, Ms. Li Mingqi, Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023) and Mr. Xu Wei (appointed on 1 December 2023). The Board considers that all independent non-executive Directors possess appropriate and sufficient industry and finance experience and qualification to carry out their duties so as to protect the interest of the Shareholders. One of the independent non-executive Directors, Mr. Lam Ying Hung Andy, has over 20 years of experience in accounting and finance industry and he is a fellow of the Association of Chartered Certified Accountants (United Kingdom). During the year ended 31 March 2024, Mr. Han Weining, in his capacity as the chairman of the 2023 AGM had held meeting with the independent non-executive Directors without the presence of other Directors to discuss issues that they wish to raise regarding the Group.

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

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

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

Ms. Li Mingqi has renewed her letter of appointment with the Company for a term of three years commencing on 3 October 2022, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than three months’ notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

Mr. Cheng Nicholas Tat Hei entered into a letter of appointment with the Company and he was appointed as an independent non-executive Director for an initial term of three years commencing from 19 May 2023, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than one month’s notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

Mr. Xu Wei entered into a letter of appointment with the Company and he was appointed as an independent non-executive Director for an initial term of three years commencing from 1 December 2023, which is automatically renewable for successive terms of three years upon the expiry of the said term, unless terminated by not less than one month’s notice in writing served by either party on the other or otherwise in accordance with the terms of the letter of appointment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

- (i) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- (ii) taking the lead where potential conflicts of interests arise;
- (iii) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;
- (iv) bringing a range of business and financial experience to the Board, giving the Board and any committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;
- (v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- (vi) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
- (vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIVIDEND POLICY

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the position of chairman of the Board was vacant and the chief executive officer of the Company was Mr. Han Weining throughout the year. The Company is in the process of identifying the suitable candidate with appropriate background, qualification and experience to fill in the vacancy as soon as possible. Currently, the roles and functions of the chairman are performed collectively by the Board members themselves. The roles of the chairman and chief executive officer were separate and not exercised by the same individual.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. In line with the development of the Company and for the enhancement of corporate governance of the Company, the chairman of the Board should be responsible for the management of the Board by providing leadership for the Board and taking primary responsibility for ensuring that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with Shareholders and that their views were communicated to the Board as a whole, and the chief executive officer of the Company during the year ended 31 March 2023, being Mr. Han Weining, is responsible for the day-to-day management of business of the Group.

COMPANY SECRETARY

From 1 April 2023 to 1 March 2024, the Company Secretary was Mr. Ting Kin Wai ("Mr. Ting"), being the Group's employee who processed day-to-day knowledge of the Group's affairs.

On 1 March 2024, Mr. Ting resigned as the Company Secretary and Mr. Lui Wai Sing ("Mr. Lui"), being the Group's employee, was appointed as the Company Secretary in replacement of Mr. Ting. According to the requirements of Rule 3.29 of the Listing Rules, Mr. Lui has taken no less than 15 hours of relevant professional training for the year ended 31 March 2024.

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

AUDIT COMMITTEE

The Audit Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and monitor the Group's financial reporting process, risk management and internal control systems. The members of the Audit Committee are Mr. Lam Ying Hung Andy, Mr. Wang Chen (retired on 30 August 2023), Ms. Li Mingqi and Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023), all being independent non-executive Directors. Mr. Lam Ying Hung Andy is the chairman of the Audit Committee.

The Company's annual results for the year ended 31 March 2024 have been reviewed and discussed by the Audit Committee.

For the year ended 31 March 2024, the Audit Committee has held 2 meetings. The work performed by the Audit Committee during the year included reviewed the Group's annual financial statements for the year ended 31 March 2023 and the interim financial statements for the six months ended 30 September 2023; and discussed with the auditors on the audit plan. The attendance record of each member of the Audit Committee is set out below:

	Number of Audit Committee meetings attended/held	Attendance ratio
Mr. Lam Ying Hung Andy	2/2	100%
Ms. Li Mingqi	2/2	100%
Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023)	1/1	100%
Mr. Wang Chen (retired on 30 August 2023)	1/1	100%

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the Remuneration Committee are Ms. Li Mingqi, Mr. Lam Ying Hung Andy, Mr. Wang Chen (retired on 30 August 2023) and Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023), all being independent non-executive Directors. Ms. Li Mingqi is the chairperson of the Remuneration Committee.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

For the year ended 31 March 2024, the Remuneration Committee has held 5 meetings. The work performed by the Remuneration Committee during the year included reviewed the existing policy and structure of the remuneration for the Directors and senior management of the Company. The attendance record of each member of the Remuneration Committee is set out below:

	Number of Remuneration Committee meetings attended/held	Attendance ratio
Ms. Li Mingqi	5/5	100%
Mr. Lam Ying Hung Andy	4/5	80%
Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023)	2/2	100%
Mr. Wang Chen (retired on 30 August 2023)	3/3	100%

The remuneration of the senior management (being Directors) of the Company for the year ended 31 March 2024, by band is set out below:

Remuneration	Number of Individuals 2024
HK\$1 to HK\$1,000,000	8
HK\$1,500,001 to HK\$2,000,000	1
	<hr/>
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NOMINATION COMMITTEE

The Nomination Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the Nomination Committee are the independent non-executive Directors, Mr. Wang Chen (retired on 30 August 2023), Mr. Lam Ying Hung Andy, Ms. Li Mingqi and Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023). Mr. Cheng Nicholas Tat Hei is the chairman of the Nomination Committee.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

For the year ended 31 March 2024, the Nomination Committee has held 5 meetings. The work performed by the Nomination Committee during the year included: reviewed the structure, size and composition of the Board; considered the independence of independent non-executive Directors; and made recommendations to the Board on the re-election of retiring Directors at the 2023 AGM. The attendance record of each member of the Nomination Committee is set out below:

	Number of Nomination Committee meetings attended/held	Attendance ratio
Mr. Cheng Nicholas Tat Hei (appointed on 19 May 2023)	2/2	100%
Mr. Lam Ying Hung Andy	5/5	100%
Ms. Li Mingqi	4/5	80%
Mr. Wang Chen (retired on 30 August 2023)	3/3	100%

CORPORATE GOVERNANCE FUNCTIONS

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

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

WORKFORCE DIVERSITY

As at 31 March 2024, 68.7% of the Group's employees (including Directors and senior management) were male and 31.3% were female. The Company considers that gender diversity in respect of the Group's workforce is achieved.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

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

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

In compliance with the Listing Rules and the Articles of Association, notice will be given to the Shareholders for annual general meeting of not less than twenty-one clear days and notice will be given for all other general meetings of not less than fourteen clear days.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

The procedures for Shareholders to convene and put forward proposals at an annual general meeting or extraordinary general meeting are set out in Article 58 of the Articles of Association, which can be accessed on the Company's website at www.synertone.net or on the website of the Stock Exchange. Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong. Based on the above channels for Shareholders to communicate their views on various matters affecting the Company, the Company is of the view that the shareholders' communication policy was effective during the year ended 31 March 2024.

ACCOUNTABILITY AND AUDIT

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2024 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2024, the total fee in respect of audit services provided by HLB Hodgson Impey Cheng Limited, the auditor of the Company, was approximately HK\$700,000.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group for the year ended 31 March 2024 and confirm that the financial statements give a true and fair view of the state of affairs of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The statement of the auditor as to its responsibility for the financial statements is set out in the Independent Auditors' Report set out on pages 78 to 82 of this annual report. The Directors have prepared the financial statements on a going concern basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. The management has provided a confirmation to the Audit Committee on the effectiveness of these systems for the year ended 31 March 2024 and the Audit Committee has recommended the Board for approval of the confirmation of the management.

Main features of the risk management systems

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



CORPORATE GOVERNANCE REPORT (CONTINUED)

Role	Major Responsibilities
Board	<ul style="list-style-type: none">– determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of the risks it is willing to take in achieving the Group’s strategic objectives;– oversees management in the design, implement and monitoring of the risk management and internal control systems;– oversees the Group’s risk management and internal control systems on an ongoing basis and ensures the Company establishes and maintains appropriate and effective risk management and internal control systems;
Audit Committee	<ul style="list-style-type: none">– reviews the effectiveness of the Group’s risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls;– reviews the emerging risks of the Group annually, and the risk management and the internal controls in place to address those risks;– discusses the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have an effective systems;– considers major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Group’s management’s response to these findings;– implements any remedial plans recommended by the management should there be any internal control deficiencies;

CORPORATE GOVERNANCE REPORT (CONTINUED)

Role	Major Responsibilities
Management	<ul style="list-style-type: none">– designs, implements and ongoing assesses the Group’s risk management and internal control systems;– gives prompt responses to, and follow up the findings on risk management and internal control matters as delegated by the Board, on Audit Committee’s initiative or raised by the external risk management and internal control review advisor(s);– provides confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems;
Risk Owners	<ul style="list-style-type: none">– ultimately accountable for ensuring the risk is managed appropriately;– prepare their respective operating plans pursuant to corporate objectives for consideration; and– responsible for, or oversight of, activities to manage each identified risk.

In addition, the Company has engaged external consultant to conduct a review of the effectiveness of the risk management and internal control systems for the year ended 31 March 2024.

Main features of the internal control systems

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Process used to identify, evaluate and manage significant risks

- (1) Understand the business objective and update the risk assessment criteria and relevant risk items.
- (2) Review the existing risk management mechanism, identify areas for enhancement and refine the mechanism if necessary.
- (3) Identify relevant risks and update the identified risks in the risk register in response to the changes in the Company's business and the external environment.
- (4) Rating for the impacts and inherent likelihood of each identified risks, priorities the identified risk items and identify the responsible risk owners.
- (5) Analyse the counter measures which have been put in the risk response (ranking) table based on risk priorities.

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

- (6) Estimate the initial and ongoing costs for mitigation by comparing with the estimate cost of non-mitigation and consider all risk mitigation options. Once the decision to mitigate the risk has been made and the strategy is identified of each risk item, a mitigation plan should be developed.
- (7) Prepare for the risk assessment results, which covers significant control failings or weaknesses that have been identified, which have a material impact on the Company's financial performance or condition, and present the same to the Audit Committee.
- (8) Develop the ongoing risk mitigation plan for the top prioritised (significant) risk items based on the risk assessment results.

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

For the year ended 31 March 2024, the Board considered the risk management and internal control systems of the Company are effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of such review covers the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting functions and their attitude against internal control of the Group. The Board will continue to work with the management to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Whistleblowing policy

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

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

Anti-corruption policy

For details of the anti-corruption policy of the Company, please refer to the section headed "Anti-corruption" as set out in the Environmental, Social and Governance Report to this report.

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

- The Group has designated officers with appropriate skills and training to speak on behalf of the Group when communicating with media, analysts or investors.
- The Group has strict prohibition on unauthorized use or disclosure of confidential information. Such prohibition is included in the employment agreements for all employees.
- Officers/relevant employees are given access to a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information. Trainings are provided to them on a regular basis to ensure that they are familiar with the procedures as well as their relevant disclosure duties and obligations.

Internal audit function

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

On behalf of the Board

Han Weining

Executive Director and Chief Executive Officer

28 June 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Synertone Communication Corporation (the “Company”, together with its subsidiaries, the “Group”) is a one of the leading provider of building and home intelligence products and integrated automation control systems and solutions. The principal businesses of the Group currently include provision of (i) design, development and sale of automation control systems and solutions, (ii) design, research and development, manufacture and sales of intelligent system including video intercom and surveillance system for residential homes and buildings, and (iii) the rental, maintenance services in relation to computer equipment and machines, information technology infrastructure and advanced technologies such as robots and other related services. As the world’s leading provider of automation control systems, the Group possesses leading standard of technical know-how and commercial competitiveness, and thus the products of the Group are extensively applied in high-rise buildings, high-end residential complexes and smart communities as well as diversified industries including electrical power, petrochemical, public utilities, mining, natural gas and food and beverage industries by providing fully digital intelligent control systems for human’s modern life.

This Environmental, Social and Governance Report (the “Report”) summarizes the environmental, social and governance (“ESG”) initiatives, plans and performance of the Group, which demonstrates its commitment to sustainable development.

REPORTING PERIOD

This Report details the Group’s ESG activities, challenges and initiatives from 1 April 2023 to 31 March 2024 (the “FY2024”).

REPORTING SCOPE

The statistics on the number of employees and the number of resigned employees in this Report cover all the operating locations of the Group. Except for the above data, the scope of this Report covers operating companies that have a significant impact on the environmental performance of the Group, namely 萬科思自控設備(中國)股份有限公司 (“MOX”, literally translated as MOX Control System (China) Limited). Unless stated otherwise, the scope of this Report is substantially consistent with previous year.

The reporting scope of this Report is determined based on the principle of materiality, covering ESG-related issues that are material to the Group and ESG-related issues concerned by stakeholders of the Group. To further understand expectations of the Group’s stakeholders, the Group actively communicates with its stakeholders, including shareholders, the government, employees, clients, suppliers, the community and the public. Issues related to ESG which pose significant influence on the stakeholders were evaluated and identified through the combination of group discussions and phone interview. The Group will continue to assess the key ESG aspects of the different operations and will expand the scope of disclosure where appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

REPORTING STANDARD

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix C2 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This Report was prepared based on the information obtained from or implied in official documents or statistic report of the Group. During the process of preparing this Report, the Group has applied the principles of materiality, quantitative and consistency to summarise its philosophy on ESG aspects and the overall performance of its business operations in the People’s Republic of China (the “PRC”) during FY2024, and has adopted the reporting principles set out in the ESG Reporting Guide by the following ways:

Materiality: The Group identifies and analyzes material ESG issues through materiality assessment and uses the identified material ESG issues as the focus for the preparation of this Report. The board of directors (the “Board”) and the ESG Working Group (the “Working Group”) have reviewed and confirmed the materiality of the issues. Please refer to the two sections headed “Engagement with Stakeholders” and “Materiality Assessment” for details.

Quantitative: The standards and methods used to calculate the underlying data and the applicable assumptions are disclosed in this Report. Key performance indicators (“KPIs”) are supplemented by explanatory notes to establish benchmarks where practicable.

Consistency: The Report has been prepared in a manner generally consistent with that of the previous financial year. If there are any changes in the scope of disclosure or calculation methods that may affect the comparison with previous reports, the Group will explain the relevant data and contents.

During FY2024, the Group has confirmed that it has established appropriate and effective management policies and internal control systems on ESG matters and that the disclosures are in compliance with the ESG Reporting Guide. This Report has undergone the Group’s internal review process and has been approved by the Board.

For the philosophy and performance of corporate governance of the Group, please refer to the “Corporate Governance Report” in this annual report.

BOARD STATEMENT

The Group strongly believes that environmental protection, low carbon and sustainable development are the major trends in society. The Group is committed to integrating ESG concepts into its risk management system and taking corresponding measures in its daily operations and governance.

ESG GOVERNANCE STRUCTURE

The Group has developed a core governance framework to ensure that ESG governance is aligned with strategic growth and to promote the integration of ESG elements into business operations. The ESG governance structure is divided into two parts, namely the Board and the Working Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Board has the overall responsibility for the Group's ESG-related strategy, governance approach and reporting, and oversees and manages ESG-related issues. The Board selects qualified members with the appropriate skills, experience, knowledge and perspectives required for the relevant ESG matters. Relevant skills and experience include operations management, quality control, equipment and production site management, risk management. The Group will appoint external consultants to provide ESG-related professional expertise and advice when necessary. The Board is responsible for setting the Group's ESG-related objectives, priorities and policies. In addition, the Board also ensures the effectiveness of risk management and internal control systems on ESG. The Board, with the assistance of the Working Group, convenes a meeting at least once a year for discussing and reviewing ESG-related issues of the Group including, but not limited to, risks and opportunities, performance, the progress on targets and indicators, and the approval of ESG reports.

The Working Group consists of representatives from different functional departments of the Group. The Working Group assists the Board in fulfilling supervisory responsibilities and its duties include, but are not limited to, assisting the Board in collecting and analyzing ESG-related information of the Group, preparing ESG reports, identifying and assessing the Group's ESG risks, evaluating the effectiveness of internal control mechanisms, organizing and conducting assessments of material issues, and developing and implementing the ESG-related strategies, frameworks and policies of the Group. The Working Group needs to schedule a meeting at least once a year, examines and evaluates the Group's performance in different aspects of the ESG areas such as environment, health and safety, labour standards and product responsibility. The Working Group also needs to report relevant information to the Board at least once a year.

ESG TARGETS

In order to actively implement its global sustainability commitments, promote carbon neutrality and respond to stakeholders' expectations and ESG concerns for the Group, the Group has set environment-related targets. In FY2024, the Group has been proactive in taking various measures at the operational level to achieve the targets. The Board has delegated authority to the members of the Working Group to collect relevant data, monitor and analyze the performance of the Group. Through the regular reports of the Working Group, the Board expects steady progress to be made in achieving the set targets. Going forward, the Board and the Working Group will continue to review annually the progress of ESG-related targets and ensure that the Group has sufficient measures and resources to achieve the set targets. The performance is summarised in the section headed "Environment".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

ENGAGEMENT WITH STAKEHOLDERS

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

Stakeholders	Communication channels	Expectations and concerns
Shareholders	<ul style="list-style-type: none">• Annual general meeting and other shareholder meeting• Financial reports and corporate announcements	<ul style="list-style-type: none">• Financial results• Corporate transparency• Sound risk control
The government	<ul style="list-style-type: none">• Inspection and monitoring by governmental organizations	<ul style="list-style-type: none">• Being law-abiding• Paying tax in accordance with the law
Employees	<ul style="list-style-type: none">• Regular performance reviews• Internal announcements and newsletters	<ul style="list-style-type: none">• Career development platform• Remuneration and benefit• Safe working environment
Clients	<ul style="list-style-type: none">• Inquiry by telephone	<ul style="list-style-type: none">• Customer information security• Customer interest protection
Suppliers	<ul style="list-style-type: none">• Conference calls	<ul style="list-style-type: none">• Collaboration integrity• Business ethics and creditworthiness
The community and the public	<ul style="list-style-type: none">• ESG reports	<ul style="list-style-type: none">• Environmental friendliness• Employment opportunities

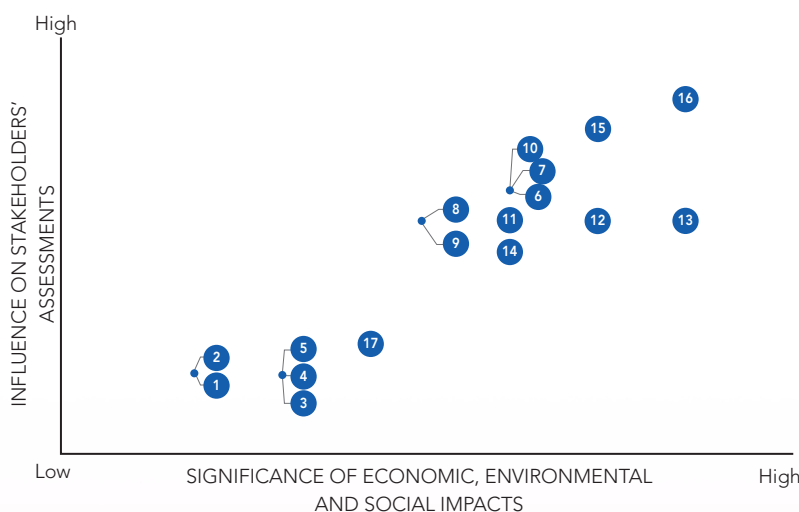
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

MATERIALITY ASSESSMENT

The Group regularly carries out materiality assessment of the ESG-related issues. With reference to its actual business and industrial characteristics, the Group identified and recognised 17 issues in relation to the ESG and invited internal and external stakeholders to give rating on the materiality of such 17 issues. After consolidating the rating results of stakeholders and the Group's sustainable development target, our management concluded the materiality priority of these issues and prepared a materiality matrix chart. As there were no significant changes in the business of the Group as compared with the previous financial year, the results of the assessment on material issues of the previous financial year continue to be adopted in this Report.

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

The Group's ESG materiality matrix chart for the FY2024 is as follows:



Material ESG issues relating to the Group

- | | |
|--------------------------------------|---------------------------------------|
| 1. Greenhouse gas ("GHG") emissions | 10. Employee development and training |
| 2. Waste management | 11. Supply chain management |
| 3. Energy consumption | 12. Product quality control |
| 4. Water resource consumption | 13. Customer satisfaction |
| 5. Climate change | 14. Customer privacy protection |
| 6. Talent attraction and retention | 15. Anti-corruption |
| 7. Employee benefits | 16. Corporate governance |
| 8. Inclusion and equal opportunities | 17. Community investments |
| 9. Occupational health and safety | |

CONTACT US

The Group welcomes and values feedback from stakeholders on its ESG approach and performance to help the Group continuously improve its sustainable development performance. If you have any suggestions or opinions, questions or comments, please contact the Group through the following channels:

Address: Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong
Telephone: +852 2865 4498

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

A. ENVIRONMENT

The Group is committed to ensuring continuous growth of its business and at the same time maintaining sustainable development of the environment. The Group conducts internal trainings and internal review with reference to relevant requirements of ISO14000 Environmental Management System. The Group has launched relevant policies and measures for environmental protection, with an aim to optimising emission management and enhancing efficient use of resources.

EMISSION MANAGEMENT

The Group strictly complies with relevant national and local laws and regulations on environmental protection, including “Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法)”, “Regulations on Construction Projects Environmental Protection (建設項目環境保護管理條例)” and “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法)” during business operation. During FY2024, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that had significant impact on the Group. In addition, there was no report of significant fines or non-monetary sanctions as the result of non-compliance with relevant laws and regulations in FY2024.

Air emissions

The business activities of MOX do not directly generate significant air emissions, and its major air emissions are the soldering tin exhaust gases during the production process. After MOX centralizes and collects such gases, high-efficiency particulate air filter (HEPA) is used in the filtering process. The gas is then led to direct emission through windows after the processing performance reaches 99.9% and exhaust gases emitted comply with relevant local standards. In addition, while MOX has no record of using company vehicle for travel in FY2024, MOX has put in place relevant measures, arranged usage of vehicles reasonably and promoted green travelling to reduce the air emissions.

GHG emissions

The main sources of GHG emissions of MOX are the energy indirect emissions from the purchase of electricity (Scope 2). In order to reduce GHG emission, the Group has planted trees at the production base for GHG reduction. The Group has also set a target to reduce the GHG emission intensity (tonnes CO₂ equivalent/total annual production) of MOX by the financial year ending 31 March 2025 (“FY2025”), with the financial year ended 31 March 2022 (“FY2022”) as the base year. In order to achieve this target, the Group is actively implementing electricity saving and energy saving measures to reduce GHG emissions, including strict control on the use of air conditioner, lighting facilities and office appliances, etc. Specific measures will be specified in the section headed “Energy Consumption”.

The GHG emission intensity of MOX for FY2024 was similar to the GHG emission intensity for the financial year ended 31 March 2023 (“FY2023”).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The GHG emissions and intensity of MOX during its operation are set out below:

GHG Emissions and Intensity¹

	Unit	FY2024	FY2023
Direct GHG emissions (Scope 1)	Tonnes CO ₂ equivalent	–	–
Energy indirect GHG emissions (Scope 2)	Tonnes CO ₂ equivalent	133.92	345.97
Total GHG emissions	Tonnes CO ₂ equivalent	133.92	345.97
GHG emissions intensity ²	Tonnes CO ₂ equivalent/total annual production	0.02	0.02

Notes:

- GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Bank Institute and the World Business Council for Sustainable Development, “How to prepare an ESG Report–Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, the “Global Warming Potential Values” from the IPCC Fifth Assessment Report, 2014 (AR5) and Sixth Assessment Report, 2023 (AR6), and the “2019 China regional power grid baseline emission factor of emission reduction projects” published by the Ministry of Ecology and Environment of the People’s Republic of China and the Notice on the Management of Greenhouse Gas Emissions Reporting for Power Generation Enterprises from 2023 to 2025.
- During FY2024, the total annual production of MOX is approximately 7,500 units (FY2023: 16,752 units). This data will also be used to calculate other intensity data in the Report.

Waste management

The major wastes produced by MOX include unqualified printed circuit boards, electronic components, tin scrap and waste packages and general wastes. Unqualified printed circuit boards and electronic components in production process are returned to suppliers for processing; tin scrap and waste packages are collected and delivered to qualified waste recycling units for processing. The Group also upholds the principles of 3R (“Reduce”, “Reuse”, “Recycle”) and adopts active measures for recycling and integrated usage to avoid secondary pollution. The Group also sets a target to reduce non-hazardous waste intensity (kg/total annual production) of MOX in or by FY2025, with FY2022 as the base year. For this purpose, the Group promotes “Paperless” office. For example, the Group encourages staff to read documents through electronic equipment, print relevant documents after checking, select double-sided printing whenever possible, and use both sides of paper as far as practicable so as to reduce waste of paper. Through waste recycling programme and “Paperless” office policy, the Group also reduces total wastes. In addition, the Group is devoted to promoting clean techniques and formula and using less polluting raw materials in product design. New techniques, new technology and new equipment are adopted to maximise utilisation of raw materials and resources with an aim to avoid formation of scraps in production process, so as to effectively further reduce the total wastes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The non-hazardous waste intensity of MOX for FY2024 was similar to the non-hazardous waste intensity for FY2023.

During its operation, the total waste disposed of by MOX and its intensity were set forth as follows:

Total Waste and Intensity³

	Unit	FY2024	FY2023
Total amount of non-hazardous waste ⁴	Tonnes	6.80	14.50
Non-hazardous waste intensity	Kg/total annual production	0.91	0.87 ⁵

Notes:

3. The hazardous waste produced by the Group's business are delivered to qualified waste recycling units for processing. And as the Group generated only an insignificant amount of hazardous waste, which did not have any substantial impact to the environment, thus no data is disclosed.
4. The data does not include the recycled wastes. MOX has recycled paper of approximately 65.49 kilogram during the FY2024 (FY2023: 218.30 kilogram). Besides, MOX has also recycled scrap packaging materials of approximately 200.00 kilogram during the FY2024 (FY2023: 480.00 kilogram).
5. Upon internal review, the data has been restated to reflect the actual emission level.

Sewage discharge

The Group's production process does not involve industrial wastewater discharge and the domestic sewage discharged in its daily operation complies with the relevant local standards. All domestic wastewater of the Group is discharged into the sewage pipes, and the sewage discharge pipes and sewage treatment devices are regularly inspected and repaired. At the same time, recycled water is used for cooling, greening and cleaning to reduce the discharge of wastewater.

As all the sewage generated by the Group is discharged to the public sewage collection system, water consumption is considered as amount of sewage discharged. Water consumption and the corresponding water conservation measures are described under "Water Consumption".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

USE OF RESOURCES

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

Energy consumption

The Group keeps raising staff's consciousness of environmental protection through different communication channels. During FY2022, the Group also sets a target to reduce energy consumption intensity (kWh/total annual production) of MOX in or by FY2025, with FY2022 as the base year. To reduce energy consumption, the Group has launched resource-saving measures in its production activities and daily office operation, including:

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

The energy consumption intensity of MOX for FY2024 increased by approximately 20% as compared with FY2023. Such increase in the energy consumption intensity was due to decrease in production volume while the fixed power consumption of office and public area remained unchanged.

During its operation, the total energy consumption of MOX and its intensity were set forth as follows:

Total Energy Consumption and Intensity⁶

	Unit	FY2024	FY2023
Total direct energy consumption	KWh	–	–
Total indirect energy consumption – electricity purchased	KWh	234,823.00	436,773.81
Total energy consumption	KWh	234,823.00	436,773.81
Energy consumption intensity	KWh/total annual production	31.31	26.07 ⁷

Notes:

6. The conversion of units for energy consumption statistics is done with reference to the "Energy Statistics Manual" issued by the International Energy Agency.

7. Upon internal review, the data has been restated to reflect the actual consumption level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Water resource consumption

The Group actively promotes the importance of water conservation to its employees. The Group also sets a target to reduce water consumption intensity ($\text{m}^3/\text{total annual production}$) of MOX in or by FY2025, with FY2022 as the base year. In order to reduce water consumption, the Group has adopted water-saving measures and established internal guidance. Plans for water-saving targets are developed annually. Water-saving measures are implemented to enhance daily maintenance and management of equipment consuming water, with the aims of avoiding “running”, “spraying”, “dripping” and “leakage” of water and the occurrence of “prolonged water flow” and ensuring employees comply with principles of conservation and efficient use of water when using water resources. Once any malfunction is found in water-consuming equipment, professionals will be notified immediately for repairing. The Group promotes the use of circulating water to minimise the use of tap water. The Group also examines the situation of water usage regularly for the investigation of the reasons for overconsumption and the statistics and status of water consumption and conservation will be complied and announced.

The water consumption intensity of MOX for FY2024 significantly increased as compared with FY2023. Such increase in the water consumption intensity was due to decrease in production volume but increase in water consumption in staff dormitory..

During its operation, the total water consumption of MOX and its intensity were set forth as follows:

Total Water Consumption and Intensity

	Unit	FY2024	FY2023
Total water consumption	m^3	3,704.00	3,955.83
Water consumption intensity	$\text{m}^3/\text{total annual production}$	0.49	0.24 ⁷

Packaging materials consumption

Large amount of packaging materials are used in MOX’s products, mainly including paper boxes and filling materials in packages. To reduce waste generation, the Group strives to reuse all paper boxes and filling materials in packages.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During its operation, the total packaging materials consumed by MOX and intensity were set forth as follows:

Total Packaging Materials Consumption and Intensity

	Unit	FY2024	FY2023
Total packaging materials consumption	Tonne	1.20	3.80
Packaging materials consumption intensity	Kg/total annual production	0.16	0.23 ⁷

ENVIRONMENT AND NATURAL RESOURCES

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

The Group has stringent control on production procedure to ensure compliance with local environmental laws and regulations. No material non-compliance with "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and other applicable laws and regulations was recorded during FY2024. The Group will strive to reduce the impacts on the environment and natural resources from aspects including operation and management by continually perfecting environmental protection, energy conservation and emission reduction management system with emphasis on controlling the emission of pollutants during production process.

CLIMATE CHANGE

The Group is committed to addressing potential climate-related risks that may affect the Group's business activities. In order to identify and mitigate different climate-related risks, the Group has incorporated climate change into its internal controls and enterprise risk management procedures and has formulated climate-related policies. In addition, the Board meets regularly and works closely with the Working Group to assess ESG-related risks, including climate-related risks, and to develop and to implement measures to address the identified risks.

Through the above method, the Group has identified the following risks that may have a material impact on the Group's business:

Physical risk

The increase in occurrence frequency and severity of extreme weather events (such as storms, heavy rain or typhoons) may disrupt the power grid and communications infrastructure, damage plant and equipment, disturb the supply chain and endanger the safety of employees, resulting in disruption to the Group's operations. As part of the Group's operations are located in areas that have a high risk of being affected by typhoon, the Group has put in place preventive and contingency measures to enhance the Group's ability to prevent and mitigate impact on the Group's business caused by extreme weather events such as typhoons as a countermeasure. At the same time, the Group will explore ways to mitigate or avoid these severe impacts on its business operations through changing its business model. During FY2024, since the Group has taken comprehensive precautionary measures, no significant impact was caused by climate-related events.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Transition risk

Recently, the number of climate-related laws and regulations is growing across the globe to support the global decarbonization vision. For example, the Stock Exchange has required listed companies to strengthen climate related disclosures in their ESG reports. At the same time, China has also launched its latest document to guide the country to achieve two major goals of carbon peaking and carbon neutrality by 2030 and 2060, respectively. Increasingly stringent climate-related laws and regulations may expose companies to higher compliance costs and increased risk of claims and litigation. Corporate reputation may also decline as a result of failure to meet climate change related compliance requirements. To address policy and legal risks as well as reputation risks, the Group regularly monitors current and emerging trends, policies and regulations related to climate and is prepared to alert senior management when necessary to avoid increased costs, fines for non-compliance or regulatory compliance risks and reputation risks due to delayed response.

B. SOCIAL **EMPLOYMENT AND LABOUR PRACTICES**

Employment

Employees are the most valuable properties for achieving the target of the Group. The Group upholds the performance-based employment concept that “capable person replaces incapable one”. Employment and dismissal policy will not be affected by race, gender, age, religious belief, disabilities or family status of applicants or employees. The Group is committed to providing a fair and safe working environment for employees. The Group is always attentive and supportive to employees. The Group continuously provides diversified skill trainings and career development opportunities for employees so as to achieve harmony and mutual win between employees and the Group.

The Group strictly complies with national and local laws and regulations related to employment during its business operations, such as “Labour Law of the People’s Republic of China (中華人民共和國勞動法)”, “Labour Contract Law of the People’s Republic of China (中華人民共和國勞動合同法)” and “Social Insurance Law of the People’s Republic of China (中華人民共和國社會保險法)”, the Employment Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong as well as “Fair Work Act 2009” and “Fair Work Regulations 2009” in Australia, to ensure the provision of fair employment and promotion opportunities to employees. During FY2024, the Group was not aware of any material breach of laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and entitlements that would have a material impact on the Group. In addition, there were no significant fines or sanctions imposed on the Group for non-compliance with the relevant laws and regulations during FY2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group has a high quality team comprising talents with doctoral degree, master degree, bachelor degree and college graduates. As of 31 March 2024, the Group had 73 (as of 31 March 2023: 115) employees. Employees breakdown by gender, employment type, age group and region was summarised as follows:

	As of 31 March 2024		As of 31 March 2023	
	Number of employees	Percentage of total employees	Number of employees	Percentage of total employees
By gender				
Male	47	64.38%	79	68.70%
Female	26	35.62%	36	31.30%
By employment type				
Full-time	72	98.63%	112	97.39%
Part-time	1	1.37%	3	2.61%
By age group				
30 or below	9	12.33%	11	9.57%
31 to 50	50	68.49%	83	72.17%
51 or above	14	19.18%	21	18.26%
By region				
PRC	67	91.78%	107	93.04%
Hong Kong	5	6.85%	7	6.09%
Australia	1	1.37%	1	0.87%

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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

- Providing welfare canteen and welfare supermarket for employees, in which food ingredients are sourced from large supermarkets so that employees could have healthy and safe meals;
- Providing commute transport and dormitory for non-local employees; and
- Organising birthday event each month for employees to celebrate birthday in the month and to share cakes, play games and receive birthday gifts.

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

During FY2024, there were a total of 42 employees leaving the Group with a total turnover rate of 57.53%⁸ (FY2023: a total of 16 employees leaving the Group with a total turnover rate of 13.91%) Set out below is a breakdown of the employee turnover rate by gender, age group and region:

	FY2024		FY2023	
	Number of employees	Turnover rate ⁹	Number of employees	Turnover rate ⁹
By gender				
Male	32	68.09%	9	11.39%
Female	10	38.46%	7	19.44%
By age group				
30 or below	2	22.22%	7	63.64%
31 to 50	33	66.00%	6	7.23%
51 or above	7	50.00%	3	14.29%
By region				
PRC	40	59.70%	16	14.95%
Hong Kong	2	40.00%	–	–
Australia	–	–	–	–

Notes:

8. Total turnover rate of employees is calculated based on the total number of employees resigned during the reporting period divided by the total number of employees as at the end of the reporting period then multiplied by 100%.
9. Employee turnover rate by category is calculated based on the number of employees of a particular category resigned during the reporting period divided by the number of employees of such category as at the end of the reporting period then multiplied by 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Occupational health and safety

The Group pays high attention to occupational health of staff, targets zero accident in operation and is committed to providing a healthy and safe working environment to prevent its employees from suffering occupational hazards.

The Group strictly complied with local laws and regulations relating to health and safety, such as the “Safe Production Law of the People’s Republic of China (中華人民共和國安全生產法)” and the “Regulations on Work-Related Injury Insurance of the People’s Republic of China (中華人民共和國工傷保險條例)”. During FY2024, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to health and safety that would have a significant impact on the Group. In addition, there were no significant fines or sanctions imposed on the Group as the result of non-compliance with relevant laws and regulations during FY2024.

During FY2024, the Group had no work-related injury incident (FY2023: nil), and loss of working days caused by occupational hazards was nil (FY2023: nil). In addition, the Group had no work-related fatal incident in the past three years, including FY2024.

The Group actively promotes establishment of safe production and occupational health and safety system. For example, 悉雅特萬科思自動化(杭州)有限公司, being the Group’s subsidiary, has obtained OHSAS18001 Occupational Health and Safety Management System Certification and Work Safety Standardization Certificate (Level 2) (安全生產標準化證書(二級)). To ensure employees’ safety in production, the following mechanism has been established: Management System for Safe Production is established to specify the leaders of the Group as the first person in charge of safe production. A safety committee is established for the identification, prevention and recording of hidden safety dangers. Machines and equipment are maintained regularly and assigned to person-in-charge. Trainings on safe operation standards for specific positions are enhanced to ensure standardised operation.

To prevent occurrence of disasters and accidents, the Group enhances the promotion and trainings on labour protection and precautions and prevention and control of occupational diseases. First-aid and fire drill exercises are conducted regularly to persistently raise the occupational safety awareness of employees. The Group also reinforces checkings on important positions to promote the proper use of labour protection supplies and protect employees’ health and safety.

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

In addition to general social insurance like medical and pension insurance, the Group has also purchased critical illness insurance for employees of certain subsidiaries and traffic accident damage insurance for frequent travelling employees. Annual physical examination is arranged for all employees and occupational health check is arranged for employees at certain special positions. The Group monitors work-related injury rate continuously and considers relevant data as key indicators for the evaluation of safety performance.

The Group reviews the relevant policies and measures regularly, so as to ensure that the safety and health of employees are protected effectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Employee development and training

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

Within the reporting scope of this Report, relevant employees of the Group have participated in relevant professional training courses organized by various professional organizations. In FY2024, approximately 32.88% of employees have been trained¹⁰, and the average training hours was approximately 1.99 hours¹¹ (FY2023: all the employees have been trained, and the average training hours was approximately 5.00 hours). Relevant training data by gender and category of employees are as follows:

	FY2024		FY2023	
	Percentage of employees trained ¹²	Average training hours ¹³	Percentage of employees trained ¹²	Average training hours ¹³
By gender				
Male	50.00%	1.60	63.89%	5.00
Female	50.00%	2.69	36.11%	5.00
By category of employees				
Senior management	12.50%	1.88	8.33%	5.00
Middle management	16.67%	2.14	8.33%	5.00
General staff	70.83%	1.96	83.34%	5.00

Notes:

- Percentage of the total number of employees trained is calculated based on the total number of employees trained during the reporting period divided by the total number of employees as at the end of the reporting period then multiplied by 100%, excluding former employees.
- Average training hours per employee are calculated based on the total training hours during the reporting period divided by the total number of employees as at the end of the reporting period, excluding former employees.
- Percentage of employees trained is calculated based on the number of employees of a particular category trained during the reporting period divided by the total number of employees trained during the reporting period then multiplied by 100%, excluding former employees.
- Average training hours are calculated based on the number of training hours of employees of a particular category during the financial year divided by the total number of employees of a particular category as at the end of the reporting period, excluding former employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Labour standards

The Group respects human rights and strictly prohibits any unethical employment practices, including child labor and forced labor in the workplace. The Group requires new employees to provide true and accurate personal information when they join the Group. Human resources personnel strictly review the information provided in the recruitment process, including physical inspection certificates, academic certificates, identity cards, registered residence and other information. The Group has established a comprehensive recruitment process that requires to check candidates' backgrounds and a formal reporting process to handle any exceptions, and also conducts regular reviews and inspections to prevent any child labor or forced labor in its operations.

In addition, employees work overtime on a voluntary basis and the Group undertakes not to force employees to work overtime in order to avoid violating labor standards and to protect employees' rights and interests. All overtime work must be reported directly to the superior supervisor and approved by the unit manager and reviewed by the president's office before being counted as overtime work. In principle, executive staff will be given the same amount of compensatory time off for overtime work on weekdays, and if compensatory time off cannot be arranged, compensation will be made in the form of overtime pay in accordance with the relevant national regulations to ensure that employees can receive corresponding rewards.

If violations are involved, the Group shall address such depending on the situation, which could include termination of labour with the relevant employee. The Group will also review the relevant measures regularly, and the Group will further improve the labour standards to address such violations if necessary. The Group strictly complies with "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)" of the People's Republic of China, Employment of Children Regulations of Hong Kong and other laws and regulations related to labour standards. During FY2024, the Group was not aware of any material non-compliance with laws and regulations relating to child labour and forced labour that had a material impact on it. In addition, there was no significant fines or sanctions as the result of non-compliance with relevant laws and regulations during FY2024.

Supply chain management

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

"Creativity", "Safety", "Environmental Protection", "Sustainable Development" are the main factors considered by the Group when choosing suppliers, monitoring their performance and communicating with them.

The Group has developed stable relations with a number of its major suppliers and has implemented strict criteria in selecting raw material suppliers and product components suppliers to ensure the quality of its products. Prior to the procurement of materials from the suppliers and in the course of tendering and quotation, the Group has complied with laws and regulations such as the "Bidding Law of the People's Republic of China (中華人民共和國招標投標法)" as well as the internal procurement guidance to carry out strict examination procedures on the qualification of the suppliers. Suppliers' competencies and performance in respect of appropriate cost, quality, technologies, environmental protection awareness, moral conduct and social responsibility are examined through business meetings, factory visit and review of labour and employment status, random checking and cost calculation, ensuring the best products were offered by the suitable supplier. The Group's purchasing committee takes part in the selection processes of key suppliers, material procurement tendering projects and procurement projects with strategic risk, and the final decisions of procurement contracts for key projects. During FY2024, the Group had a total of 164 (FY2023: 92) suppliers, all of which were located in the PRC (FY2023: all of which were located in the PRC). The Group has implemented the above practices in relation to the engagement of suppliers to all suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group pays great attention to the product quality of its suppliers. The Group only purchases raw materials and components and parts from suppliers that have passed its quality and reliability tests. The Group randomly inspects raw materials and product components from its suppliers and returns products that fail the inspection. The Group also conducts an annual assessment of key suppliers and new suppliers every year to ensure that the materials produced by these suppliers meet the Group's quality requirements.

The Group maintains close relationship and collaborates with suppliers and contractors to ensure that their operations fully comply with local laws and regulations environmentally and socially. We share our sustainable development guidelines in order to guarantee their business activities are in line with the principles of sustainable development. The Group also encourages its cooperating suppliers to obtain international certificates such as ISO9001 Quality Management System Certificate and ISO14001 Environmental Management System Certificate and to provide environmental-friendly and non-hazardous materials, so that chemical materials contained in the Group's products would fall below the limits stipulated by the relevant laws and regulations or the Group's customers. Furthermore, the Group encourages its suppliers to implement a systematic environmental protection and life-cycle management for their products, achieving green design, green production and control the usage of different restricted materials from their origins, hence building up a green supply chain.

To prohibit suppliers from providing gifts, certificates, loans, hospitality, services or assistance in an improper manner, the Group requires its suppliers to follow and enter into a code of conduct for ethical standard and commercial behavior prepared by the Group. Suppliers are also required to comply with the local laws and regulations in relation to bribery. Moreover, in respect of terms and conditions for procurement, suppliers are required to comply with the laws and regulations relating to the prohibition of using child-labour, forced labour and occupational discrimination as set out in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights. The Group also monitors regularly the compliance of suppliers with those laws and regulations and principles through self-declaration and on-site examination. The Group reviews the relevant policies and measures regularly to ensure the effectiveness of such.

Product responsibility

The Group places great importance on product quality and corporate reputation and is committed to providing quality products and services. The Group has strictly complied with local laws and regulations relating to product responsibility, including the "Product Quality Law of The People's Republic of China (中華人民共和國產品質量法)", "Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法)", "Advertising Law of the People's Republic of China (中華人民共和國廣告法)" and the Personal Data (Privacy) Ordinance of Hong Kong. During FY2024, the Group was not aware of any material non-compliance with relevant laws and regulations relating to health and safety, advertising, labeling and privacy matters relating to products and services provided by the Group and methods of redress that have a significant impact on the Group. In addition, there was no report of significant fines during FY2024.

Product quality control

The Group insists on delivering quality products to customers. Subsidiaries of the Group engaging in manufacturing have obtained ISO9001 Quality Management System Certificate. Stringent review is carried out in the product development process. Procedures such as material inspection, semi-finished product inspection, finished product inspection, shipping inspection and process inspection etc. are strictly executed, ensuring the products are in good quality and have fulfilled the safety and health requirement. Whenever there is a recall request, the relevant personnel and departments of the Group will formulate and implement a recall plan, stop sales and withdraw products from the market promptly, and effectively recall from the market to protect the health of the consumers. During FY2024, the Group did not have any goods subject to recall due to quality, safety or health reasons (FY2023: nil).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

When receiving complaint on its products or services, the Group will initiate investigation and studies on the complaint and opinion lodged by customers. Details will be passed to the relevant management personnel within 24 hours and the Group guarantees to give reply within a week. Meanwhile, the relevant sales team is responsible for collecting and consolidating customers' comments on the quality of services and goods etc. so as to prevent the problem from occurring again and solve the problem in a timely and satisfactory manner. The Group was also widely praised by its clients for professional skills and localized service with fast reaction. During FY2024, the Group did not receive any complaint from customers about product quality or customer service quality (FY2023: nil).

Customer privacy protection

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

Intellectual property protection

The Group puts great emphasis on the protection of intellectual property rights. All of the Group's staff shall follow the internal policy guidance and their awareness of respecting third parties' intellectual property rights is emphasised. The Group possesses or is in the process of applying various patents (including invention patents, utility model patents and appearance patents) in relation to its self-developed communication systems and technologies and building intelligence products design. The Group protects intellectual property rights according to laws and regulations such as the "Patent Law of the People's Republic of China (中華人民共和國專利法)" and "Copyright Law of the People's Republic of China (中華人民共和國著作權法)". During FY2023, there was no non-compliance in relation to the intellectual property rights by the Group or disputes with third parties on the intellectual property rights.

Product labelling and advertising

For advertising and product labelling, the Group strictly complies with laws and regulations such as the "Advertising Law of the People's Republic of China (中華人民共和國廣告法)" and the "Trademark Law of the People's Republic of China (中華人民共和國商標法)". The Group is devoted to providing users with true and accurate information as well as fast and convenient user experience. The Group promotes its products and marketing activities and collects feedback through the use of various platforms such as official website, mobile APP, 3D products module, and social media including WeChat.

Anti-corruption

The Group has formulated a code and guidance for business ethics, expressly stating the approach and requirements the Group adopted towards business ethics. The code for business ethics is included in the "Employee Handbook". Any form of corruption, bribery, fraud and money laundering will not be tolerated. The relevant requirements will be explained to all new employees in their induction training. Relevant information is also available on the internal network of the Group for existing employees. The Group requires all its staff to adhere to a high standard of business ethics to protect the interest and business operation of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group has strictly complied with local laws and regulations relating to anti-corruption, such as the “Law of the People’s Republic of China on Anti-money Laundering (中華人民共和國反洗錢法)”, “Law of the People’s Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法)”, “Company Law of the People’s Republic of China (中華人民共和國公司法)”, “Law of the People’s Republic of China on Tenders and Bids (中華人民共和國招標投標法)” and “Interim Provisions on the Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定)”. During FY2023, the Group was not aware of any material breach of the laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering that would have a material impact on the Group. During FY2024, no corruption proceedings against the Group’s issuers or their employees were found and concluded (FY2023: nil).

The Group provides anti-corruption training to assist directors and staff to get familiar and comply with the Group’s anti-corruption related policies and eliminate misconduct. The Group believes that anti-corruption training will help to encourage a culture of integrity and discipline and dedication among employees. During FY2024, the Group provided anti-corruption training to 3 directors and 37 employees (FY2023: 3 directors and 33 employees) covering legal knowledges and approval process relating to anti-corruption, aiming at ensuring its directors and employees to be familiar with the right procedures and standards of approving transactions, contracts and other commercial activities, to prevent the occurrence of corruption and immoral behaviors.

The Group has a whistle-blowing policy and system in place. Employees and stakeholders can report any inappropriate acts or dishonest behaviors (e.g. suspicion of corruption, fraud and other forms of criminal offence) directly to the chairman of the Audit Committee of the Board (an independent non-executive director of the Company), to ensure undergoing of independent investigation. The Group reviews the relevant policies and measures regularly to ensure the effectiveness of such. During FY2024, the Group did not receive any report of the above cases.

Community investment

The Group is committed to acting as a positive strength for the community in which it is operating and has been maintaining close communication and interaction with the community so as to contribute to the community from time to time. The Group strives to enhance its positive impact on the community by partnering with social enterprises and non-profit organizations in Mainland China and Hong Kong.

Being a global responsible corporate citizen, the Group is dedicated to fostering a positive corporate image and enhancing the sense of responsibility through community investments. All employees of the Group are encouraged to lend a helping hand to and support the local community and their neighborhoods. During FY2024, the Group mainly focused on business development, integrating resources into daily operations. Therefore, the Group did not participate in community activities. The Group has placed great importance on giving back to the society, and will continue to seek for opportunities to participate in charity activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

ESG REPORTING GUIDE INDEX OF THE STOCK EXCHANGE

Mandatory disclosure requirement	Section/statement
Governance structure	Board statement – ESG governance structure
Reporting principle	Reporting standard
Reporting scope	Reporting scope

Aspects, General Disclosures and KPIs	Description	Section/statement
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Emission management – 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).	Emission management – GHG emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission management – 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).	Emission management – Waste management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emission management – GHG emissions, Waste management
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.	Emission management – Waste management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspects, General Disclosures and KPIs	Description	Section/statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of resources – Energy consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of resources – Water resource consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of resources – Energy consumption
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 resource consumption
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 materials consumption
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and natural resources
Aspect A4: Climate Change		
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 (CONTINUED)

Aspects, General Disclosures and KPIs	Description	Section/statement
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
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
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational health and safety
KPI B2.2	Lost days due to work injury.	Occupational health and safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational health and safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspects, General Disclosures and KPIs	Description	Section/statement
Aspect B3: Employee Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee development and training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee development and training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee development and training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour standards
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
Aspect B5: Supply Chain Management		
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 (CONTINUED)

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspects, General Disclosures and KPIs	Description	Section/statement
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
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 whistleblowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community investment
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 focus area.	Community investment

INDEPENDENT AUDITORS' REPORT



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

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

OPINION

We have audited the consolidated financial statements of Synertone Communication Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 173, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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 2024, 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 requirement 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KEY AUDIT MATTERS *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Allowance for expected credit losses assessment of trade receivables

Refer to notes 21 and 30 to the consolidated financial statements.

The Group had gross trade receivables of approximately HK\$48,546,000 and allowance for expected credit losses of approximately HK\$26,194,000.

In general, the trade receivable credit terms granted by the Group to the customers ranged between 30 to 180 days. Management performed periodic assessment on the recoverability of the receivables and the sufficiency of provision for allowance for expected credit losses based on information including credit profile of different customers, ageing of the receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment. The Group engaged an external valuer to perform valuations on these assets at the end of reporting period.

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to management's allowance for expected credit losses assessment of the trade receivables as at 31 March 2024 included:

- Understanding the key controls that the Group has implemented to manage and monitor its credit risk;
- Checking on a sample basis, the ageing profile of the receivables as at 31 March 2024 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used for determining the expected credit losses.

We found the management judgement and estimates used to assess the recoverability of the trade receivables and determine the allowance for expected credit losses to be supportable by the available evidence.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

OTHER INFORMATION

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Lee Pak Kin.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lee Pak Kin
Practising Certificate Number: P08262

Hong Kong, 28 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Revenue	5	62,581	60,538
Cost of sales		(37,824)	(51,590)
Gross profit		24,757	8,948
Other income	6	2,238	3,572
Other gains, net	6	4,806	1,800
Selling and distribution expenses		(1,401)	(2,206)
Administrative and other operating expenses		(27,498)	(36,847)
Impairment of non-financial assets	7(c)	(4,721)	(821)
Research and development expenditure	7(c)	(2,588)	(4,221)
Allowance for expected credit loss, net	7(c)	(7,476)	(7,261)
Loss from operations		(11,883)	(37,036)
Finance costs	7(a)	(3,310)	(3,784)
Share of results of associates		(2,559)	(2,855)
Loss before tax	7	(17,752)	(43,675)
Income tax expense	8	(16)	(4)
Loss for the year		(17,768)	(43,679)
Other comprehensive income/(loss)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		216	(4,836)
Reclassification of cumulative translation reserve upon disposal of a foreign operation		(325)	–
Other comprehensive loss for the year, net of tax		(109)	(4,836)
Total comprehensive loss for the year		(17,877)	(48,515)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
(Loss)/income for the year attributable to:			
Owners of the Company		(17,840)	(40,971)
Non-controlling interests		72	(2,708)
		(17,768)	(43,679)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(17,951)	(45,216)
Non-controlling interests		74	(3,299)
		(17,877)	(48,515)
		HK cents	HK cents
Loss per share			
– Basic and diluted	12	(6.0)	(16.0)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	14	22,036	32,283
Right-of-use assets	15	7,482	12,828
Goodwill	16	22,172	23,375
Interests in associates	18	–	51,592
Financial asset at fair value through profit or loss	19	33,865	–
Deposits and prepayments	21	–	377
		85,555	120,455
Current assets			
Inventories	20	45,817	48,462
Trade and other receivables	21	40,850	39,475
Amount due from a former associate	22	17,500	15,286
Cash and cash equivalents	23	33,373	2,345
		137,540	105,568
Current liabilities			
Trade and other payables	24	45,646	57,212
Contract liabilities	25	10,053	32,222
Bank borrowings	26	50,650	62,753
Lease liabilities	27	535	3,826
		106,884	156,013
Net current assets/(liabilities)		30,656	(50,445)
Total assets less current liabilities		116,211	70,010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current liabilities			
Lease liabilities	27	–	1,641
Net assets		116,211	68,369
EQUITY			
Share capital	28(b)	36,031	26,031
Reserves		77,142	43,095
Equity attributable to owners of the Company		113,173	69,126
Non-controlling interests		3,038	(757)
Total equity		116,211	68,369

The consolidated financial statements on pages 83 to 173 were approved and authorised for issue by the board of directors on 28 June 2024 and are signed on its behalf by:

Han Weining
Director

You Yiyang
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Note	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			Total HK\$'000
At 1 April 2022		313,091	843,126	(90)	(9,996)	1,109	(1,044,347)	102,893	2,542	105,435
Comprehensive loss										
Loss for the year		-	-	-	-	-	(40,971)	(40,971)	(2,708)	(43,679)
Other comprehensive loss										
Exchange differences arising on translation of foreign operations		-	-	-	-	(4,245)	-	(4,245)	(591)	(4,836)
Total comprehensive loss for the year		-	-	-	-	(4,245)	(40,971)	(45,216)	(3,299)	(48,515)
Issue of shares	28(b)	12,300	-	-	-	-	-	12,300	-	12,300
Share issuance cost		-	(246)	-	-	-	-	(246)	-	(246)
Capital Reorganisation	28(b)	(299,360)	-	-	-	-	299,360	-	-	-
Transaction cost related to Capital Reorganisation		-	(605)	-	-	-	-	(605)	-	(605)
At 31 March 2023 and 1 April 2023		26,031	842,275	(90)	(9,996)	(3,136)	(785,958)	69,126	(757)	68,369
Comprehensive (loss)/income										
(Loss)/profit for the year		-	-	-	-	-	(17,840)	(17,840)	72	(17,768)
Other comprehensive income/(loss)										
Exchange differences arising on translation of foreign operations		-	-	-	-	214	-	214	2	216
Reclassification of cumulative translation reserve upon disposal of a foreign operation		-	-	-	-	(325)	-	(325)	-	(325)
Total comprehensive income/(loss) for the year		-	-	-	-	(111)	(17,840)	(17,951)	74	(17,877)
Issue of shares	28(b)	10,000	29,060	-	-	-	-	39,060	-	39,060
Share issuance cost		-	(544)	-	-	-	-	(544)	-	(544)
Issue of shares of a subsidiary	17	-	-	21,072	-	2,410	-	23,482	3,721	27,203
At 31 March 2024		36,031	870,791	20,982	(9,996)	(837)	(803,798)	113,173	3,038	116,211

The nature and purpose of reserves are disclosed in note 28(c).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
Operating activities			
Loss before tax		(17,752)	(43,675)
Adjustments for:			
Interest income		(50)	(190)
Finance costs		3,310	3,784
Depreciation of property, plant and equipment		4,481	4,672
Depreciation of right-of-use assets		2,859	6,168
Written-off of property, plant and equipment		–	300
Reversal of provision for obsolete and slow-moving inventories		(39)	–
Share of results of associates		2,559	2,855
Allowance for expected credit loss, net		7,476	7,261
Loss/(gain) on disposal of property, plant and equipment		28	(1,751)
Impairment of non-financial assets		4,721	821
Gain on disposal of subsidiaries		(3,044)	–
Gain on disposal of an associate		(1,459)	–
		3,090	(19,755)
Changes in working capital			
Decrease in inventories		151	2,762
Increase in trade and other receivables		(10,143)	(7,750)
Increase in trade and other payables		8,413	27,546
Decrease in contract liabilities		(18,973)	(5,515)
Cash used in operations		(17,462)	(2,712)
Income tax paid			
The People's Republic of China (the "PRC")	<i>8(a)</i>	(16)	(4)
Net cash used in operating activities		(17,478)	(2,716)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Investing activities			
Payment for the purchase of property, plant and equipment		(25)	(223)
Proceeds from disposal of property, plant and equipment		–	5,102
Repayment of loans from independent third parties		–	1,592
Interest received		50	190
Advance to an associate		(2,679)	(7,051)
Net cash outflow on disposal of subsidiaries		(3)	–
Net cash used in investing activities		(2,657)	(390)
Financing activities			
Repayment of lease liabilities		(2,861)	(6,544)
Proceeds from bank borrowings		54,062	74,335
Repayment of bank borrowings		(62,936)	(78,607)
Proceeds from placing of new shares of the Company		39,060	12,300
Proceeds from issue of new shares of a subsidiary		27,203	–
Share issuance cost		(544)	(246)
Interest paid		(3,200)	(3,467)
Transaction cost related to Capital Reorganisation		–	(605)
Net cash generated from/(used in) from financing activities		50,784	(2,834)
Net increase/(decrease) in cash and cash equivalents		30,649	(5,940)
Cash and cash equivalents at beginning of the year		2,345	8,009
Effect of foreign exchange rates changes		379	276
Cash and cash equivalents at end of the year	23	33,373	2,345
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	23	33,373	2,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL INFORMATION

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

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

The principal activities of the Company and its subsidiaries (the “Group”) are principally engaged in (i) design, development and sales of automation control systems and solutions, (ii) design, research and development, manufacture and sales of intelligent systems and other related products including video intercom and surveillance systems for residential homes and buildings, and (iii) the rental, maintenance, other related services in relation to computer equipment and machines, information technology infrastructure, and advanced technologies such as robots.

The principal operations of the Group are conducted in the People’s Republic of China (the “PRC”). Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company. For the convenience of the financial statements users, the consolidated financial statements are presented in HK\$, as the Company’s shares are listed on the Stock Exchange. These financial statements are presented in HK\$, rounded to the nearest thousand except for per share data.

According to the register of substantial shareholders maintained by the Company as at 31 March 2024, Excel Time Investments Limited is the substantial corporate shareholder of the Company. The ultimate controlling party of Excel Time Investments Limited is Mr. Han Weining.

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

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform—Pillar Two Model Rules

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

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

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2024.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

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

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

Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Business combinations (Continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

Investments in associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Investments in associates (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purpose. Property, plant and equipment are stated in the consolidated financial statement of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses, if any.

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

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

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

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
- Leasehold improvements 5 years
- Plant and machinery 4–10 years
- Furniture, fixtures and equipment 3–5 years
- Motor vehicles 5–10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Property, plant and equipment (Continued)

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

The lease payments include:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

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

Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets including trade receivables, bill receivables, loan receivables and other receivables, amount due from a former associate, deposits and cash and cash equivalents, which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental cost which the Group must incur to make the sale.

Employee benefits

- (i) Retirement benefit costs
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.
- (ii) Short-term employee benefits
Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Taxation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Taxation (Continued)

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

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

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

Provisions

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

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

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Revenue recognition

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

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

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

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

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

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

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

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Revenue recognition (Continued)

Output method

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, the Group recognises revenue in the amount to which the Group has the right to invoice.

Principal versus agent

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

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

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

(i) Sale of goods

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

(ii) Rendering of service

Revenue from maintenance service for computer equipment is recognised over time as services are rendered to customers by reference to the term of maintenance service contract using output method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government Grants

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

Government grants related to income that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and other gains, net".

Related parties

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Related parties (Continued)

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

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Segment reporting

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

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

Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. As at 31 March 2024, the carrying amount of goodwill is approximately of HK\$22,172,000, net of accumulated impairment losses of HK\$199,885,000 (2023: carrying amount of HK\$23,375,000, net of accumulated impairment losses of HK\$209,073,000). Details of the recoverable amount calculation are disclosed in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

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

Key sources of estimation uncertainty *(Continued)*

(iv) Expected credit losses on financial assets

Financial assets with significant balances and credit-impaired are assessed for ECL individually.

The Group uses a provision matrix to calculate ECLs for trade receivables which are not assessed individually. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, and customer type and rating). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 31 March 2024, the carrying amount of trade and other receivables and amount due from an associate are approximately HK\$40,850,000 and HK\$17,500,000 respectively, net of loss allowance of HK\$46,110,000 and HK\$127,000 respectively (2023: carrying amount of HK\$39,852,000 and HK\$15,286,000 respectively, net of loss allowance of HK\$64,860,000 and HK\$592,000 respectively). Further information about the ECLs on the Group's financial assets are disclosed in note 30(a).

(v) Valuation of investments classified as level 3 in the fair value hierarchy

As at 31 March 2024, the Group's financial assets at FVTPL amounting to HK\$33,865,000 are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 30 for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

5. REVENUE

Disaggregation of the Group's revenue from contracts with customers by major products and services:

	2024 HK\$'000	2023 HK\$'000
Building intelligence	24,305	25,766
Control system	38,030	33,977
Data centre	–	371
Total revenue from contract with customers	62,335	60,114
Add:		
Rental income under HKFRS 16	246	424
Total revenue	62,581	60,538

Revenue from building intelligence operation and control system operation recognised at a point in time when the customer obtains control of the goods.

Revenue from data centre operation recognised on over time when the service provided.

Disaggregation of the Group's revenue from contracts with customers by geographic markets is disclosed in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

6. OTHER INCOME AND OTHER GAINS, NET

	2024 HK\$'000	2023 HK\$'000
Other income		
Interest income on bank deposits (<i>note a</i>)	50	13
Interest income on loan receivables (<i>note a</i>)	–	177
Government grants (<i>note b</i>)	–	1,302
Value-added taxes refund (<i>note c</i>)	546	350
Sundry income	1,642	1,730
	2,238	3,572
Other gains, net		
Net exchange gain	292	49
(Loss)/gain on disposal of property, plant and equipment	(28)	1,751
Reversal of written down on inventory	39	–
Gain on disposal of subsidiaries (<i>note 32</i>)	3,044	–
Gain on disposal of an associate (<i>note 18</i>)	1,459	–
	4,806	1,800
	7,044	5,372

Notes:

- (a) Interest income from bank deposits and loan receivables represented the total interest income on financial assets not at FVTPL.
- (b) These government grants are unconditional government subsidies received by the Group from relevant government bodies in respect of incentive to “hi-tech enterprise”, with an amount of approximately HK\$1,126,000 and Employment Support Scheme provided by the Hong Kong Government with an amount of approximately HK\$176,000 for the year ended 31 March 2023.
- (c) Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

(a) Finance costs

	2024 HK\$'000	2023 HK\$'000
Interest expense on bank borrowings	3,200	3,467
Finance charges on lease liabilities	110	317
	3,310	3,784

(b) Staff costs (including Directors' emoluments in Note 9)

	2024 HK\$'000	2023 HK\$'000
Salaries, wages and other benefits	16,282	17,303
Contributions to defined contribution retirement plans	2,159	2,325
	18,441	19,628

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

7. LOSS BEFORE TAX (Continued)

(b) Staff costs (including Directors' emoluments in Note 9) (Continued)

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

As at 31 March 2024 and 2023, the Group had no forfeited contributions available to reduce the existing level of contributions.

(c) Other items

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration	700	700
Cost of inventories recognised as expenses	37,824	50,893
Depreciation of property, plant and equipment (note 14)	4,481	4,672
Depreciation of right-of-use assets (note 15)	2,859	6,168
Allowance for expected credit loss, net		
– Trade receivables	7,959	6,255
– Loan and other receivables	(18)	510
– Amount due from an associate	(465)	496
Written-off of property, plant and equipment	–	300
Impairment of non-financial assets:		
– Property, plant and equipment (note 14)	4,721	821
Expenses relating to short term lease	12	150
Research and development expenditure (note (i))	2,588	4,221

Note:

- (i) Research and development expenditure for the year ended 31 March 2024 included HK\$1,814,000 (2023: HK\$2,349,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 7(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

8. INCOME TAX

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

	2024 HK\$'000	2023 HK\$'000
Current tax		
PRC Enterprise Income Tax ("EIT") (note (iv))	16	–
Under-provision in respect of prior year		
PRC EIT	–	4
Income tax expense	16	4

Notes:

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax.
- (ii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.
- (iii) Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for Hong Kong profits tax made in the consolidated financial statements for the years ended 31 March 2024 and 2023 as the Group has not derived any assessable profit arising in Hong Kong for those years.
- (iv) The PRC subsidiaries of the Group are subject to PRC EIT at a rate of 25% for both years under the Law of the PRC on EIT and Implementation Regulation of the EIT Law.
- (v) Under the EIT Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.
- (vi) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

8. INCOME TAX (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Loss before tax	(17,752)	(43,675)
Notional tax on profit/(loss) before tax, calculated at the rates applicable in the countries concerned	(2,518)	(7,771)
Tax effect of share of results of associates	422	471
Tax effect of non-deductible expenses	3,758	4,878
Tax effect of non-taxable income	(2,236)	(311)
Tax effect of tax losses not recognised	1,412	2,733
Effect of tax incentive on eligible expenditure (note)	(822)	–
Under-provision in prior years	–	4
Actual tax expense	16	4

Note:

Certain PRC subsidiaries of the Group enjoyed an additional 100% (2023: 50% to 75%) tax deduction on research and development costs charged to profit or loss in the calculation of PRC EIT charge.

(c) Income tax in the consolidated statement of financial position

Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$54,047,000 (2023: HK\$48,690,000) as at 31 March 2024 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for tax losses of approximately RMB49,507,000 (2023: RMB41,860,000) in the PRC which is available for carry forward to offset future taxable profit for a period of five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Year ended 31 March 2024			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	
Executive directors				
Han Weining (Chief executive officer)	360	1,440	18	1,818
Chong Alex Tin Yam (note a) (Chief executive officer)	180	633	9	822
You Yiyang (note b)	–	16	–	16
Non-executive director				
Wong Hoi Lok (note c)	85	–	–	85
Independent non-executive directors				
Lam Ying Hung Andy	100	–	–	100
Wang Chen (note d)	42	–	–	42
Li Mingqi	100	–	5	105
Cheng Nicholas Tat Hei (note e)	87	–	–	87
Xu Wei (note f)	33	–	–	33
	987	2,089	32	3,108

	Year ended 31 March 2023			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	
Executive directors				
Han Weining (Chief executive officer)	360	1,440	18	1,818
Wang Jie (note d)	100	–	–	100
Independent non-executive directors				
Lam Ying Hung Andy	100	–	–	100
Wang Chen (note d)	100	–	–	100
Li Mingqi	100	–	5	105
	760	1,440	23	2,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Note:

- a. Mr. Chong Alex Tin Yam was appointed and resigned as an executive director with effect from 19 May 2023 and 31 October 2023.
- b. Mr. You Yiyang was appointed as an executive director with effect from 27 March 2024.
- c. Mr. Wong Hoi Lok was appointed and resigned as a non-executive director with effect from 24 July 2023 and 29 November 2023.
- d. Ms. Wong Jie and Mr. Wang Chen were retired as an executive director and an independent non-executive director upon the conclusion of the annual general meeting held on 30 August 2023.
- e. Mr. Cheng Nicholas Tat Hei was appointed as an independent non-executive director with effect from 19 May 2023.
- f. Mr. Xu Wei was appointed as an independent non-executive director with effect from 1 December 2023.

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

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

During the years ended 31 March 2024 and 2023, no bonus was paid to the executive directors of the Company. No emoluments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years. There was no arrangement under which a director waived or agreed to waive any emoluments for each of the years ended 31 March 2024 and 2023.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2023: one director), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2023: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries and other emoluments	1,800	2,055
Contributions to retirement benefit schemes	55	65
	1,855	2,120

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

	2024	2023
HK\$Nil to HK\$1,000,000	3	4

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for each of the years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

11. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during each of the years ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the each reporting period.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$17,840,000 (2023: approximately HK\$40,971,000) and the weighted average number of ordinary shares of the Company in issue during the year:

	2024 '000	2023 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	295,722	255,325

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

No diluted loss per share is presented as there was no potential dilutive ordinary shares in issue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

13. SEGMENT REPORTING

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

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

Building Intelligence:	Provision of video intercom system and security alarm solutions for residential complexes; smart home automation systems for new and existing households and other related products.
Control System:	Provision of automation hardware and software products, information systems platforms, as well as the industrial and monitoring and scheduling management system solutions for municipal utilities industry.
Data Centre:	Rental and maintenance services in relation to computer equipment and machines, information technology infrastructure and platform and robot and other related services.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets, interests in associates, financial asset at FVTPL and amount due from a former associate which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables and contract liabilities attributable to the activities of the individual segments, bank borrowings and lease liabilities managed directly by the segments with the exception of corporate liabilities which are unallocated to an individual reportable segment.

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

The measure used for reporting segment results is adjusted earnings or loss before interest and taxes ("Adjusted EBIT"). To arrive at the Adjusted EBIT, the Group's earnings or loss are further adjusted for items not specifically attributed to an individual reportable segment, such as interest income, depreciation of property, plant and equipment and right-of-use assets, allowance for/(reversal of) expected credit loss, net, and share of results of associates and unallocated corporate expenses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

13. SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2024 and 2023 is as follows:

	Building intelligence HK\$'000	Control system HK\$'000	2024 Data centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	24,305	38,030	246	–	62,581
Inter-segment revenue	2,224	1,335	–	–	3,559
Reportable segment revenue	26,529	39,365	246	–	66,140
Reportable segment profit/(loss) (Adjusted EBIT)	3,616	467	(11,711)	–	(7,628)
Interest income	12	21	–	17	50
Finance costs	(3,210)	(43)	(1)	(56)	(3,310)
Depreciation of property, plant and equipment	(1,941)	(210)	(1,005)	(1,325)	(4,481)
Depreciation of right-of-use assets	(568)	(493)	(95)	(1,703)	(2,859)
Allowance for/(reversal of) expected credit loss, net	(5,388)	(2,135)	(424)	471	(7,476)
Research and development expenditure	–	(2,588)	–	–	(2,588)
Impairment of property, plant and equipment	–	–	(4,721)	–	(4,721)
Share of results of associates	–	–	–	(2,559)	(2,559)
Reportable segment assets	97,721	45,493	608	–	143,822
Addition to non-current segment assets					
– Property, plant and equipment	–	25	–	–	25
Reportable segment liabilities	78,519	12,384	370	–	91,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

13. SEGMENT REPORTING (Continued)

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

	2023				
	Building intelligence HK\$'000	Control system HK\$'000	Data centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	25,766	33,977	795	–	60,538
Inter-segment revenue	1,703	1,342	–	–	3,045
Reportable segment revenue	27,469	35,319	795	–	63,583
Reportable segment loss (Adjusted EBIT)	(13,734)	(2,384)	(3,516)	–	(19,634)
Interest income	1	12	–	177	190
Finance costs	(3,499)	(69)	(28)	(188)	(3,784)
Depreciation of property, plant and equipment	(2,119)	(225)	(2,007)	(321)	(4,672)
Depreciation of right-of-use assets	(581)	(507)	(572)	(4,508)	(6,168)
Allowance for expected credit loss, net	(4,257)	(1,248)	(594)	(1,162)	(7,261)
Research and development expenditure	(1,903)	(2,318)	–	–	(4,221)
Written-off of property, plant and equipment	(300)	–	–	–	(300)
Impairment of property, plant and equipment	(821)	–	–	–	(821)
Share of results of associates	–	–	–	(2,855)	(2,855)
Reportable segment assets	90,625	53,164	6,891	–	150,680
Interests in associates	–	–	–	51,592	51,592
Addition to non-current segment assets					
– Property, plant and equipment	–	18	205	–	223
– Right-of-use assets	–	557	2,140	–	2,697
Reportable segment liabilities	117,461	20,018	175	–	137,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

13. SEGMENT REPORTING (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Revenue		
Reportable segment revenue	66,140	63,583
Elimination of inter-segment revenue	(3,559)	(3,045)
Consolidated revenue	62,581	60,538
Loss		
Reportable segment loss	(7,628)	(19,634)
Reversal of/(allowance for) expected credit loss, net	471	(1,162)
Interest income	50	190
Finance costs	(3,310)	(3,784)
Share of results of associates	(2,559)	(2,855)
Unallocated corporate expenses	(4,776)	(16,430)
Consolidated loss before tax	(17,752)	(43,675)
Assets		
Reportable segment assets	143,822	150,680
Interests in associates	–	51,592
Amount due from a former associate	17,500	15,286
Financial asset at fair value through profit or loss	33,865	–
Unallocated corporate assets	27,908	8,465
Consolidated total assets	223,095	226,023
Liabilities		
Reportable segment liabilities	91,273	137,654
Unallocated corporate liabilities	15,611	20,000
Consolidated total liabilities	106,884	157,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

13. SEGMENT REPORTING (Continued)

(c) Geographical information

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

	Revenue from external customers		Non-current assets	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Hong Kong (place of domicile)	246	795	–	11,172
The PRC	62,335	59,557	51,690	109,283
Overseas	–	186	–	–
	62,581	60,538	51,690	120,455

Note: Non-current assets exclude financial asset at fair value through profit or loss.

(d) Information about products and services

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

(e) Information about major customers

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

	2024 HK\$'000	2023 HK\$'000
Building intelligence		
– Customer A	16,972	N/A*
– Customer B	6,612	N/A*

* Revenue from the customer is less than 10% of the total revenue of the Group.

For the year ended 31 March 2023, no single customer contributed 10% or more to the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 April 2022	47,866	4,198	3,870	12,318	1,349	69,601
Additions	–	–	205	18	–	223
Disposal	(4,921)	–	–	(5)	–	(4,926)
Written-off	–	–	(748)	–	–	(748)
Effect of foreign currency exchange differences	(2,935)	(205)	(414)	(289)	(142)	(3,985)
At 31 March 2023 and 1 April 2023	40,010	3,993	2,913	12,042	1,207	60,165
Additions	–	–	–	25	–	25
Disposal	–	–	–	(7)	(284)	(291)
Effect of foreign currency exchange differences	(2,795)	(138)	(529)	(140)	(92)	(3,694)
At 31 March 2024	37,215	3,855	2,384	11,920	831	56,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Accumulated depreciation and impairment						
At 1 April 2022	15,586	3,303	2,884	3,371	1,025	26,169
Charge for the year	1,984	420	109	2,030	129	4,672
Disposal	(1,575)	-	-	-	-	(1,575)
Written-off	-	-	(448)	-	-	(448)
Impairment	-	-	502	251	68	821
Effect of foreign currency exchange differences	(856)	(205)	(360)	(227)	(109)	(1,757)
At 31 March 2023 and 1 April 2023	15,139	3,518	2,687	5,425	1,113	27,882
Charge for the year	1,902	384	48	2,026	121	4,481
Disposal	-	-	-	(6)	(257)	(263)
Impairment	-	626	125	3,970	-	4,721
Effect of foreign currency exchange differences	(1,106)	(673)	(563)	(113)	(197)	(2,652)
At 31 March 2024	15,935	3,855	2,297	11,302	780	34,169
Carrying amounts						
At 31 March 2024	21,280	-	87	618	51	22,036
At 31 March 2023	24,871	475	226	6,617	94	32,283

Note:

At 31 March 2024, buildings with net book value of HK\$21,280,000 (2023: HK\$24,871,000) were pledged to banks as one of the collaterals against the secured bank borrowings (note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

15. RIGHT-OF-USE ASSETS

	Leasehold land HK\$'000	Office premises HK\$'000	Total HK\$'000
Cost:			
At 1 April 2022	9,694	17,095	26,789
Addition (Note (b))	–	2,697	2,697
Effect of foreign currency exchange differences	(712)	(326)	(1,038)
At 31 March 2023 and 1 April 2023	8,982	19,466	28,448
Elimination	–	(11,021)	(11,021)
Disposal of a subsidiary	–	(6,190)	(6,190)
Effect of foreign currency exchange differences	(462)	(241)	(703)
At 31 March 2024	8,520	2,014	10,534
Accumulated depreciation:			
At 1 April 2022	1,347	8,387	9,734
Charge for the year	197	5,971	6,168
Effect of foreign currency exchange differences	(98)	(184)	(282)
At 31 March 2023 and 1 April 2023	1,446	14,174	15,620
Charge for the year	188	2,671	2,859
Elimination	–	(11,021)	(11,021)
Disposal of a subsidiary	–	(4,158)	(4,158)
Effect of foreign currency exchange differences	(78)	(170)	(248)
At 31 March 2024	1,556	1,496	3,052
Carrying amounts At 31 March 2024	6,964	518	7,482
At 31 March 2023	7,536	5,292	12,828

Notes:

- (a) At 31 March 2024, leasehold land with net book value of HK\$6,964,000 (2023:HK\$7,536,000) was pledged to banks as one of the collateral against the secure bank borrowing (note 26).
- (b) For the year ended 31 March 2023, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 2 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

16. GOODWILL

	2024 HK\$'000	2023 HK\$'000
Cost		
At beginning of the year	232,448	248,454
Effect of foreign currency exchange differences	(10,391)	(16,006)
At end of the year	222,057	232,448
Accumulated impairment losses		
At beginning of the year	209,073	223,226
Effect of foreign currency exchange differences	(9,188)	(14,153)
At end of the year	199,885	209,073
Carrying amount	22,172	23,375

In addition to goodwill, property, plant and equipment and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective cash-generating unit for the purpose of impairment assessment.

Goodwill is allocated to the Group's cash generating units as follows:

	2024 HK\$'000	2023 HK\$'000
Control system	22,172	23,375

Impairment tests for cash-generating units containing goodwill

For the purpose of determining whether goodwill attributable to the control system cash generating unit is impaired, the recoverable amount of the control system cash generating unit is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating unit operates. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, corporate tax rate, such estimation is based on the unit's past performance and management's expectations for the market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

16. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill (Continued)

The key assumptions used in value-in-use calculations are as follows:

	Control system	
	2024	2023
	%	%
– Long-term growth rate	2.0	2.2
– Pre-tax discount rate	18.78	20.43

The long-term growth rates used was adopted based on the China long term projected inflation as sourced from the International Monetary Fund. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

During the year ended 31 March 2024 and 2023, based on management's assessment results in the headroom over the carrying values of control system cash generating unit, and consequently no impairment has been made.

17. PRINCIPAL SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held		Principal activities/ place of operation
			Directly		Indirectly		2024	2023	
			2024	2023	2024	2023			
Ethereum Data Limited ("Ethereum")	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	-	-	100%	100%	Rental and maintenance services in relation to computer equipment and machines, information technology infrastructure and platform and robot and other related services/Hong Kong
悉雅特萬科思自動化(杭州)有限公司 (note (a))	PRC	Registered capital of US\$1,000,000	-	-	100%	100%	100%	100%	Design, development and sales of automation control systems/PRC
萬科思自動化(上海)有限公司 (note (b))	PRC	Registered capital of RMB120,000,000	-	-	100%	100%	100%	100%	Design, development and sales of automation control systems/PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

17. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held		Principal activities/ place of operation
			Directly		Indirectly				
			2024	2023	2024	2023	2024	2023	
悉雅特樓宇自控(杭州)有限公司 (note (b))	PRC	Registered capital of RMB2,483,109.5	-	-	85%	85%	85%	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
萬科思自控設備(中國)股份有限公司 (notes (b), (c) and (d))	PRC	Registered capital of RMB76,431,600	-	-	56.67%	85%	56.67%	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
杭州奧邁智能科技有限公司 (notes (b) and (d))	PRC	Registered capital of RMB5,000,000	-	-	56.67%	85%	56.67%	85%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
澳萬樓宇智能設備(上海)有限公司 (notes (b) and (d))	PRC	Registered capital of RMB30,000,000	-	-	56.67%	85%	56.67%	85%	Sales of intelligent building systems including video intercom and surveillance systems for buildings/ PRC
浙江澳萬信息技術有限公司 (note (a))	PRC	Registered capital of US\$1,700,000	-	-	85%	85%	85%	85%	Investment holding/PRC

Notes:

- Registered under the laws of the PRC as a wholly foreign owned enterprise.
- Registered under the laws of the PRC as a limited liability company.
- The company changed its name from MOX Control IT (China) Limited to 萬科思自控設備(中國)股份有限公司 with effect from 14 December 2021.
- On 24 July 2023, MOX Group Limited, a subsidiary of the Company, completed its allotment and 25,000 ordinary shares issued to the independent third party. Upon completion, the equity interest of MOX Group Limited held by the Group decreased from 100% to 66.67%. The total proceeds net of direct transaction cost of approximately HK\$27,203,000 was record and comprise in capital reserve, translation reserve and non-controlling interests amounting to approximately HK\$21,072,000, HK\$2,410,000 and HK\$3,721,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

18. INTERESTS IN ASSOCIATES

	2023 HK\$'000
Cost of investment in associates	56,000
Share of post-acquisition loss, net of dividends received	(4,659)
Exchange adjustments	251
	51,592

The following is a list of the particulars of the associates, which are unlisted corporate entities whose quoted market price is not available, as at 31 March 2023:

Name of entity	Place of incorporation and business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activity
		2023	2023	
logo Workshop Investment Limited ("logo", together with its subsidiaries as the "logo Group")	BVI	20% (Direct)	20%	Investment holding
Dolphin International Technology Co., Ltd. 深圳海豚充電科技有限公司 (note(a))	Hong Kong PRC	20% (Indirect) 20% (Indirect)	20% 20%	Investment holding Investment holding
深圳市海豚共享科技有限公司 (note(b))	PRC	20% (Indirect)	20%	Leasing and renting of charging stations for mobile devices and extended value added services

Notes:

- (a) Registered under the laws of the PRC as a wholly foreign owned enterprise.
- (b) Registered under the laws of the PRC as a limited liability company.
- (c) The above associates are accounted for using the equity method in the consolidated financial statements.
- (d) The financial year end date for logo and its subsidiaries is 31 March.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

18. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of logo Group:

logo Group	2023 HK\$'000	
Current assets		18,968
Non-current assets		19,873
Current liabilities		(34,339)
Non-current liabilities		(1,051)
Net assets		3,451
	2024	2023
	HK\$'000	HK\$'000
Revenue	8,538	157
Loss for the year	(12,795)	(14,275)
Other comprehensive income/(loss) for the year	370	(1,449)
Total comprehensive loss for the year	(12,425)	(15,724)
Dividends received from the associate during the year	–	–

Reconciliation of the above summarised financial information to the carrying amount of interests in associates recognised in the consolidated financial statements:

	2023 HK\$'000	
Net assets of the logo Group		3,451
Proportion of the Group's ownership interest in the logo Group		20%
The Group's share of net assets of logo Group		690
Goodwill		50,902
Carrying amount of the Group's interest in the logo Group		51,592

In the prior year, the Group held a 20% interest in logo Workshop Investment Limited and accounted for the investment as an associate. In March 2024, the Group disposed of a 5% interest in logo Workshop Investment Limited to a third party for proceeds of RMB15,000,000. The Group has accounted for the remaining 15% interest as financial asset at FVTPL whose fair value at the date of disposal was HK\$33,865,000, which was determined using a discounted cash flow model. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	HK\$'000
Proceeds of disposal	16,376
Plus: fair value of investment retained (15%)	33,865
Reclassification of cumulative translation reserve upon disposal	325
Less: carrying amount of the 20% investment on the date of loss of significant influence	(49,107)
Gain recognized	1,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK\$'000
Unlisted equity securities	33,865

The unlisted equity securities are shares in logo Workshop Investment Limited, a company incorporated in PRC which is investment holding and its subsidiaries leasing and renting of charging stations for mobile devices and extended value added services. As at 31 March 2024, the Group held 15% equity interest in logo Workshop Investment Limited.

20. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Raw materials	6,627	7,506
Work in progress	13,544	13,996
Finished goods	25,646	26,960
	45,817	48,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

21. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables (<i>notes (a) and (b)</i>)	48,546	47,407
Less: Loss allowance (<i>note (c)</i>)	(26,194)	(23,605)
	22,352	23,802
Bill receivables	–	154
Loan receivables	–	21,318
Other receivables (<i>note (d)</i>)	24,529	23,596
Prepaid value-added and other taxes	67	118
Deposits and prepayments	13,818	12,119
Less: Loss allowance	(19,916)	(41,255)
	18,498	16,050
	40,850	39,852
Reconciliation to the consolidated statement of financial position:		
Non-current	–	377
Current	40,850	39,475
	40,850	39,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

21. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) For the year ended 31 March 2024, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2023: 30 to 180 days). A longer credit period of 181 to 365 days (2023: 181 to 365 days) may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers payment history, financial background, transaction volume and length of business relationship with the Group.

(b) The following is an aged analysis of trade receivables, presented based on past due date:

	2024 HK\$'000	2023 HK\$'000
Not yet past due	28,707	20,694
1-60 days	2,258	2,729
61-90 days	1,874	1,962
91-180 days	340	340
181-365 days	6,511	1,811
Over 365 days	8,856	19,871
	48,546	47,407
Less: Loss allowance (note 30(a))	(26,194)	(23,605)
	22,352	23,802

(c) Impairment of trade receivables

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 HK\$'000	2023 HK\$'000
At beginning of the year	23,605	27,746
Allowance for expected credit loss, net	7,959	6,255
Written-off	(4,712)	(8,196)
Effect of foreign currency exchange difference	(658)	(2,200)
At end of the year	26,194	23,605

(d) Amount mainly represents the past due gross outstanding receivable balance at 31 March 2024 of approximately HK\$16,831,000 (2023: HK\$16,831,000), with full allowance of approximately HK\$16,831,000 (2023: HK\$16,831,000) arising from one-off respirator masks trading to an independent third party.

Details of impairment assessment of financial assets for the years ended 31 March 2024 and 2023 are set out in note 30(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

22. AMOUNT DUE FROM A FORMER ASSOCIATE

As at 31 March 2024, the carrying amount of amount due from a former associate of approximately HK\$17,500,000 (2023: HK\$15,286,000), net of loss allowance of approximately HK\$127,000 (2023: HK\$592,000), was unsecured, interest-free and recoverable on demand.

As referred to in notes 18 and 19, in March 2024, the Company has entered into a sale and purchase agreement with independent third party and agreed to disposal of 5% interest of the associate which become a former associate.

For details of impairment assessment on amount due from a former associate, please refer to note 30(a).

23. CASH AND CASH EQUIVALENTS

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 1.10% (2023: 0.001% to 1.10%) per annum.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

24. TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	13,814	18,186
Accrued salaries	3,492	3,213
Accrued expenses	3,347	3,723
Other payables (<i>note</i>)	24,454	26,923
Deposit received	3	4,416
Financial liabilities measured at amortised cost	45,110	56,461
Other tax payables	536	751
	45,646	57,212

Note: Amounts include (i) the outstanding payable balance of approximately HK\$6,525,000 (2023: HK\$6,525,000) arising from one-off respirator masks trading transaction, and (ii) amount due to a director of approximately HK\$1,654,000 (2023: HK\$4,980,000), which was unsecured, non-interest bearing and repayable on demand.

The following aged analysis of trade payables presented based on invoice date:

	2024 HK\$'000	2023 HK\$'000
0–60 days	4,424	2,208
61–90 days	197	8,692
91–180 days	254	2,474
181–365 days	449	1,244
Over 365 days	8,490	3,568
	13,814	18,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

25. CONTRACT LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Building intelligence	8,930	24,449
Control system	1,123	7,773
Within one year	10,053	32,222

As at 1 April 2022, contract liabilities amounted to HK\$40,730,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers. The Company considers contract with customer would not have a significant financing component since the customer paid for the goods in advance and the timing of the transfer of those goods is at the discretion of the customer.

Revenue recognised that was included in the contract liabilities balance at the beginning of the year ended 31 March 2024 amounted to HK\$22,309,000 (2023: HK\$13,720,000).

The contract liabilities relating to sales of building intelligence and control system will be recognised as revenue when the Group fulfil the contract's obligation.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a certain deposit based on the contract value upon acceptance of contract and before construction work commences.

26. BANK BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Bank borrowings: – secured (<i>note (c)</i>)	50,650	62,753
	50,650	62,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

26. BANK BORROWINGS (Continued)

	2024 HK\$'000	2023 HK\$'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	50,650	62,753
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	50,650	62,753

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand clause. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). As at 31 March 2024 and 2023, none of the covenants relating to drawn down facilities had been breached.

All of the bank borrowings are carried at amortised cost.

Notes:

- (a) All the Group's bank borrowings are denominated in RMB.
- (b) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2024	2023
Effective interest rates:		
Fixed-rate borrowings		
Secured	4.35%-5.80%	4.15%-6.35%

- (c) At 31 March 2024 and 2023, the secured bank borrowings are secured by buildings of property, plant and equipment and right-of-use assets of the Group (see notes 14 and 15). The secured bank borrowings are also secured by the director's property (see note 33(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

27. LEASE LIABILITIES

The following tables shows the remaining contractual maturities of the Group's lease liabilities as at 31 March 2024 and 2023:

	2024		2023	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	535	547	3,826	3,953
After 1 year but within 2 years	–	–	1,641	1,721
	535	547	5,467	5,674
Less: total future interest expenses		(12)		(207)
Total lease liabilities		535		5,467
Less: non-current portion		–		(1,641)
Current portion		535		3,826

Note:

At 31 March 2024, the weighted average incremental borrowing rates applied to lease liabilities range from is 6.175% (2023: 3.70% to 6.175%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

28. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Movements in components of equity

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 April 2022	313,091	843,126	71,349	541	(1,151,264)	76,843
Comprehensive loss						
Loss for the year	-	-	-	-	(22,207)	(22,207)
Other comprehensive loss						
Exchange differences arising on translation of foreign operations	-	-	-	(290)	-	(290)
Total comprehensive loss for the year	-	-	-	(290)	(22,207)	(22,497)
Issue of shares	12,300	-	-	-	-	12,300
Share issuance cost	-	(246)	-	-	-	(246)
Capital Reorganisation	(299,360)	-	-	-	299,360	-
Transaction cost related to Capital Reorganisation	-	(605)	-	-	-	(605)
At 31 March 2023 and 1 April 2023	26,031	842,275	71,349	251	(874,111)	65,795
Comprehensive loss						
Loss for the year	-	-	-	-	(8,623)	(8,623)
Other comprehensive income/(loss)						
Exchange differences arising on translation of foreign operations	-	-	-	74	-	74
Reclassification of cumulative translation reserve upon disposal of a foreign operation	-	-	-	(325)	-	(325)
Total comprehensive loss for the year	-	-	-	(251)	(8,623)	(8,874)
Issue of shares	10,000	29,060	-	-	-	39,060
Share issuance cost	-	(544)	-	-	-	(544)
At 31 March 2024	36,031	870,791	71,349	-	(882,734)	95,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

28. CAPITAL AND RESERVES (Continued)

(b) Share capital

	Par value HK\$	Number of shares '000	Nominal value HK\$'000
Authorised:			
As at 1 April 2022	0.25	1,600,000	400,000
Share Consolidation (Note 2)	1.25	(1,280,000)	–
Sub-division (Note 2)	0.1	3,680,000	–
As at 31 March 2023, 1 April 2023 and 31 March 2024	0.1	4,000,000	400,000
Issued and fully paid:			
As at 1 April 2023	0.25	1,252,363	313,091
Issue of shares (Note 1)	0.25	49,200	12,300
Share Consolidation (Note 2)	1.25	(1,041,250)	–
Capital Reduction (Note 2)	0.1	–	(299,360)
As at 31 March 2023 and 1 April 2023	0.1	260,313	26,031
Issue of shares (Note 3)	0.1	100,000	10,000
As at 31 March 2024	0.1	360,313	36,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

28. CAPITAL AND RESERVES (Continued)

(b) Share capital (Continued)

Notes:

- (1) On 3 October 2022, the Company issued 49,200,000 new shares at consideration of HK\$12,300,000 under general mandate to an independent third party at the subscription price of HK\$0.25 per share. The net proceeds amounting to HK\$12,054,000 have been applied as general working capital and/or further investments of the Group as when the opportunities arise.
- (2) During the year ended 31 March 2023, the Company conducted the capital reorganisation (the "Capital Reorganisation"), involving (i) the share consolidation (the "Share Consolidation") whereby every five issued and unissued Shares of HK\$0.25 each will be consolidated into one consolidated share (the "Consolidated Share") of HK\$1.25 each; (ii) the capital reduction (the "Capital Reduction") whereby the par value of each issued Consolidated Share will be reduced from HK\$1.25 to HK\$0.10 by cancelling the paid up share capital to the extent of HK\$1.15 per issued Consolidated Share so that following such reduction, each issued Consolidated Share in the share capital of the Company shall become one new share (the "New Share") with a par value of HK\$0.10 each; and (iii) the sub-division (the "Sub-division"), immediately following the Share Consolidation and the Capital Reduction becoming effective, whereby each authorised but unissued Consolidated Share will be sub-divided into 12.5 New Shares with a par value of HK\$0.10 each. The credit arising from the Capital Reduction applied towards offsetting the Company's accumulated losses upon the Capital Reduction becoming effective.

The Share Consolidation became effective on 22 December 2022 upon the passing of resolutions by the Shareholders at an extraordinary general meeting of the Company held on 20 December 2022. The Capital Reduction and the Sub-division became effective on 9 March 2023 upon, among others, the further obtaining of a court order by the Company made by the Grand Court of the Cayman Islands confirming the Capital Reduction. For details of the Capital Reorganisation, please refer to the announcements of the Company dated 16 November 2022, 20 December 2022, 27 January 2023 and 9 March 2023 respectively, and the circular of the Company dated 2 December 2022.

- (3) During the year ended 31 March 2024, on 19 May 2023, on 27 March 2024, the Company issued 40,000,000 and 60,000,000 new shares respectively at consideration of HK\$15,000,000 and HK\$24,000,000 under general mandate to independent third parties at the subscription price of HK\$0.3675 and HK\$0.401 per share. The net proceeds amounting to HK\$38,516,000 have been applied as general working capital and further investments of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

28. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) *Share premium*

Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Capital reserve*

The capital reserve of the Group represents the differences between the nominal value of the Company's shares issued and the nominal value of shares of Ethereum (formerly known as LakeWest Holdings Limited) acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(iii) *Merger reserve*

The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of Ethereum (formerly known as LakeWest Holdings Limited) and its subsidiaries acquired through an exchange of shares in December 2006 pursuant to the reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange, which was not available for distribution.

(iv) *Statutory reserve*

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors. Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of the entity's registered capital. The Company's certain subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations to the statutory reserves until the reserve balances reaches 50% of the registered capital. The transfer must be made before distribution of dividends to owners. The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the respective subsidiary and is non-distributable other than in the event of liquidation.

(v) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.

(vi) *Other reserve*

The other reserve represents the difference between the consideration paid for the further acquisition of 36% equity interest in Sense Field Group Limited in March 2017 and the carrying value of non-controlling interest derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

28. CAPITAL AND RESERVES (Continued)

(d) Distributability of reserves

As at 31 March 2024, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2023: Nil).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of the adjusted net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is defined as total debt (which includes bank borrowings and lease liabilities) less cash and cash equivalents.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods was as follows:

	31 March 2024 HK\$'000	31 March 2023 HK\$'000
Bank borrowings (note 26)	50,650	62,753
Leases liabilities (note 27)	535	5,467
	51,185	68,220
Less: Cash and cash equivalents (note 23)	(33,373)	(2,345)
Net debt	17,812	65,875
Total equity	116,211	68,369
Adjusted gearing ratio	15%	96%

Note:

Total equity includes share capital and reserves at the end of each reporting period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

29. FINANCIAL INSTRUMENTS BY CATEGORIES

	2024 HK\$'000	2023 HK\$'000
Financial assets		
Financial assets at amortised cost	91,656	47,227
Financial asset at FVTPL	33,865	–
Financial liabilities		
Financial liabilities at amortised costs	96,295	124,681

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include, cash and cash equivalent, trade receivables, bill receivables, loan receivables, other receivable, and deposits, financial asset at FVTPL, amount due from a former associate, trade payables, accrued salaries, accrued expenses and other payables, lease liabilities and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and other price risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to trade and other receivables. The Group's credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies, for which the Group considers to have low credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk *(Continued)*

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2024, the Group has a certain concentration of credit risk as 76% (2023: 53%) of the net trade receivables were due from the Group's five largest customers.

In order to minimise the credit risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each major customer periodically. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The Group do not require collateral from its debtors. Debts are usually due within 30 to 180 days from the date of billing.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk (Continued)

The following table details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12- month or lifetime ECL	2024		2023	
					Gross carrying amounts HK\$'000	Gross carrying amounts HK\$'000	Gross carrying amounts HK\$'000	Gross carrying amounts HK\$'000
Financial assets at amortised cost								
Trade receivables	21	N/A	Note (i)	Life-time ECL (collective assessment)	39,690		27,536	
		N/A	Loss	Life-time ECL (credit impaired)	8,856	48,546	19,871	47,407
Loan receivables	21	N/A	Loss	Life-time ECL (credit impaired)	-	-	21,318	21,318
Other receivables	21	N/A	Low risk	12m ECL	4,748		3,745	
		N/A	Loss	Life-time ECL (credit impaired)	19,781	24,529	19,851	23,596
Amount due from a former associate	22	N/A	Low risk	12-month ECL		17,627		15,878
Deposits	21	N/A	Low risk	12-month ECL		1,141		2,135
Cash and cash equivalents	23	AA+	N/A	12-month ECL		33,373		2,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk (Continued)

Notes:

- (i) The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2024:

	Average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Collective assessment			
Not yet past due	30.37%	28,707	8,717
0-60 days	54.84%	2,258	1,238
61-90 days	75.19%	1,874	1,409
91-180 days	81.15%	340	276
181-365 days	87.52%	6,511	5,698
Individual assessment	100%	8,856	8,856
		48,546	26,194

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2023:

	Average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Collective assessment			
Not yet past due	9.17%	20,694	1,897
0-60 days	21.81%	2,729	595
61-90 days	28.59%	1,962	561
91-180 days	30.59%	340	104
181-365 days	31.86%	1,811	577
Individual assessment	100.00%	19,871	19,871
		47,407	23,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk *(Continued)*

Notes: (Continued)

(i) *(Continued)*

For long overdue trade receivables, the Group regularly reviews the specific circumstances of each major customer to determine if any follow-up action has to be taken. An extension of credit period may be granted by the Group to customers with long business relationship and established reputation; customers which are distributors that have difficulty in receiving payments from final customers; customers which are government-related entities that are subject to strictly regulated government annual budgeting process and payment approval procedures; and customers for which a repayment plan has been arranged.

For the purpose of assessment of ECLs, expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. Increase in the lifetime ECL for trade receivable are mainly due to deterioration in settlement of trade receivable adjusted with current conditions and group's view of economic conditions over the expected live of receivable. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, eg. When the debtor has been placed under liquidation or has entered into bankruptcy proceedings, have significant financial difficulty, or when the trade receivables are over 3 years past due, whichever occurs earlier.

At 31 March 2024, the ECL of debtors with gross carrying amount of approximately HK\$39,690,000 (2023: HK\$27,536,000) was assessed by using provision matrix for the year ended 31 March 2024. Debtors with significant outstanding balances or credit-impaired with gross carrying amount of approximately HK\$8,856,000 (2023: HK\$19,871,000) as at 31 March 2024 was assessed individually and full allowance is provided since the receivables are past due for a prolonged period.

- (ii) In determining the ECL of the Group's other receivables, the management assessed the expected losses individually by estimation based on historical credit loss experience, general economic conditions of the relevant industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. However, due to the worsened general economic condition of the relevant industry in which the debtors operate, the management expected that the recoverability of the payments is uncertain and thus lifetime ECL (credit-impaired) of approximately HK\$19,781,000 (2023: HK\$19,851,000) was recognised as at 31 March 2024 and allowance for 12m ECL of approximately HK\$133,000 (2023: HK\$86,000) was recognised as at 31 March 2024. The expected credit loss rates for 12m ECL ranging from 0.01% to 16.62% (2023: 0.03% to 16.76%).

The directors of the Company are responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In view of the above, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2024, since the Group written-off its loan receivables of HK\$21,318,000 for the year ended 31 March 2024 but are still subject to enforcement activities. The amounts are over 2 years past due. Loan receivables represent amounts advanced to independent third parties and are unsecured, interest bearing at 8% per annum with full allowance for lifetime expected credit losses (credit-impaired) of approximately HK\$21,318,000 made as at 31 March 2023. The specific provision was made for two debtors of which, upon the management's individual assessment, the receivable amounts were past due and long outstanding and thus their full recoverability was in doubt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk (Continued)

Notes: (Continued)

(ii) (Continued)

For deposits paid, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits based on historical settlement records and past experience. The management of the Company believes that there is no material credit risk inherent in the Group's outstanding balance of deposits.

For amount due from a former associate, the Group regularly monitors the business performance of the former associate. The management makes periodic individual assessment on the recoverability of amount due from a former associate based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2024, the management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of amount due from a former associate. The allowance for expected credit loss of approximately HK\$127,000 (2023: HK\$592,000) was recognised. The expected credit loss rate is 0.7% (2023: 3.73%).

(iii) In relation to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low.

(iv) The movements in the impairment loss on trade receivables, loan receivables, other receivables and amount due from an associate during the year, including both specific and collective loss components, are as follows:

	Trade receivables lifetime ECL (not credit-impaired) HK\$'000	Trade receivables lifetime ECL (credit-impaired) HK\$'000	Loan receivables 12m ECL HK\$'000	Loan receivables lifetime ECL (credit-impaired) HK\$'000	Other receivables 12m ECL HK\$'000	Other receivables lifetime ECL (credit-impaired) HK\$'000	Amount due from an associate 12m ECL HK\$'000	Total HK\$'000
As at 1 April 2022	2,556	25,190	860	22,672	335	16,881	96	68,590
Impairment loss recognised/ (reversed), net	5,249	1,006	(860)	(1,354)	(160)	2,884	496	7,261
Transfer	(3,723)	3,723	-	-	(86)	86	-	-
Written-off	-	(8,196)	-	-	-	-	-	(8,196)
Effect of foreign currency exchange difference	(348)	(1,852)	-	-	(3)	-	-	(2,203)
As at 31 March 2023 and 1 April 2023	3,734	19,871	-	21,318	86	19,851	592	65,452
Impairment loss recognised/ (reversed), net	13,323	(5,364)	-	-	52	(70)	(465)	7,476
Written-off	-	(4,712)	-	(21,318)	-	-	-	(26,030)
Effect of foreign currency exchange difference	3,225	(939)	-	-	(3)	-	-	(661)
As at 31 March 2024	17,338	8,856	-	-	135	19,781	127	46,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to parent company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	Weighted average interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted amount HK\$'000	Carrying amount HK\$'000
As at 31 March 2024							
Non-derivative financial liabilities							
Trade and other payables	-	45,110	-	-	-	45,110	45,110
Bank borrowings	5.60	51,767	-	-	-	51,767	50,650
Lease liabilities	6.18	547	-	-	-	547	535
		97,424	-	-	-	97,424	96,295

	Weighted average interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted amount HK\$'000	Carrying amount HK\$'000
As at 31 March 2023							
Non-derivative financial liabilities							
Trade and other payables	-	56,461	-	-	-	56,461	56,461
Bank borrowings	5.42	64,977	-	-	-	64,977	62,753
Lease liabilities	5.44	3,953	1,721	-	-	5,674	5,467
		125,391	1,721	-	-	127,112	124,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, loan receivables, bank borrowings and lease liabilities.

The Group is exposed to cash flow interest rate risk in relation to the Group's bank deposits which is mainly concentrated on the fluctuation of market interest rate. The Group is also exposed to fair value interest rate risk in respect of its fixed-rate loan receivables, fixed-rate bank borrowings and lease liabilities.

The Group aims at keeping borrowings at fixed rates.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing assets and liabilities at the end of the reporting period:

	2024		2023	
	Range of interest rates	HK\$'000	Range of interest rates	HK\$'000
Fixed-rate borrowings:				
Bank borrowings	4.35%-5.80%	50,650	4.15%-6.35%	62,753
Lease liabilities	6.18%	535	3.70%-6.18%	5,467
		51,185		68,220
Variable-rate bank deposits:				
Cash at bank	0.01%-1.10%	33,373	0.001%-1.10%	2,345

(ii) Sensitivity analysis

Borrowings of the Group which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

No sensitivity analysis for interest rate risk exposure to variable rate bank deposits is presented as the management considered that the amount involved is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily US\$.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK\$, translated using the spot rate at the year-end date.

	Exposure to foreign currencies (expressed in HK\$'000)	
	2024 US\$	2023 US\$
Trade and other payables	(6,525)	(6,525)
Net exposure arising from recognised assets and liabilities	10,256	(6,525)

(ii) Price risk

The Group is exposed to equity price changes arising from private equity investment held for long term strategic purposes. The performance of the private equity investment is assessed at least annually against performance of similar listed entities or performance of its industry, together with an assessment of their relevance to the Group's long-term strategic plan.

(iii) Sensitivity analysis

As the pegged rate between HK\$ and US\$ would be materially unaffected by any changes in value of US\$ against HK\$, the directors consider that the sensitivity of the Group's exposure toward the change in foreign exchange rate between HK\$ and US\$ is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of financial assets that are measured on a recurring basis.

The directors of the Company have set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

	Fair value as at 31/12/2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial asset at fair value through profit or loss	HK\$33,865,000;	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries of 2.02%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) Fair value measurement of financial instruments (Continued)

Fair value as at 31/12/2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
			Discount rate, taking into account weighted average cost of capital determined using a Capital Asset Pricing Model, of 15.73%.
			Discount for lack of marketability of 15.68%.
			Discount for lack of control 30.65%.

Note:

A slight increase in the long-term revenue growth rates or long-term pre-tax operating margin used in isolation would result in a significant increase in the fair value measurement of the financial asset, and vice versa.

A slight increase in the discount rate, discount for lack of marketability or discount for lack of control used in isolation would result in a significant decrease in the fair value measurement of the financial asset, and vice versa. A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the financial asset by approximately of HK\$2,448,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) Fair value measurement of financial instruments *(Continued)*

There was no transfer among Level 1, 2 and 3 during the year (2023: Nil).

Reconciliation of Level 3 fair value measurements

	2024 HK'000
Financial assets at FVTPL	
Addition due to disposal of an associate	33,865
Closing balance	33,865

The carrying amount of the Group's other financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2022	72,337	9,141	81,478
Changes from cash flows:			
– Borrowings raised	74,335	–	74,335
– Repayment of borrowings	(78,607)	–	(78,607)
– Repayment of leases liabilities	–	(6,544)	(6,544)
– Interest paid	(3,467)	–	(3,467)
Non-cash changes			
– New lease entered	–	2,697	2,697
– Finance costs recognised	3,467	317	3,784
– Effect of foreign exchange rate changes	(5,312)	(144)	(5,456)
At 31 March 2023 and 1 April 2023	62,753	5,467	68,220
Changes from cash flows:			
– Borrowings raised	54,062	–	54,062
– Repayment of borrowings	(62,936)	–	(62,936)
– Repayment of leases liabilities	–	(2,861)	(2,861)
– Interest paid	(3,200)	–	(3,200)
Non-cash changes			
– Finance costs recognised	3,200	110	3,310
– Disposal of subsidiaries	–	(2,112)	(2,112)
– Effect of foreign exchange rate changes	(3,229)	(69)	(3,298)
At 31 March 2024	50,650	535	51,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

32. DISPOSAL OF SUBSIDIARIES

On 11 September 2023, the Group disposal of its subsidiary One World Clean Energy Investment Co Limited and its subsidiaries ("One World Group"). The net assets of One World Group at the date of disposal were as follows:

	HK\$'000
Consideration received:	
Cash received	—*
	11 September 2023 HK\$'000
Analysis of assets and liabilities over which control was lost:	
Right-of-use assets	2,032
Deposits and prepayments	291
Cash and bank balances	3
Trade and other payables	(736)
Lease liabilities	(2,112)
Net liabilities disposed of	(522)
Gain on disposal of One World Group:	
Consideration received and receivable	—*
Net liabilities disposed of	522
Gain on disposal	522
Net cash outflow arising on disposal:	
Cash consideration	—*
Less: cash and cash equivalents disposed of	(3)
	(3)

* Amount less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

32. DISPOSAL OF SUBSIDIARIES *(Continued)*

On 10 October 2023, the Group disposal of its subsidiary Hong Kong Blockchain Development Company Limited and its subsidiaries ("HK Blockchain Development Group"). The net assets of HK Blockchain Development Group at the date of disposal were as follows:

	HK\$'000
Consideration received:	
Cash received	—*
	10 October 2023 HK\$'000
Analysis of assets and liabilities over which control was lost:	
Trade and other payables	(2,522)
Net liabilities disposed of	(2,522)
Gain on disposal of HK Blockchain Development Group:	
Consideration received and receivable	—*
Net liabilities disposed of	2,522
Gain on disposal	2,522
Net cash inflow arising on disposal:	
Cash consideration	—*

* Amount less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

33. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

(a) Transactions with related parties

	2023 HK\$'000
Sale under Building Intelligence segment – logo Group	46

(b) Transactions with key management personnel

Emoluments for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10 are as follows:

	2024 HK\$'000	2023 HK\$'000
Short-term employee benefits	4,395	3,362
Post-employment benefit	66	41
	4,461	3,403

Total emoluments is included in "Staff Costs" (see note 7(b)).

(c) Guarantee

At 31 March 2024, a personal guarantee was given by Mr. Han Weining, the chief executive officer and executive director of the Company with the carrying value of bank borrowing of approximately HK\$50,650,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

34. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2024, the consideration receivable for the disposal of associate have been settled by netting trade and other payables of approximately HK\$16,376,000.

During the year ended 31 March 2023, the loan receivables have been settled by netting trade and other payables of approximately HK\$15,125,000.

35. EVENT AFTER THE REPORTING PERIOD

(a) GRANT OF SHARE OPTIONS

On 27 April 2024, the Company has granted a total of 25,043,200 share options ("Share Option(s)") under the share option scheme adopted by the Company on 30 August 2022 (the "Share Option Scheme") to certain eligible persons (in accordance with the terms of the Share Option Scheme) (the "Grantee(s)"), to subscribe, in aggregate, for up to 25,043,200 ordinary shares of HK\$0.1 each (the "Share(s)") in the share capital of the Company, subject to acceptance of the Grantees. Among the Share Options, 3,596,800 Share Options were granted to Mr. You Yiyang, an executive Director, and the remaining 21,446,400 Share Options were granted to six employees of the Group. For further details, please refer to the announcements of the Company dated 26 April 2024 and 7 May 2024 respectively.

(b) APPOINTMENT OF NON-EXECUTIVE DIRECTOR

On 29 May 2024, Ms. Woodham Mostovaya Ekaterina ("Ms. Ekaterina") has been appointed as a non-executive Director of the Company. Ms. Ekaterina is subject to retirement and eligible for re-election at the next annual general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2024

36. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Investments in subsidiaries		–	–
Interests in associates		–	51,592
Financial assets at fair value through profit or loss		33,865	–
		33,865	51,592
Current assets			
Other receivables		–	1,980
Amount due from a former associate		17,500	15,286
Amounts due from subsidiaries		25,848	128
Cash and cash equivalents		23,820	6
		67,168	17,400
Current liabilities			
Accrual and other payables		5,596	3,197
		5,596	3,197
Net current assets		61,572	14,203
Net assets		95,437	65,795
EQUITY			
Share capital	28	36,031	26,031
Reserves		59,406	39,764
Total equity		95,437	65,795

Approved and authorised for issue by the board of directors on 28 June 2024.

Han Weining
Director

You Yiyang
Director

FIVE YEARS SUMMARY

	2024 HK\$'000	For the year ended 31 March			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	62,581	60,538	114,165	90,281	73,243
Loss before tax	(17,752)	(43,675)	(113,728)	(18,204)	(40,603)
Income tax (expense)/credit	(16)	(4)	(45)	1,313	2,113
Loss for the year	(17,768)	(43,679)	(113,773)	(16,891)	(38,490)
Attributable to:					
Owners of the Company	(17,840)	(40,971)	(109,678)	(15,133)	(38,677)
Non-controlling interests	72	(2,708)	(4,095)	(1,758)	187
	(17,768)	(43,679)	(113,773)	(16,891)	(38,490)

	2024 HK\$'000	As at 31 March			
		2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Total assets	223,095	226,023	271,452	309,714	296,288
Total liabilities	(106,884)	(157,654)	(166,017)	(147,072)	(123,083)
	116,211	68,369	105,435	162,642	173,205
Equity attributable to owners of the Company	113,173	69,126	102,893	156,218	165,568
Non-controlling interests	3,038	(757)	2,542	6,424	7,637
	116,211	68,369	105,435	162,642	173,205